BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO.: Order/DM/RM/2023-24/28987

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of:

LATE KALAWATI SOMANI

PAN: AKVPS6611G

In the matter of dealings in Illiquid Stock Options at the Bombay Stock Exchange

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BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") observed large scale reversal of trades in the Stock Options segment of the Bombay Stock Exchange (hereinafter referred to as "BSE") leading to the alleged creation of artificial volume in the stock options segment. In this regard, SEBI conducted an investigation into the trading activity in the illiquid Stock Options segment at the BSE for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as "Investigation Period").

2. It was observed during the course of investigation that a total of 2,91,744 trades comprising 81.40% of all the trades executed in the Stock Options Segment at the BSE during the investigation period were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract on the same day. It was observed that Ms. Kalawati Somani (hereinafter referred to as "Noticee") was one such client whose reversal trades involved squaring off open positions with a significant difference without any basis for such change in the contract price. The aforesaid reversal trades allegedly resulted into generation of artificial volumes,

leading to allegations that the Noticee had violated the provisions of regulations 3(a), (b), (c), (d) and regulations 4(1),4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices related to Securities Markets) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations, 2003**"). A Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided a one-time opportunity for settlement of proceedings in the Illiquid Stock Options matter. The said scheme remained open from August 01, 2020 till December 31, 2020. It was observed that the noticee did not avail the opportunity of settlement. Accordingly, Adjudication proceedings were initiated against the noticee.

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI initiated adjudication proceedings and appointed the undersigned as Adjudicating Officer under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act") read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "Adjudication Rules") vide order dated July 02, 2021 to inquire into and adjudge under section 15HA of the SEBI Act against the Noticee for the alleged violation of the aforesaid provisions of PFUTP Regulations, 2003.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice bearing reference no. SEBI/HO/IMD/DoF7/DM/SJ/2021/182331/1 dated August 06, 2021 (hereinafter referred to as "SCN") was issued to the Noticee under Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be initiated against the Noticee and why penalty should not be imposed upon the Noticee under Section 15HA of the SEBI Act for the violations alleged to have been committed by the Noticee.

5. The said SCN, sent through Speed Post AD (SPAD) was delivered on August 10, 2021. The noticee replied to the SCN vide an email dated August 30, 2021 inter alia stating that she was suffering from age related problems, that she has not engaged in any illegal trade practice and that her name be dropped from the instant proceedings.

6. In the interest of natural justice an opportunity of hearing was granted to the noticee vide hearing notice dated September 03, 2021 at 02:30pm to appear for hearing through WebEx. In the absence of any response or appearance for hearing on the designated date, another opportunity was granted to the noticee vide email dated September 20, 2021 to appear for hearing through WebEx on October 05, 2021.

7. The noticee replied to the hearing notice vide email (email ID: somani.k.g16@gmail.com) dated October 01, 2021 stating that she was authorizing Mr. Vivekanand Kushwaha, Chartered Accountant, to appear on her behalf. Mr. Vivekanand Kushwaha, Chartered Accountant, appeared as the Authorised Representative ("AR") on behalf of the Noticee on the stipulated date of hearing. During the course of the hearing, the AR reiterated the submissions made by the Noticee in her reply dated August 30, 2021.

8. It was observed, that some of the entities against whom Orders were passed in the adjudication proceedings appealed before the Hon'ble Securities Appellate Tribunal ("SAT"). During the course of the hearing in a group of appeals, SAT, vide its Order dated May 13, 2022, inter alia observed that, "SEBI should reconsider and seriously give a thought in coming out with a fresh Scheme under Clause 26 of the Settlement Regulations, 2018. Such scheme can be a onetime scheme for this class of person. The terms of settlement should be attractive so that it could attract the noticees/entities to come forward and settle the matter which will ameliorate the harassment of penalty proceedings to the noticees and at the same time would help to clear the backlog of these pending matters before various AOs".

9. Accordingly, SEBI introduced a Settlement Scheme i.e. SEBI Settlement Scheme, 2022 (hereinafter referred to as "Scheme 2022") in terms of Regulation 26 of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as "Settlement Regulations"). The Scheme provided a onetime opportunity to the entities against whom proceedings had been initiated and/or appeals against the said proceedings are pending before any forum or authority.

10. I note that SEBI framed the Scheme in accordance with the provisions of the Settlement Regulations and issued a public notice dated August 19, 2022 about the Scheme and the modalities for availing the benefit of the Scheme. The said public notice was also made available on the website of the BSE. The Scheme was initially kept open for a period of three months commencing from August 22, 2022 to November 21, 2022 (both days inclusive). Considering the interest of a large number of entities to avail the Scheme, SEBI extended the period of the Scheme till January 21, 2023 vide public notice dated November 22, 2022.

11. The noticee was served a supplementary SCN dated August 12, 2022 w.r.t. the said SEBI Settlement Scheme, 2022. A total of 10,980 Noticees availed the benefit of the Scheme and remitted the specified settlement amount respectively. Accordingly, a settlement order was passed on March 08, 2023, settling the matter with respect to 10,980 Noticees. I note that Noticee did not avail settlement under the Settlement Scheme in 2020 or 2022 and accordingly, Adjudication proceedings were revived against the Noticee.

12. Thereafter, vide e-mail dated April 12, 2023, through email ID of the noticee, viz. somani.k.g16@gmail.com , son of the noticee, Mr. Manoj Somani informed that the noticee has deceased. A notarised copy of the death certificate of the noticee, Ms.

Kalawati Somani, was submitted vide email dated May 30, 2023 through the said email ID.

13. After perusal of the documents available on record, before proceeding in the matter on its merit, it would be in the fitness of things to first decide the preliminary issue as to whether in view of the demise of the Noticee, the present adjudication proceedings against the Noticee can be continued.

14. In this regard, it is relevant to note that the Hon'ble Supreme Court in the case of *Girja Nandini and Ors. vs. Bijendra Narain Choudhury (AIR 1967 SC 1124),* inter-alia, observed that in case of personal action, i.e. the actions where the relief sought is personal to the deceased, the right to sue will not survive to or against the representatives, and in such cases, the maxim "*actio personalis moritur cum persona*" (personal action dies with the death of the person) would apply.

15. Therefore, relying on the aforementioned Order of the Hon'ble Supreme Court, I am of the view that the adjudication proceedings initiated against the Noticee do not survive and are liable to be abated without going into the merits of the case. Consequently, no penalty is imposed on the Noticee and the Adjudication Proceedings shall stand abated.

ORDER

16. After taking into consideration of all the facts and circumstances of the case, the Adjudication Proceedings initiated against the Noticee, viz. Late Ms. Kalawati Somani (PAN-AKVPS6611G), vide SCN bearing reference no. SEBI/HO/IMD/DoF7/DM/SJ/2021/182331/1 dated August 06, 2021 are disposed of.

17. In terms of Rule 6 of the Adjudication Rules, 1995, copy of this order is sent to SEBI and to the last known address of deceased Noticee as well as via email to Mr. Manoj

Somani, son of the deceased noticee who informed SEBI about the demise of the Noticee through the aforesaid email id of the deceased noticee.

DATE: August 28, 2023 **DIPANJAN MITRA**

PLACE: MUMBAI **ADJUDICATING OFFICER**