

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/AS/AK/2022-23/ 25294)**

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 Mr. Sheetal Das Kundwani

(PAN: AJCPK1636M)

In the matter of dealings in Illiquid Stock Options at BSE

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') had conducted an investigation into large scale reversal of trades in Stock Options segment of Bombay Stock Exchange (hereinafter referred to as '**BSE**') during the period of April 01, 2014 to September 30, 2015 (hereinafter referred to as '**investigation period**').
2. Pursuant to investigation, it was observed that there were trades executed in BSE Stock Options Segment involving reversal of buy and sell positions by clients and counterparties in the same contract. The reversal trades involved squaring off trades (either buy or sell), with significant difference in the price. **Late Mr. Sheetal Das Kundwani** (hereinafter referred to as '**Noticee**') was one among the entities who indulged in reversal trades, which allegedly created false and misleading appearance of trading thereby generated artificial volumes in the Stock Options Segment of BSE during the investigation period. The trades entered in the unique contracts were reversed on the same day with same counterparties, at a price difference which had no underlying basis and without an intention of performing it or there being a change of ownership / rights in the

contracts. These factors indicated that these trades were allegedly artificial and non- genuine in nature

APPOINTMENT OF ADJUDICATING OFFICER

3. In this connection, SEBI had initiated adjudication proceedings against Noticee, under SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') for allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**'), in the matter of trading in illiquid stock options at BSE. Vide order dated September 20, 2021, Shri Rishi Barua was appointed as Adjudicating Officer under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') to inquire into and adjudge the alleged violations by the Noticee and determine whether penalty under Section 15HA of the SEBI Act is liable to be imposed. Pursuant to reallocation of cases from erstwhile Adjudicating officer Shri Rishi Barua, the instant matter *vide* AO communication dated March 17, 2023, was transferred to the undersigned.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice no. SEBI/WRO/SCN/RB/OW/33110/1-2/2022 dated August 03, 2022 (hereinafter referred to as '**SCN**') was served at the available address of the Noticee, in terms of the provisions of rule 4 of the Adjudication Rules read with section 15-I of the SEBI Act, requiring the Noticee to show cause as to why an inquiry should not be held against him in terms of Adjudication Rules read with section 15-I of the SEBI Act, and penalty, if any, should not be imposed on Noticee under section 15HA of the SEBI Act for the aforesaid alleged contraventions done by him. In the SCN, the information regarding the SEBI Settlement Scheme, 2022, in terms of Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of Illiquid Stock Options were also provided, and further, in

case Noticee does not wish to avail of the facility under the SEBI Settlement Scheme, 2022, the SCN advised to file a reply to the SCN within 30 days of the receipt of the SCN. The SCN was duly served at the address of the Noticee through SPAD.

5. The undersigned notes from records that, one Mr. Jeet Kumar has informed erstwhile AO vide email dated November 21, 2022 that, Mr. Sheetal Das Kundwani (Noticee) had passed away on November 16, 2019. Mr. Jeet Kumar has also provided, notarized copy of death certificate to this effect vide email dated November 21, 2022. The death certificate was verified by scanning the QR code given on the death certificate, leading to the digital copy of the aforesaid death certificate hosted at the website of Birth & Death Registration Website of Office of the Registrar General & Census Commissioner, India.
6. Before proceeding further in the matter on merit, it would be in the fitness of things to first decide as to whether on the death of the Noticee, the present adjudication proceedings against him would continue or abate.
7. In this context, it is worth mentioning that in **Girijanandini Vs Bijendra Narain** (AIR 1967 SC 2110), the Hon'ble Supreme Court held that in case of personal actions, 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. It is also relevant to refer to the decision of Hon'ble Securities Appellate Tribunal in **Chandravadan J. Dalal vs. SEBI** (Appeal No. 35/2004 decided on June 15, 2005) wherein it was held that: *"The appeal abates since the appellant during the pendency of the appeal died on 29th November 2004. The appeal accordingly abates. The penalty imposed on the original appellant being personal in nature also abates."*
8. In view of the foregoing, I am of the view that the instant adjudication proceedings against the Noticee are liable to be abated without going into the

merits of the case qua him and the SCN dated August 3, 2022 issued against him is disposed of accordingly.

9. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to SEBI and to the last known address of deceased Noticee.

Place: Mumbai

Date: 31st March, 2023

ASHA SHETTY

ADJUDICATING OFFICER