BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER No. Order/BS/RG/2023-24/26527]

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

In respect of:

Late Ms. Premlata Saraff

PAN: AYBPS6130Q

In the matter of dealing in Illiquid Stocks Options at BSE

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**"), observed large scale reversal of trades in Illiquid Stock Options (hereinafter referred to as "**ISO**") segment of Bombay Stock Exchange (hereinafter referred to as "**BSE**") leading to creation of artificial volume. Reversal trades are those trades in which an entity reverse its buy or sell positions in a contract with subsequent sell or buy position with the same counter party. The said reversal trades are alleged to be non-genuine trades as they are not executed in the normal course of trading, lack basic trading rationale and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were deceptive and manipulative.

2. SEBI conducted an investigation into the trading activities of certain entities in ISO, BSE for period April 1, 2014 to September 30, 2015 (hereinafter referred to as "**Investigation Period/IP**"). Pursuant to investigation, it was observed that during the IP, a huge number of trades executed in stock options of BSE were non-

genuine trades. The aforesaid non-genuine trades resulted in creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in Stock Options segment of BSE during the IP.

3. It was alleged that Ms. Premlata Saraff (hereinafter referred to as "**Noticee**") was one of the entities who had indulged in creating artificial volume of 2,00,000 units through 2 non-genuine trades in 1 stock option contract. Following is noted from the dealings of Noticee in aforesaid 1 contract viz, "CARN15MAR230.00PE" at BSE

    a. During the investigation period, 2 trades for 1,00,000 units each were executed by the Noticee in said contract on March 19, 2015.
    b. While dealing in the said contract on March 19, 2015, at 12:46:05 hrs, the Noticee entered into buy trade with counterparty SARGAM LEFINS PRIVATE LIMITED for 1,00,000 units at Rs. 4 per unit. At 12:46:11 hours, the Noticee entered into a sell trade with the same counterparty for 1,00,000 units at Rs. 8 per unit.
    c. Noticee's two trades while dealing in the aforesaid contract during the investigation period allegedly generated an artificial volume of 2,00,000 units, which made up of 14.01% of total market volume in the said contract during the period.

4. In view of the foregoing, it was alleged that the Noticee has entered into reversal trades in BSE ISO and these reversal trades were non-genuine in nature and have created false and misleading appearance of trading in terms of artificial volume in Stock Options and therefore alleged to be manipulative, deceptive in nature. The Noticee was alleged to have violated regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

APPOINTMENT OF ADJUDICATING OFFICER

5. Vide an order of the Competent Authority, SEBI, dated September 27, 2021, Shri Laxman Dutt Swami was appointed as the Adjudicating Officer under Section 15-I of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") to inquire and adjudge under section 15HA of SEBI Act. Subsequently, vide communique dated April 24, 2023, the undersigned has been appointed as the Adjudicating Officer.

SHOW CAUSE NOTICE, REPLY AND HEARING

6. Based on the findings by SEBI, Show Cause Notice dated October 28, 2021 (hereinafter referred to as "**SCN**") was served on the Noticee under Rule 4(1) of Rules to show cause as to why an inquiry should not be held and penalty should not be imposed on him for the alleged violations.

7. On November 20, 2021, SEBI received a response letter to the SCN, signed by the Noticee's husband (Mr. Kanhiya Lall Saraff), wherein the allegation levied against the Noticee in the SCN were denied by the respondent. Subsequently, vide letter dated July 27, 2022, a post SCN intimation was sent and the Noticee was informed about the SEBI Settlement Scheme, 2022, in terms of Regulation 26 of Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of ISO. Subsequently, reminders dated October 03, 2022 and December 06, 2022 were sent to the Noticee, in regard to the aforesaid Settlement Scheme.

8. Vide letter dated January 27, 2023, Mr. Kanhiya Lall Saraff (husband of the Noticee) informed that his wife had passed away on 16 November, 2017. The death certificate of the Noticee issued by Department of Health and Family Welfare, Government of West Bengal, was also attached along with the letter.

9. Vide SEBI's subsequent communication to the Noticee's husband, he was required to verify if the reply to the SCN was filed by him on behalf of his wife, however, no response has been received from the Noticee. However, the details of death certificate in respect of the Noticee has been verified from the website of the Kolkata Municipal Corporation and it seems that Noticee had passed away on 16 November, 2017 at the age of 69 years.

10. Before proceeding further in the matter on merit, it would be in the fitness of things to first decide as to whether on account of the death of the Noticee, the present adjudication proceedings against him would continue or abate.

11. 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 SAT 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 November2004. The appeal accordingly abates. The penalty imposed on the original appellant being personal in nature also abates*."

ORDER

12. In view of the foregoing, I am of the view that the instant adjudication proceedings against the Noticee abates without going into the merits of the case *qua* her and the SCN dated October 28, 2021 issued against her is, accordingly, disposed of.

13. 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 the deceased Noticee.

Date: May 25, 2023 **BIJU S.**
Place: Mumbai **ADJUDICATING OFFICER**