

SECURITIES AND EXCHANGE BOARD OF INDIA

IMPOUNDING ORDER CUM SHOW CAUSE NOTICE

UNDER SECTIONS 11(1), 11(4)(d), 11 (4A) AND SECTION 11B (1) AND 11B (2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 11 (1) (d) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003

IN THE MATTER OF FRONT RUNNING BY KAJAL SAVLA

In respect of:

Sr. No.	NOTICEE(S)	PAN
1.	Gaurav Dedhia	AFMPD5304F
2.	Kajal Savla	AAQPD2208R

(The entities mentioned above are individually known by their respective names or Noticee No. and collectively referred to as "Noticees")

BACKGROUND:

1. The present proceedings are emanating from an investigation conducted by Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") involving the following two persons:

(i) Mr. Gaurav Dedhia- *Noticee no. 1*; and his sister

(ii) Ms. Kajal Ilesh Savla- *Noticee no. 2*

2. During the relevant period, Mr. Gaurav Dedhia was employed as a Chief Dealer with IDBI Capital Markets and Securities Limited (a registered Trading Member) (hereinafter referred to as "**the Broker**") and was posted as such at the Cuffe Parade Branch of the Broker.

The *Noticee no. 2* is the sister of the *Noticee no. 1*.

3. The investigation has been conducted by SEBI so as to ascertain as to whether any act relating to trading activity in the securities market of the *Notictee no. 2* is *inter alia* in the nature of front running of the trades of big clients of the *Notictee no. 1* who was employed as a Chief Dealer of the Broker. In the course of the investigation, following information and evidences have been gathered/collected:

- i. Trading data including trades of the *Notictee no. 2* and the big clients of the Broker;
- ii. Bank account statements;
- iii. Information and documents provided by the Broker with respect to the employment of the *Notictee no. 1*;
- iv. Details of IP addresses which appear to be used for the trades executed in the account of the *Notictee no. 2* as furnished by her stock broker;
- v. Internet logs of the computer system of the Broker used by the *Notictee no. 1* during the course of his employment; and
- vi. Statements of the *Notictees* have been recorded on oath during the investigation.

4. The aforesaid information and evidences collected during the investigation conducted by SEBI *prima facie* indicate (i) that the *Notictee no. 1* had transferred funds to the bank account of the *Notictee no. 2*; (ii) that the *Notictee no. 1* has knowingly utilised the non-public prior information in his possession about the impending large orders to be placed by the big clients of the Broker to his and his sister's pecuniary advantage and has executed trades ahead of such impending orders, in the trading account of the *Notictee no. 2* (**first leg**); (iii) that these two *Notictees* have eventually reversed those trades around the time of placement of those large orders of the Big clients or sometime even before that (**second leg**); resulting in the accrual of unlawful profits of around INR 1.68 Crore to the benefit of the *Notictee no. 2* during the period of January 01, 2019 to April 10, 2021 (**investigation period**); (iv) that all such trading activities appear to have been found to be executed by the *Notictee no. 1* from the office of the

Broker itself, which means, he has executed these trades in his sister's trading account while on duty during trading hours as a Chief Dealer of the Broker.

5. The aforesaid findings and my *prima facie* observations thereon which warranted the passing of the present order are recorded in detail in the subsequent paragraphs of this order.

6. The *Noticee no. 1* (Mr. Gaurav Girish Dedhia) was a Chief Dealer of the Broker and was overseeing the Dealing room activities of the Broker and was also managing the overall dealing activities including the client instruction management with respect to the trades of such clients of the Broker. The *Noticee no. 2* (Ms. Kajal Ilesh Savla) sister of the *Noticee no. 1*, runs a fitness and dance studio and has been trading in the securities market through the stock brokers namely, Sushil Financial Services Limited (**SFSL**) and Motilal Oswal Financial Services. As stated earlier, the *Noticees* are siblings and were having common address/contact numbers as per their KYC details.

7. It is observed that apart from being in-charge of the overall dealing activities the *Noticee no. 1* himself also used to place/punch some orders on behalf of the Big clients of the Broker. Being the Chief Dealer, the Bloomberg Terminal of the Broker was exclusively accessible by the *Noticee no. 1*, and the orders of the clients of the Brokers received through the said terminal were either executed by *Noticee no. 1* himself or were routed by him to other dealers for execution under his supervision.

8. During the course of the investigation conducted by SEBI, the analysis of the bank account statement of the *Noticee no. 2* held with HDFC Bank revealed that an amount of INR 57 Lakh has been received by her from the *Noticee no. 1*, during the period between February 29, 2020 to October 22, 2021. The detailed break-up of the said fund transfers is tabulated herein below:

Table no. 1

Details of fund transfers

S r . n o .	Date of fund transfers from the Noticee no. 1 to the Noticee no. 2	Amount (in INR)	Date of fund transfers from the Noticee no. 2 to broker (SFSL)	Amount of fund transfer from Noticee 2 to broker (SFSL) (in INR)
1	29/02/2020	50,000	29/02/2020	50,000
2	02/03/2020	2,25,000	02/03/2020	85,000
3	02/03/2020	1,00,000	02/03/2020	1,00,000
4	23/03/2020	49,00,000	23/03/2020 & 24/03/2020	49,00,000
5	22/10/2021	4,25,000*	---	----
Total		57,00,000		51,35,000

9. A further analysis of the bank account statement of the *Noticee no. 2* revealed that out of the total amount of INR 52.75 Lakh received upto 23.3.2020 (Serial no. 1-4), amount of INR 51.35 Lakh was utilised towards dealing/trading in the securities market which is evident from the fact that the above mentioned amount of INR 51.35 Lakh was transferred to SFSL (the stock-broker of the *Noticee no. 2*) either on the same day or the next day of the receipt of such amounts from the *Noticee no. 1*.

10. During the investigation, the *Noticee no. 2* has *inter alia* deposed in her statement dated June 30, 2022, by stating that she has a passion for trading but as she was incurring losses her brother, the *Noticee no. 1*, had given her money for trading purposes and also to “recover losses”. The *Noticee no. 1* has also stated in his deposition before SEBI that she (his sister) carries out trading in securities based on her own judgment, after watching TV, making internet searches, and talking to some friends. In terms of the information furnished by the

Noticee no. 2, her annual income for the past three Assessment years, as reported in the Income Tax Returns has been found to be as follows:

Table no. 2

Details of gross Income of the *Noticee no. 2*

Sr. No.	Assessment year	Income
1.	2019-20	2,33,463
2.	2020-21	0 (Business loss of INR 1,10,381,83)
3.	2021-22	6,19,780

11. At this stage, it is pertinent to refer to the email dated June 21, 2022 addressed by the *Noticee no. 2* to SEBI vide which it has been informed that on an average, her trading turnover on an annual basis is approximately INR 200 Crore. Further, in terms of an examination report prepared by the National Stock Exchange, the KYC documents submitted by the *Noticee no. 2* reveal her annual income as less than INR 1 Lakh, however, the total transactions done by her in the equity segment for the calendar years 2019, 2020 and from January 01, 2021 to April 10, 2021 were approximately INR 37.54 Crore; INR 157 Crore and INR 59 Crore, respectively.

12. In the backdrop of the aforementioned details pertaining to the relationship of the *Noticee no. 2*, with her brother (*Noticee no.1*) her annual income, and her statement before SEBI claiming therein that she executes her trades based on her knowledge acquired from

independent platforms like TV, internet research etc., I now proceed to examine a few of her trades executed during the investigation period so as to ascertain if the said trades factually support the contentions made by her in her sworn statement before SEBI or contain elements which lead to a contrary view / observations and which may even be sufficient to hold that such trades have been executed in violation of the relevant provisions of securities laws.

13. On August 07, 2020, the *Notictee no. 2* entered into a short sell trade of 15000 shares of Gujarat Narmada Valley Fertilizers & Chemicals Ltd. (for short 'GNFC') by placing different sell orders from **10:50:17 am to 10:50:59 am** and the said orders were placed at prices ranging from INR 167 to INR 166.35. The said short sell orders were executed at an average price of INR 166.44, and the cumulative quantity and value of the said trades aggregated to 15000 shares & INR 24,96,699 respectively. Immediately, within 4 minutes, of having executed the above sell orders the *Notictee no. 2* opted to square off her entire open position of short sell and placed buy orders at 10:54:19 am at a price of INR 164.40. The said buy order of the *Notictee no. 2* got executed at 10:56:08 am at a price of INR 164.40 and in the process, her entire transactions involving two legs (first short sell and then buy), earned the *Notictee no. 2* a profit of INR 30,669.

14. On the face of it, the aforesaid transactions by *Notictee no. 2* may appear to be a plain vanilla short sell trade which is a common phenomenon in stock trading and by executing such a trade the trader (i.e. *Notictee no. 2*) was able to make a quick profit of INR 30,669 in a span of 4 minutes. But when the above trades executed in the account of the *Notictee no. 2* are analysed along with the information available in records pertaining to the trades executed by the Broker (IDBI Capital Market & Securities Ltd.) in the said scrip on behalf of its clients read with the acts of the *Notictee no.1*, the actual underlying factors that prompted and helped the *Notictee no. 2* in earning such quick money from trading in the scrip of GNFC, get exposed

and come to the fore compelling one to suspect the *bonafide* of such transactions executed in the account of the *Noticee no. 2*.

15. In the earlier paragraph, I have noted that the short sell (**Sell**) orders of *Noticee no. 2* were placed from **10:50:17 am** to 10:50:59 am. It is noted from the records that within a few seconds of such short sell orders coming into the market platform, at **10:50:32 am**, large quantities of actual sell orders of shares of GNFC (**Sell**), on behalf of a Big Client (General Insurance Corporation) of the Broker started coming to the market platform. The said sell orders of GNFC kept coming to the market platform till 11:01:11 am and the cumulative quantity involved in such sell orders placed by the Broker on behalf of the Big Client was 1,00,000. The trade log details as collected during the investigation process revealed that the second leg of transaction of the *Noticee no. 2* (**Buy**), through which she has squared off her short sell position of 15,000 shares (first leg) by placing buy orders had matched completely with the sell orders of the aforementioned Big client in the said scrip of GNFC. In other words, when the *Noticee no. 2* was buying the shares of GNFC in order to square off her short sell position, the selling counter party was the Big client of the Broker, for which the brother of the *Noticee no. 2*, was working as the Chief Dealer who was supervising the trades of such Big Clients of his Employer. As can be seen from the above highlighted details, trades in the scrip of GNFC have been executed in the account of the *Noticee no. 2*, in a Sell-Sell-Buy pattern so as to match with the trades of the Big clients of the Broker. The records before me also indicate that in multiple other trades executed in the account of the *Noticee no. 2*, a pattern of BBS (Buy-Buy-Sell) has also been noted, wherein **buy** trades have been executed in the account of the *Noticee no. 2*, in advance of the **buy** order of a Big client and eventually, **sell** orders were placed by the *Noticee no. 2* leading to squaring off the previous leg of buy trades of the *Noticee no. 2*, with assured profits.

16. I can appreciate that matching of 100% trades between two parties may not be a ground of making any insinuation as the trades are executed on an anonymous trading platform. However, the fact that the brother of the *Noticee no. 2* being the Chief Dealer of the Broker of the Big clients was having undeniably advance knowledge of such impending orders of the Big clients, leads to a compelling aspersion on such invariably profit making trades executed by the *Noticee no. 2*, more so when the matching of 100% of the second leg of intra-day trades of the *Noticee no. 2* with the Big client of the Broker was not found to be a mere one-off event, which can be brushed aside by terming it to be a “mere coincidence” of order matching on an anonymous trading platform . It is seen that the pattern of SSB and BBS trades have been clearly visible repeatedly in the orders placed by the *Noticee no. 2* that matched with the orders of other big clients of the Broker on multiple occasions. Further, in numerous other instances, quite a large percentage of the second leg of the *Noticee no. 2*'s trades have matched with the trades of the Big clients of the Broker, details of which are captured in the following table:

Table no. 3

Sr. No	Scrip	Date of trade	Matching percentage	Profits made	Trading pattern
1.	ZEEL	20/09/2019	97.21%	3,74,636	SSB
2.	ZEEL	23/09/2019	88.65%	5,83,966	SSB
3.	RELINFR A	09/01/2020	100%	22,784	SSB
4.	BRITAN NIA	04/06/2020	99.93%	18,235	SSB

5.	LINDEIN DIA	14/08/202 0	98.30%	81,698	SSB
6.	CASTRO LIND	10/09/202 0	96.73%	40,083	SSB
BBS Pattern					
7.	AMBUJA CEM	18/03/202 1	100%	22,646	BBS
8.	AMBUJA CEM	22/04/202 1	100%	17,809	BBS
9.	HINDZI NC	24/06/202 1	100%	36,574	BBS
10.	ADANIE NT	30/08/202 1	100%	35,187	BBS
11.	ICICIGI	24/01/22	100%	28,684	BBS
12.	ABSLAM C	28/03/22	100%	30,949	BBS
13.	VOLTAS	14/06/22	100%	24,695	BBS

Note: The above stated trade details have been selected on random basis to illustrate the matching of the trades.

17. I may hasten here to emphasise that the aforesaid illustrations are only a few of the instances where the matching of the orders placed in the trading account of the *Noticee no. 2* in the second –leg happened in quite a high percentage with the orders placed on behalf of the Big clients of the Broker. Apart from the afore stated trades, there are many other trades as well wherein the *Noticee no. 2* has been found to have executed the first leg of her intra-day trades just ahead of the orders placed on behalf of the Big clients of the Broker and based on the impact caused by the such large orders of the Big clients, the *Noticee no. 2* was able to take advantage and earn money in a short duration of time through her intra-day trades. For illustration, on May 21, 2020, by executing an intra-day trade of 2,697 shares in Bata India, the

Noticee no. 2 was able to earn a positive square off of INR 20,916. In the said trade, there was no matching of the trades between the *Noticee no. 2* with the Big client(s), but there was certainly a big order from one of the Big clients of the Broker and taking advantage of the above non-public information that was in possession of her brother (*Noticee no. 1*), which presumably caused notable price movement in the scrip ultimately leading to enrichment of the *Noticee no. 2*.

18. Apart from the aforesaid glaring examples of the trades of the *Noticee no. 2* which were executed in the cash market segment, apparently to front run the trades of the Big Clients for earning quick income based on advance knowledge about the impending trade order of the Big Clients of the Broker, the investigation has also been able to bring to the fore, various details of the trades executed by the *Noticee no. 2* in Futures & Options segment as well through which by trading in the F & O of underlying securities ahead of the impending large quantities orders of the Big clients of the Broker, the *Noticee no. 2* was successful in earning positive square off from her positions by taking a convenient position which was possible evidently on account of the possession of the non-public information about the impending trade orders of such Big Clients of the Broker..

19. To illustrate one such trade, I note from the records that on March 18, 2021, the *Noticee no. 2* took a long position in Futures of Ambuja Cements with a lot containing 15,000 shares. The said position was squared off by the *Noticee no. 2* on the same day and in the process, she was enriched by an amount of INR 18,750. In this trade also, the second leg of squaring off of her trades was done after the order of the Big client of the Broker for a large quantity came to the market platform. I observe that there are other instances also wherein the *Noticee no. 2* has been found to have made large amounts of profits by trading in a similar fashion, in respect of which illustrative details of a few of such trades are captured in the following table:

Table no. 4

Sr. No.	Name of contract	Date of trade	Profits made
1.	43598ZEELFUTSTKFF043615	13/05/2019	3,43,200.00
2.	43728ZEELFUTSTKFF043734	20/09/2019	5,31,483.00
3.	43731ZEELFUTSTKFF043734	23/09/2019	5,67,125.00
4.	43697KOTAKBANKFUTSTKFF043706	20/08/2019	17,200.00
5.	44278BHARATFORGFUTSTKFF044280	23/03/2021	42,150.00
6.	44279TATACONSUMFUTSTKFF044280	24/03/2021	30,577.50
7.	43598ZEELFUTSTKFF043615	13/05/2019	3,43,200.00

20. At this stage, I may refer again to Table no. 3 and 4 conjointly, which would reflect that on September 20 and 23, 2019, the *Noticee no. 2* was able to make huge amounts of gains by trading in the scrip of ZEEL, in both cash as well as FO segments. I can observe that on September 20, 2019, a collective gain of INR 9,06,119 (INR 3,74,636 in the cash segment and INR 5,31,483.00 in the Futures segment) has been made out of trades executed in the

trading account of the *Noticee no. 2*. Similarly, on September 23, 2019, a total profit of INR 11,51,091 was made in the account of the *Noticee no. 2* by trading in the scrip of ZEEL in the cash and FO segments. In order to assess these profits with a fine tooth comb, I need to refer to the timing of the order placement/trade execution in the accounts of the *Noticee no. 2*, vis-à-vis the timings of the order placement/trade execution on behalf of the Big client of the Broker.

I. SSB pattern in the scrip of ZEEL on September 20, 2019

- i. As noted earlier, on both days (i.e. September 20 and 23, 2019), the trades in the account of the *Noticee no. 2* have been found to be executed in a pattern of SSB that was apparently influenced by the trades of the Big client of the Broker, implying thereby, a **sell** order in the account of the *Noticee no. 2* was followed by the **sell** orders (for large quantities of shares of ZEEL) of the Big client that impacted the price of the scrip to go down, followed by a **buy** order at the said lower price on behalf of the *Noticee no. 2* to square off the earlier sell order placed at a higher price ahead of the sell order of the Big Client which helped the *Noticee no. 2* to book profit running into lakhs.
- ii. To illustrate further the first **sell** order (short sell) on behalf of the *Noticee no. 2* for selling 20,000 shares of ZEEL got placed on the market platform at **09:04:11** am in the pre-opening session. The said order got executed immediately at the market opening at **09:15:00** am at an average sell price of INR 303.73 and the total sell value was INR 60,74,636. Immediately thereafter, the **sell** orders on behalf of the Big client for total of 21,27,400 shares of ZEEL came into the market between **09:15:04** am to 11:00:51 am.
- iii. After 4 minutes of taking a short sell position in the account of the *Noticee no. 2*, an order to square off the said sell position is placed in the account of *Noticee no. 2* by punching a **buy** order of 20,000 at **09:19:38** am, and the said order gets executed

immediately at the same time at an average price of INR 285, thereby helping to get the *Noticed no. 2* enriched by INR 3,74,636. It is to be noted that the order of *Noticed no. 2* matched 97.21% with the order of the Big client.

II. SSB pattern in the scrip of Prestige on January 17, 2022

- i. The trade details before me indicate that the first **sell** order in the scrip of Prestige for 1946 shares was placed (as well as executed at the same time at an average price of INR 513.37) on January 17, 2022 between **15:29:17** pm to **15:29:20** pm, and the said order was followed by the **sell** order of the Big client of the Broker at 15:29:50 pm for 4730 shares. Subsequently, the short sell position on behalf of the *Noticed no. 2* got squared off as a **buy** order was placed at 15:29:41 pm which got executed at 15:29:50 pm, immediately after the Big Client's order was placed. It also *prima facie* implies that the *Noticed no. 2* was absolutely sure about the impending order of the Big Client and hence placed his square off (second leg) immediately after completion of the first leg. In the whole process, a profit of INR 2,662 accrued to the *Noticed no. 2* and the matched quantities between the orders of *Noticed no. 2* and the orders of Big client was 100%.

21. The examination of the aforesaid trading pattern *prima facie* reveals that the trades which were being executed in the account of *Noticed no. 2* were not only leading to profits almost every time, but also the timings of the placement of aforesaid orders on behalf of *Noticed no.2* speak volumes about how the orders of *Noticed no. 2* were placed just ahead of the orders that were placed on behalf of the Big Client of the Broker (of which *Noticed no. 1* was the Chief Dealer) in a manner to square off the orders of *Noticed no. 2* invariably with a sizeable quick profit and this trading strategy itself is self-evident of the illicit conduct of the *Notices*. As can be noted from the details of the trading executed in the scrip of ZEEL on September

20, 2019, the short sell position of 20,000 shares was created even before the opening of the market, and ultimately, within 4 minutes of the market opening, the *Noticee no. 2* made large profits. Similarly, in the other instance of trading in the scrip of Prestige, the short sell orders were placed just before the market closure timings when day traders intending to do intra-day square-off of their position would normally avoid starting their first leg of trade as square off of the first leg may get hit for want of adequate trading time or lack of depth in the order book at that point of market hours. However, the confidence with which the sell orders were placed in the accounts of *Noticee no. 2* towards the closing time of the market, it strongly indicated that the same were placed with the knowledge and assured belief that the said sell order will surely lead to a positive square off. To elaborate further, I note that the market closes on daily basis at 15:30:00 pm, however, in the present case, just 40 seconds before the closure of the market taking a decision to place short sell orders in the scrip of Prestige further reinforces the suspicion that such order was placed under the influence of the possession of non-public information about an impending sell order on behalf of the Big Client. The preponderance of probability of the above observation gets further strengthened by consistency of profits earned by engaging in such trades in the manner they were executed & more so when the same is analysed from the lens of the facts that the *Noticee no. 1* was occupying a central position and undeniably was observed to be possessing the non-public information pertaining to the impending trades of the Big Clients of the Broker, which in the instant case, is seen to have helped the *Noticees* to earn profit by successfully squaring off the orders in a span of coming 40 seconds.

22. Apart from the above, I may also hasten to add here that the annual income of the *Noticee no. 2* as per her KYC documents is less than INR 1 Lakh and in her deposition made before SEBI, she has asserted that she does not earn a fixed income from her fitness and dance studio. Strangely, however the trades executed in her account on multiple occasions

have been found to have been running into crores of rupees. For example, on September 23, 2019, a short sell position in the shares of ZEEL was taken by selling 1,86,257 shares at an average price of INR 283.25, which also was eventually squared-off in the SSB pattern with the Big client and thereby a profit of INR 5.83 Lakh was earned by her. I *prima facie* observe that had the short selling been done in a normal *bonafide* manner, it is highly unlikely for an investor of ordinary prudence and very limited financial means to take such a high risk, as any adverse movement of even 1-2% in the price of the scrip would have washed away three years' of her income only in one such short selling position, but surprisingly the *Noticee no. 2* despite being a person of barely any financial status with a meagre annual income placed such high risk intra-day bets without any apprehension of incurring huge losses, which can be possible only when person is assured of a positive square off with certainty. And this assurance *prima facie* came from a non-public information that could be easily taken advantage of by placing such orders in the manner it was orchestrated in her account back-to-back with the orders of the Big Clients of the Stock Broker.

23. I further note from the records of the present case that there are large no. of instances of SSB and BBS pattern of trading in the accounts of the *Noticee no .2* and in as many as 1222 instances observed, the *Noticee no. 2* is observed to have followed a typical pattern of taking a position just prior to the position to be taken by the Big Client of the stock broker and in the process, trades have been placed ahead of the trades of the Big clients of the Broker, so as to front run the trades of Big Clients. The coincidences of matching of trades executed from the account of the *Noticee no. 2* with the trades of Big Client can't be seen as a mere chance, more so when the trades so executed from a trading account of an investor, who primarily runs a fitness studio and has negligible financial resources is seen to have taken highly disproportionate exposure as compared to her financial abilities, *prima facie* give rise a very strong probability that trades were executed based on assured expectation of profits due to

the possession of and sharing of non-public information between the *Notices* pertaining to the impending trades of Big Clients. The break-up of the aforesaid said 1222 instances of transactions and the profits earned therefrom is mentioned in the table below:

Table no. 5

Sr. No.	Segment	Total number of instances	Profit earned
1.	Cash segment	987	INR 1,28,82,271
2.	FnO segment	235	INR 38.87 Lakh
Total		1222	INR 1,67,70,060/-

24. As the trade details of the *Noticee no. 2* reflected quite unusual pattern, in order to probe further, SEBI advised the stock-broker of the *Noticee no. 2* (Kajal Savla) to provide the Internet Protocols (IP) details with respect to the trades executed by *Noticee no. 2*. From an examination of the information provided by the said stock-broker, it has emerged that majority of the trades were executed in the account of the *Noticee no. 2* from the IP address '14.143.196.90'. The details of physical address of the said IP address, as provided by the Telecom Service Provider (TSP), viz., Tata Telecommunications vide its email dated March 16, 2021 are: "*IDBI Capital Markets & Securities Ltd., 6th floor, IDBI Tower, WTC Complex, Cuffe Parade, Mumbai, 400005, Maharashtra India*". which means, the IP address from which the trades in the account of *Noticee no. 2* were executed was the address of the Broker itself, where the brother of the *Noticee no. 2* was working as the Chief Dealer. Further, the Broker viz., IDBI Capital Markets & Securities Ltd. also confirmed that the aforesaid IP address is that of the Tata Internet Leased Line, which was being used to connect the IDBI Tower location LAN

users, to the internet. Furthermore, trades were also executed in the account of *Noticee no. 2* from two more IPs viz., '14.143.196.93' and '14.143.196.91' which, as confirmed by IDBI Capital Markets & Securities Ltd. vide its emails dated August 04, 2022 and September 07, 2022 respectively, are the IP addresses of their office located at Cuffe Parade in Mumbai.

25. In this respect, it is noted from the records that the Broker, IDBI Securities was advised to provide the data of the computer system used by the *Noticee no. 1* during the relevant period of his employment with the said Broker. The Broker, vide its email dated July 26, 2022, has submitted to SEBI a large data dump recovered from the computer system that was being used by the *Noticee no. 1*. The said data contained *inter alia* the internet logs showing the websites accessed by the *Noticee no. 1*. As can be noted from the information furnished by the Broker vide its subsequent email dated September 16, 2022, that the computer system of the *Noticee no. 1* was confiscated by the management of the Broker on July 13, 2022, and it was observed therefrom that the data from the said system had been deleted in an unauthorized manner, which forced the Broker to use data recovery tools for recovering the deleted files and the files as were possible to be recovered by them from the said computer system were submitted by them to SEBI.

26. I note from the investigation report that the relevant data from the computer system used by the *Noticee no. 1* has could be available by the Broker only for the period of May 31, 2022 to July, 25, 2022. Nevertheless, a perusal of the said limited data indicated that the website of Sushil Finance (stock-broker of the *Noticee no.2*, sister of the *Noticee no. 1*) has been accessed from the computer that was being used by the *Noticee no. 1* during the period he was employed with the IDBI Securities and working as a Chief Dealer. It has also been observed that during the said period, the website of Sushil Finance has been accessed consistently on multiple times during the period of May 31, 2022 to June 21, 2022. In this respect, it has further been submitted by the Stock Broker (IDBI Securities) , the visitor's register as

maintained by them at their premises shows that the *Noticee no. 2*, sister of the *Noticee no.2* never visited the said office during the investigation period, whereas the records *prima facie* strongly show that the website of the stock broker (Sushil Finance) with which, the *Noticee no. 2* has trading account has been accessed on several occasion during the relevant period leading to a strong *prima facie* inference that it was *Noticee no. 1* who was accessing the Website of the brokers of her sister's trading account by using his official computer system assigned to him while in service of IDBI Securities as a Chief Dealer.

27. I note from the records that during the aforesaid period of May 31, 2022 to June 21, 2022 (for which evidence of accessing the website of Sushil Finance has been found from the computer of *Noticee no. 1*), the following trades in SSB and BBS pattern of trading executed in the account of *Noticee no. 2* that matched with the trades of the Big clients, have been noted:

Table no. 6

Sr. no.	Scrip/Contract	Date	Profit (in INR)	Timings		
BBS						
				Buy order of Noticee no. 2	Buy order of Big client	Sell order of Noticee no. 2
1)	HINDUNILVR	31-May-22	2,649	11:03:12 am	11:03:28 am to 11:22:23 am	11:03:55 am
2)	ATGL	01-Jun-22	3,056	12:54:37 pm	to 12:54:55 pm	to 12:55:06 pm

				12:58:17 pm	13:00:32 pm	12:59:42 pm
3)	INFY	01-Jun-22	6,994	10:23:02 am to 10:25:00 am	10:23:29 am to 10:29:08 am	10:23:55 am to 10:25:31 am
4)	INFY	02-Jun-22	531	11:01:35 am	11:01:51 am to 11:03:21 am	11:01:55 am
5)	SHREECEM	03-Jun-22	35,891	11:23:28 am to 11:43:10 am	11:23:49 am to 11:45:16 am	11:32:57 am to 11:43:35 am
6)	APOLLOHOSP	06-Jun-22	7,008	12:20:13 pm to 12:21:02 pm	12:20:28 pm to 12:41:30 pm	12:21:16 pm
7)	BPCL	07-Jun-22	5,502	11:15:05 am	11:15:48 am to 11:42:43 am	11:15:46 am
8)	NAUKRI	07-Jun-22	32,439	13:33:39 pm to 13:49:35	13:34:11 pm to 13:59:22 pm	13:36:18 pm to 13:58:56 pm
9)	BAJAJFINSV	08-Jun-22	4,615	13:59:08 pm to 14:11:45 pm	14:01:08 pm to 14:01:59 pm	14:01:22 pm

10)	INFY	08-Jun-22	6,001	11:33:49 am	11:34:16 am to 11:38:45 am	11:34:54 am
11)	KANSAINER	08-Jun-22	51,894	11:36:26 am	11:37:37 am to 11:51:39	11:37:39 am
12)	TCS	08-Jun-22	1,465	13:59:51 am	14:00:13 pm to 14:35:21 pm	14:00:22 pm
13)	ADANTRANS	09-Jun-22	1,529	11:20:48 am	11:20:22 am to 11:27:39 am	11:20:35 pm
14)	HDFCBANK	09-Jun-22	4,223	10:34:40 am to 10:35:00 am	10:34:58 am to 10:48:26 am	10:35:28 am to 10:35:59 am
15)	BHARTIARTL	10-Jun-22	3,236	11:32:31 am	11:33:01 am to 11:34:50 am	11:33:04 am
16)	BPCL	10-Jun-22	10,418	10:33:37 am	10:34:25 am to 11:13:35 am	10:34:01 am
17)	KANSAINER	10-Jun-22	33,383	10:58:48 am to 10:59:22 am	10:59:33 am to 11:01:26 am	10:59:58 am

18)	MPHASIS	10-Jun-22	4,469	14:09:21 pm to 14:26:32 pm	14:11:10 pm to 14:31:46 pm	14:30:41 pm
19)	HINDUNILVR	13-Jun-22	1,440	11:13:07 am	11:13:03 am to 11:14:16 am	11:13:28 am
20)	JSWSTEEL	13-Jun-22	3,191	10:57:09 am to 11:11:01 am	10:57:40 am to 11:19:12 am	10:58:38 am
21)	L&TFH	13-Jun-22	(13,000)	11:23:13 am to 11:30:03 am	10:58:15 am to 11:28:37 am	11:34:15 am
22)	HINDUNILVR	14-Jun-22	4,837	10:32:48 am to 10:33:12 am	10:33:16 am to 10:36:55 am	10:34:22 am
23)	VOLTAS	14-Jun-22	24,695	14:15:25 pm to 14:14:01 pm	14:14:07 pm to 14:19:15 pm	14:15:42 pm to 14:14:51 pm
24)	44719BPCLFUTST KFF044742	07/06/20 2 2	1,800.00	11:39:44 am	11:15:48 am to 11:42:43 am	11:41:07 am to 11:41:57 am
25)	44725HINDUNIL VRFUTSTKFF044 742	13/06/20 2 2	7,440.00	09:15:13 am	11:13:03 am to	09:17:45 am

					11:14:16 am	
26)	44726DRREDDY FUTSTKFF044742	14/06/20 2 2	3,793.75	14:07:35 pm	14:08:00 pm to 14:17:21 pm	14:09:23 pm to 14:09:44 pm
SSB						
				Sell order of Noticee no. 2	Sell order of Big client	Buy order of Noticee no. 2
27)	POWERGRID	30-May- 2 2	1,741	15:19:37 pm	15:20:08 to 15:20:31	15:19:51 pm
28)	HCC	01-Jun-22	46,576	11:12:00 am to 13:01:47 pm	11:12:53 am to 15:09:39 pm	13:11:06 pm to 13:11:26 pm
29)	HCC	02-Jun-22	1,39,668	09:56:46 am to 09:57:38 am	09:58:35 am to 15:11:18 pm	10:06:47 am to 10:07:33 am
30)	HCC	03-Jun-22	15,000	12:30:52 pm	09:33:16 am to 15:29:14 pm	12:36:22 pm
31)	RELIANCE	03-Jun-22	4,400	11:04:47 am	11:05:44 am to 11:06:26 am	11:05:19 am

32)	HCC	06-Jun-22	15,000	11:43:28 am	11:45:20 am to 15:29:50 pm	11:48:52 am to 14:26:01 pm
33)	MSTCLTD	08-Jun-22	2,575	12:19:48 pm to 12:22:05 pm	11:43:06 am to 12:37:42 pm	12:22:18 pm to 12:22:40 pm
34)	MUKANDLTD	08-Jun-22	4,839	11:44:23 am to 12:17:55 pm	11:46:45 am to 12:37:14 pm	12:17:48 pm
35)	GESHIP	09-Jun-22	25,728	09:57:16 am to 13:01:05 pm	09:57:15 to 13:04:55 pm	09:59:00 am to 13:01:31 pm
36)	HEMIPROP	14-Jun-22	2,546	15:27:32 pm to 15:27:39 pm	15:27:41 pm to 15:29:02 pm	15:28:07 pm
37)	OCCL	14-Jun-22	894	11:34:08 am	11:35:08 am to 15:25:17 pm	12:16:15 pm

28. At this stage, it is noticed that during the investigation, summons have been issued calling upon the *Notices* to present themselves before SEBI investigating authorities (IA) and their statements have also been recorded by the IA during which, they were confronted with the data retrieved from the computer system that was being used by *Noticee no. 1* in terms of IP details of office of the Broker, the browsing history found in the computer of the *Noticee*

no.1, especially the repeated access to the website of Sushil Finance from the said computer during trading hours who is the broker of the *Noticee no. 2*. The *Noticees* have plainly denied having any knowledge with respect to such technical data and further while feigning ignorance have also claimed that the *Noticee no. 2* herself has executed the alleged trades in her trading account.

29. Based on the myriad factual details elaborated above and the evidences collected during the investigation some of which are quite compelling, I can summarise the *prima facie* findings that emerge from the factual conspectus of the present case, in the following paragraphs:

- i. The *Noticee no. 1* being employed with the Broker as a Chief Dealer was having undisputedly knowledge of the impending orders in particular scrips to be placed on behalf of the Big clients which were not publicly available, and as such knowledge goes essentially into the very role of a dealer no denial has been made by *Noticee no. 1* in this regard.
- ii. To take advantage of the possession of those non-public information, orders in the same scrips in cash market/its Future and Options contract were placed in the trading account of the *Noticee no 2*, “in advance” i.e. prior to and with a view to front run the orders of the Big client (**Sell** in **SSB** pattern; or **Buy** in **BBS** pattern). The said orders were for quantities of shares smaller than the impending orders of the Big clients and irrespective of whether the orders were to be placed in cash segment or in Future and Options contracts due to large quantities involved in such orders, the price of such scrips were strongly expected to be impacted by such big orders of the Big clients;
- iii. Subsequently, as and when the order of the Big clients comes to be placed on the market platform, the *Noticee no. 1* being the Chief Dealer was having knowledge about the quantities of shares involved and the price at which such order of Big Client would

be placed. By virtue of the influence on the demand/supply in the subject scrip created by such large orders of the Big client, the price of such scrip as anticipated, witnesses a change. In case of large buy orders of the Big client, the price generally increase by pushing the demand side upwards and conversely, in case of large sell orders, the price normally decreases. (**Buy** in BBS pattern or **Sell** in SSB); and

- iv. Subsequent to (or sometimes simultaneous to) the placement of orders on behalf of the Big client, the position earlier taken in the account of the *Noticee no. 2* ahead of the order placed on behalf of the Big Client is reversed by squaring off taking advantage of such price impact caused by the large orders of the Big Clients. (**Buy** in SSB pattern or **Sell** in BBS pattern).
- v. The aforesaid chain of events that were largely controlled by the *Noticee no. 1* as per his discretion, resulted in earning huge profits amounting to a total sum of INR 1.70 Crore (approx.) that was observed as have been accrued through the trades executed in the trading account of the *Noticee no. 2* in the aforesaid manner.
- vi. All the aforesaid events of taking a buy or sell position ahead of large impending orders of Big Clients and reversing the said position thereafter are observed to be in the nature of act of “front running” by the *Noticee no. 2* aided and abated by her brother who was not only privy to the impending orders of the Big Clients but was also noticed to be using his own official computer system during working hours to access to the Website of the broker (Sushil Finance) of his sister implying thereby, not only has he shared such non-public information about the impending trade orders of Big Clients with his sister (*Noticee no. 2*) but also has most possibly traded in the trading account of his sister as the data logs from his computer system suggest. At this stage, I find it relevant to refer to the observations of the Apex Court as recorded in the matter of *SEBI vs. Sbri Kanaiyalal Baldevbhai Patel and Ors. (2017)15SCC1*, with respect to the definition of “front running”:

“As per the Major Law Lexicon by P Ramanatha Aiyar (4th Edition 2010), ‘front running’ is defined as under:

Front running -Buying or selling securities ahead of a large order so as to benefit from the subsequent price move.

This denotes persons dealing in the market, knowing that a large transaction will take place in the near future and that parties are likely to move in their favour.

The illegal private trading by a broker or market-maker who has prior knowledge of a forthcoming large movement in prices. (Investment)

The Black’s Law Dictionary (Ninth Edition) defines the term ‘front running’ as under:

Front running, n. Securities. A broker’s or analyst’s use of nonpublic information to acquire securities or enter into options or futures contracts for his or her own benefit, knowing that when the information becomes public, the price of the securities will change in a predictable manner. This practice is illegal.

Front-running can occur in many ways. For example, a broker or analyst who works for a brokerage firm may buy shares in a company that the firm is about to recommend as a strong buy or in which the firm is planning to buy a large block of shares.

Nancy Folbre –In the world of financial trading, a front-runner is someone who gains an unfair advantage with inside information.

SEBI has defined front-running in one of its circular (CIR/EFD/1/2012 dated May 25, 2012) in the following manner-

Front-running; for the purpose of this circular, front running means usage of non-public information to directly or indirectly, buy or sell securities or enter into options or futures contracts, in advance of a substantial order, on an impending transaction, in the same or related securities or futures or options contracts, in anticipation that when the information becomes public; the price of such securities or contracts may change.”

- vii. In the present case, there appears to be sufficient evidentiary value in form of proximity of trades executed in the account of the *Noticee no. 2* which have been executed repeatedly ahead of the orders placed by the Big clients of the Broker. The *Noticee no. 2* who has had barely any annual income to take such huge risky positions in the securities market is observed to have taken positions highly disproportionate to her annual income as disclosed to Income Tax Department thereby taking the risk of incurring huge losses completely disproportionate to her financial worth or means and yet, is observed to have made profits by trading in those scrips wherein, the Big Clients of the Broker have also trades on the same day and in closest proximity with the timings of trades of *Noticee no. 2* and the *Noticee no. 1* working as the Chief Dealer of the said Broker was having the knowledge of the impending trades of such Big clients. Further, the IP details provided by the stock-broker of the *Noticee no. 2* showing execution of trades from a computer system whose IP address takes me to the office of the Broker itself, and the evidence in the form of computer data of the *Noticee no. 1* showing that the website of the stock-broker of the *Noticee no. 2* was accessed from such system on a continuous basis, leads to a reasonable *prima facie* finding that the trades in the account of the *Noticee no. 2* were placed by none other than the *Noticee no. 1* only.
- viii. I observe that the *Noticee no. 2* has, in her statement recorded during the investigation attempted to justify her trades by portraying that she executes trades based on independent sources of information like internet research, TV shows etc. However, even an ordinary person with reasonable common sense and basic understanding about the dynamics of stock market will hesitate to accept that based on “third party independent sources” *Noticee no. 2* could so confidently trade with such precise accuracy, in trading pattern so much so that her trades coincidentally always remained ahead of the orders of Big Clients of the Broker where her brother was working. The

matching of the trades of the *Noticee no. 2* with those of the Big Clients of the Broker every time she made a profitable squaring off of her trades with arithmetical accuracy put such assertion of making independent trades, based on independent market analysis on a false wicket.

- ix. The *prima facie* case of front running further gets compounded against the *Noticees* when the details of trades executed in the trading account of *Noticee no. 2* just before the market closure time are examined on which I have already recorded my observations in the preceding paragraphs. A short sell position taken just 40 seconds before market closure timing and successfully squaring off the same with profits coupled with 100% matching of orders with the orders of Big client while squaring off the open position so taken at the fag end of the trading hours adequately points towards the ill-design behind executing such trades, with such accuracy and certainty of profits.
- x. I must also observe that, the very fact that *Noticee no. 1* has attempted to cover up his tracks by deleting the data from its computer system immediately after SEBI's probe started, and the IA summoned him for statement recoding, is also a testimony of the fact that not only the *Noticee no. 1* was deeply involved in execution of such SSB or BSS trades in the trading account of his sister, but also had gone to the extent of destroying the evidences to protect his interest and evade SEBI's investigation somehow into his role in the entire matter.
- xi. I may hasten to observe here that though in few of the trades identified during investigation as front running trades executed in the account of the *Noticee no. 2*, she has incurred losses given the possibility that not every large traders by a Big Client shall invariably result in a substantial price impact and a few of such Big Clients trades may not have repeated in noticeable price impact so as to give a profitable exit to the *Noticee no. 2*, but at the same time given the fact that on the whole, the profit making

trades clearly outweighs both in number and value the loss making trades, such loss making trades are too negligible to be given any importance which may depend on many other factors..

30. To sum up my *prima facie* observations, I, the *Noticee no. 1* by virtue of his employment as the Chief Dealer of IDBI Capital Markets and Securities Limited, was undesirably possessing the knowledge of non-public information pertaining to impending trade orders of the Big clients of the said stock-broker (of which *Noticee no. 1* was the Chief Dealer); and by using such non-public information to which he was privy to, trades were executed in the account of the *Noticee no. 2* by front running the impending large trades of the Big clients. The technical data provided by the stock broker of the *Noticee no. 2* pertaining to IP address of the computer from which trades were done and computer data provided by IDBI Capital Markets and Securities Limited largely indicate in a persuasive manner that the trades in the account of the *Noticee no. 2* have been executed from the system placed and operated from the premises of IDBI Capital Markets and Securities Limited itself which was being used by *Noticee no. 1* himself. Based on the aforesaid evidence available before me, it becomes *prima facie* clear that armed with the advance knowledge of the impending trade orders of the Big clients, the *Noticee no. 1* was able to execute his *malafide* intent to make unlawful gains by front running those impending orders of the Big clients, and it is due to the possession of such non-public information, all those trading strategy of SSB and BBS have worked like a clock-work at the hands of the *Noticee no. 1* to earn large sums of profit in the trading account of *Noticee no. 2*. The *Noticee no. 2*, who is the sister of *Noticee no. 1*, is *prima facie* found to be equally complicit in the whole process of front running as she not only provided log-in credentials of her trading account to her brother, but has also attempted to deflect attention from their collusive nexus by claiming during investigation that she herself has independently placed the orders in her account. I observe that by indulging in the fraudulent scheme to front run the trades of the

Big Clients as elucidated in the preceding paragraphs, the *Notices* have *prima facie* violated Section 12A (a), 12A (b), and 12 A (c) of the Securities and Exchange Board of India Act, 1992 and Regulation 3 (a), 3(b), 3 (c), 3(d), 4(1) and 4 (2) (q) read with Regulation 2 (1) (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003, (**PFUTP Regulations**) the provisions of which are reproduced here under for reference:

SEBI Act, 1992

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control

Section 12A. No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange; (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder.

PFUTP Regulations

Prohibition of certain dealings in securities

Regulation 3. No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder. Prohibition of manipulative, fraudulent and unfair trade practices

Regulation 4 (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

Regulation 4 (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves—

...(q) any order in securities placed by a person, while directly or indirectly in possession of information that is not publically available, regarding a substantial impending transaction in that securities, its underlying securities or its derivative;

31. I observe that a *prima facie* case of the aforesaid violations has strongly emerged from the aforesaid facts and evidences available before me pertaining to the case. Further, in the facts and overall circumstances of the case and other aggravating factors, noticed from the conduct of *Notices*, that are not in the best interest of the investors and the integrity of securities markets, a need to take urgent necessary action is incumbent upon SEBI so as to protect the interest of the investors of the securities market, in absence of which an irreparable loss may be caused to the securities market as well as to the investors. In the present case, adequate number of evidences have been brought to the table by the investigation which make out a *prima facie* case against the *Notices* for making of unlawful gains made by way indulging in front-running activities as discussed in details in the preceding paragraphs, hence the following factors compel me to invoke the provisions under Section 11(4) (d) of the SEBI Act, 1992 to impound the proceeds of such *prima facie* unlawful gains made by the *Notices*:

- I. The *Noticee no. 1* has apparently abused his employment as a Chief Dealer with the Broker by using the non-publically available information about the impending orders of the Big Clients of the Broker, for his personal use and further by taking advantage

of such non- public information, front-running trades were executed in an unfair manner to make unlawful gains in account of his sister, viz., the *Noticee no. 2*. The *Noticee no. 1* has apparently also conducted himself in an audacious and defiant manner, oblivious of minimum standards of ethics as he is seen to have not only used the premises and IT infrastructure of his employer to make quick personal gains, but also has tried to sabotage a possible fair investigation into his affairs by deleting the data from his computer system. In the present case, the *Noticee no. 1* appears to have acted as the tipper of non-public information about the impending trade orders of Big Clients to his sister and at the same time appears to have executed trades in the account of the tippie i.e., his sister based in those non-public information.

- II. In order to prevent any such fraudulent or manipulative act, the Broking houses normally put in place appropriate restrictions on usage of communication devices like mobile phone in the dealing rooms, however, by exploiting the loop hole that the computer systems of the Broker do not prohibit access to the websites of other stock-brokers, the *Noticee no. 1* appears to have successfully circumvented the prohibition on usage of mobiles, while on duty in the dealing room during trading hours.
- III. Had the stock-brokers Sushil Finance and IDBI Capital Markets and Securities Limited been not in a position to provide the incriminating evidence in form of IP details and website accessing data, it might have given impetus to the *Noticee no. 2* to more assertively claim that she only executed the trades in her account, a blatantly specious statement which she made during the course of investigation.
- IV. The *Noticees* have been able to make large amount of profits in small trenches by their well-crafted manipulative scheme of front running the trades of Big Clients. In the process of executing the scheme, they have been consciously and knowingly placing orders over the period and as unearthed in the investigation, the frequency of such trades not continued to merely one or two stray incidences, but has been much more

and consistently high. Interestingly, the records before me suggest that immediately after an email dated June 14, 2022 was issued to the *Notices* by SEBI seeking certain information regarding their trading activities, next day onwards, such profit making front running activities largely stopped which were otherwise going on unhindered for a long time. It has been noticed that even on June 14, 2022, multiple trades in cash as well as in Future segment have been executed in the SSB/BBS pattern from the trading account of the *Notice no. 2*, wherein the first leg of the trade precedes the trade of the Big Client and the second leg was placed immediately after the order of the Big Client was placed and the said second leg was placed primarily to square off the open position of the first leg which mostly got matched with the order of the Big Clients and gave profitable exits to the *Notices*.

- V. The trade details during the investigation period indicate that even after June 14, 2022, one trade in Future segment has been carried out in the account of the *Notice no. 2* following the BBS pattern, which was carried out on July 14, 2022, from which a profit of INR 5000 (approx.) was made. In other words, even after getting caught almost red-handed on June 14, 2022, the *Notices* dared to follow their manipulative streak and despite being fully cognizant of the ongoing regulatory investigation, they gave scant regard to such investigation and repeated their nefarious front running activity on July 14, 2022 also.
- VI. The *Notices* have been found to have made an aggregate sum of unlawful profit of INR 1.70 Crore (approx.) from such a trading activity, and going by their overall continuous misconduct as demonstrated above especially attempt to sabotage the investigation by deleting data from the computer system, there is a strong likelihood that the said ill-gotten amount may be siphoned off, in an attempt to thwart the possible actions from SEBI for recovering such unlawful gains made out the alleged front running trades.

VII. Pursuant to the commencement of investigation, the *Notices no. 1* has been kept under suspension by his broker employer, indicating that the employer-employee relationship between the Broker and him has not been completely severed.

32. At this stage, I refer and seek reliance on the order of the Hon'ble Securities Appellate Tribunal, passed in the matter of *Amalendu Mukherjee Vs. SEBI (Appeal (L) no. 169 of 2020)*, wherein the Hon'ble Tribunal has underscored the necessity of passing impounding orders by *inter alia* observing as: "*We are of the opinion that the WTM is empowered under the SEBI Act and the Regulations to pass an ex-parte order in order to protect the interests of securities market and the investors. If such impounding order is not passed, it may result in defeating the ultimate direction of disgorgement if any, as there would be chances of such monies being dissipated by the appellant. ...*"

33. Under the circumstances, based on the preponderance of probabilities that are strongly hinting towards commission of the alleged violation of securities laws by the *Notices* leading to unlawful enrichment and the, speaking facts and evidences before me are adequately reflecting the mis-conduct of the *Notices* and more so when after seeing the large amounts of gains that have accrued to them by way of executing trades in the manner discussed as above, I observe that it is a fit case to pass interim directions to insulate the securities market from the mis-conduct of the *Notices* as well as to protect the unlawful gains from going beyond the regulatory reach. Accordingly, I, in exercise of the powers conferred upon me under Sections 11, 11 (4), 11B (1) read with Section 19 of the SEBI Act, 1992, hereby by way of the present *interim* order cum show cause notice, issue the following directions, which shall remain in force until further orders:

- I. The *Notices* are restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders. If the *Notices* have any open position in any exchange traded derivative contracts, as on the date of the order,

they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. The *Notices* are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

- II. The *Noticee no. 1* is hereby restrained from associating himself with any intermediary registered with SEBI, in any capacity till further orders.
- III. An amount of INR 1,67,70,060, being the total unlawful gain earned from the alleged front running activities is impounded, jointly and severally from the *Notices*.
- IV. The *Notices* are directed to credit/deposit the aforesaid amount of unlawful gains to an interest bearing Escrow Account [“Escrow Account in Compliance with SEBI Order dated December 19, 2022–A/c”] created specifically for the purpose in a Nationalized Bank. The Escrow Account(s) shall create a lien in favour of SEBI and the monies kept therein shall not be released without permission from SEBI.
- V. Banks are directed that no debits shall be made, without permission of SEBI, in respect of the bank accounts held jointly or severally by the *Notices*, except for the purposes of transfer of funds to the Escrow Account. Further, the Depositories are also directed that no debit shall be made, without permission of SEBI, in respect of the demat accounts held by the aforesaid persons. However, credits, if any, into the accounts maybe allowed. Banks and the Depositories are directed to ensure that all the aforesaid directions are strictly enforced. Further, debits in the bank accounts may also be allowed for amounts available in the account in excess of the amount to be impounded. Banks are allowed to debit the accounts for the purpose of complying with this Order.
- VI. The Registrar and Transfer Agents are directed to ensure that, they neither permit any transfer nor redemption of the securities, including Mutual Funds units, held by the *Notices*.

VII. The *Notices* are directed not to dispose of or alienate any of their assets/properties/securities, till such time the amount of unlawful gain is credited to an Escrow Account except with the prior permission of SEBI.

VIII. The *Notices* are further directed to provide a full inventory of all their assets whether movable or immovable, or any interest or investment or charge in any of such assets, including property, details of all their bank accounts, demat accounts, holdings of shares/securities if held in physical form and mutual fund investments and details of companies in which they hold substantial or controlling interest immediately but not later than 7 working days of this Order.

34. The *prima facie* observations/findings contained in this Order are made on the basis of the material available on record. In light of the alleged violations of the provisions of the SEBI Act, 1992 and PFUTP Regulations by the *Notices*, this Order shall be treated as a Notice under Sections 11(1), 11(4), 11(4A), 11B (1), 11B (2) and 11(5) of SEBI Act 1992, read with SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005, calling upon them to show cause as to why certain directions shall not be passed against them, as proposed hereunder:

- a. Direction to disgorge an amount equivalent to the total gains made on account of alleged front running along with interest;
- b. Direction to restrain them from accessing the securities market and prohibiting them from buying, selling or otherwise dealing in securities for an appropriate period; and
- c. Directions for imposition of penalty under Section 11B (2) and 11(4A) read with Section 15HA of the SEBI Act, 1992.

35. The *Notices* may file their replies to SEBI within 21 days from the date of receipt of this Order and avail an opportunity of personal hearing in the matter, if they so desire.

36. This Order is without prejudice to any other action that SEBI may initiate under the securities laws, as deemed appropriate, against the above mentioned persons/entities.

37. This Order shall come into force with immediate effect and shall be in force till further Orders.

38. A copy of this Order shall be forwarded to the Stock Exchanges, Depositories, Registrar and Share Transfer Agents and Banks to ensure necessary compliance.

-Sd-

S. K. MOHANTY

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA

Place: Mumbai

Date: December 19th, 2022