BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO: Order/SBM/VS/2021-22/14064)

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:

Praveen Kumar Jain
(PAN No.: AADPJ5102D)
626, Panchratna Building,
Opera House, Mumbai-400004

In the matter of
Front–Running by Manish Chaturvedi & Others

FACTS OF THE CASE

1. Securities and Exchange Board of India ('**SEBI**') had received two reports dated October 11, 2010 and January 31, 2011, respectively, from the National Stock Exchange ('**NSE**'), *inter alia*, mentioning alleged front-running trading activity by certain persons/entities in respect of the trades of about 10 companies/entities (hereinafter referred to as '**the Sterling Group**') during the period January 1, 2010 to December 15, 2010. Thereafter, SEBI received three more Reports dated May 31, 2010, October 29, 2010 and March 14, 2011 from NSE, on the suspected front-running trading activity by Ms Laxmi Chaturvedi and Mr Bhavesh Gadhavi (who were allegedly connected to each other), of the trades of the Sterling Group during the period May 31, 2010 to March 14, 2011. Upon analysis of the aforementioned Reports received from NSE, an investigation was conducted by SEBI in the matter for the period from March 1, 2009 to March 31, 2011 (hereinafter referred to as **'Investigation Period'**). The investigation conducted by SEBI focused on the front-running of the trades of the 'Sterling Group' by several persons/entities. As the same set of persons/entities were also observed to be trading in considerable volumes on the Bombay Stock Exchange ('**BSE'**), the trades of these entities on BSE were also examined by SEBI. The investigation conducted by SEBI revealed that several persons/entities were involved in the front running of the trades of the 'Sterling Group'. The persons/entities relevant to the case have been broadly segregated into the following three sub-groups:-
    a. 9 entities viz. Bhavesh Gadhavi ('**Bhavesh'**), E Ally Consulting India Pvt. Ltd. ('**E-Ally'**), Josh Trading Pvt. Ltd. ('**Josh**'), Laxmi Chaturvedi, Pinky Auto Finance Ltd. ('**Pinky**'), Shree Jaisal Electronics & Industries Ltd. (**Jaisal**'), Viraj Mercantile Pvt. Ltd.

('**Viraj'**), Anandilal Chanda and Anandilal Chanda HUF were, *prima facie*, observed to be front running the trades of the Sterling Group/ its clients during the period under investigation,

b. 8 persons/entities, viz. Mr. Manish Manoharlal Chaturvedi (hereinafter referred to as **'Manish**'), Mrs. Madhu Chanda, Mr. Anandilal Chanda, M/s. Sharekhan Limited, Mr. Manoharlal Bhaiyalal Chaturvedi, Mr. Abhinandan Ranka, Mr. Sandeep Maloo and Mr. Praveen Kumar Jain (hereinafter referred to as '**Praveen'/'Noticee**') had allegedly aided/ abetted /facilitated in the front running activities of these entities,

c. 10 companies /entities of the 'Sterling Group' whose trades were front-run viz. Abhi Ambi Financial Services Limited, Sterling Futures & Holidays Limited, Ratha Infrastructure Pvt Limited, Baghmar Finlease Pvt Limited, Shanmugha Home Makers Pvt Limited, Siva Trade Consultancy Pvt Limited, Saravana Enterprises, Shanmuga Real Estate & Promoters Pvt Limited, V.S Net Limited and Siva Projects Engineering & Enterprises Limited (Sterling group of companies whose trades were front-run).

2. Pursuant to investigations conducted by SEBI, it was observed that a fraudulent scheme of front-running was orchestrated by Manish in connivance with other persons/entities, including the Noticee of the trades of the 'sterling group' during the above mentioned investigation period. In this regard, it was observed that the Noticee had facilitated Manish by providing him with multiple trading accounts, which were in turn used by Manish to front- run the trades of the 'sterling group'. It was observed during investigations that Noticee had financial transactions with the front-runners mentioned at para 1 (a) above (other than Anandilal Chanda/ his HUF and Sharekhan). It was further observed during the investigations that the Noticee had facilitated the banking transactions for and on behalf of the front-runners through several entities which claimed to be involved in the business of diamond trading, investment etc. During the investigations, it was observed that Noticee had admitted to the fact that Manish was his friend and also stayed in the same building as he did during the above referred investigation period. It was observed that the funds for the purpose of front running the trades of the 'sterling group' was provided by the Noticee to the accounts of the front runners mentioned in para 1(a) above and the profits earned/pay out received as a result of their trades were also transferred to the account of the Noticee. During the course of investigations, Noticee also admitted to the fact that he had not received any benefit from the trades of the 'sterling group' that were front run and the profits/pay outs received by him were in turn transferred/passed on to Manish (who according to the Noticee was the ultimate beneficiary).

3. Therefore, in order to ascertain the veracity behind the above observations and in order to draw precise conclusions in the matter regarding the role of the Noticee, the Investigating Authority ('**IA'**) of SEBI had issued three summonses to the Noticee on different dates. It was observed that Summons dated October 01, 2013, October 10, 2013 and November 27, 2013 were issued to the Noticee under the provisions of sections 11C(2) and 11C(3) read with section 11(2) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **'SEBI Act'**). The said three summons were issued to the Noticee at his Mumbai address located at 504, Pawan Wing, Indraprasth Complex, Satya Nagar, Borivali (West), Mumbai-400092. The following details/information were sought from the Noticee through the aforementioned summons:

"…The following details for transactions between

Pinky Auto Finance Limited, Viraj Mercantile Private Limited, E Ally Consulting India Private Limited, Josh Trading Private Limited

And

Laxmi Chaturvedi, Manish Chaturvedi, Manohar Chaturvedi, Monica Chaturvedi or any other entities of Chaturvedis or any other entity at their insistence.

Following details are to be provided:

1. Details of bank transfers supported by details/ purpose of each transaction

2. In relation to transactions at Point 1 above, date of square off of transactions and mode of square off

3. Interest paid/ received

4. Details of tax deducted at Source, relevant Form 26AS extracts and relevant TDS certificates

5. Copy of E-TDS returns and date of filing the E-TDS returns…"

4. Vide the aforementioned summons, it was also mentioned to the Noticee that in case he intentionally fail or omit to produce the records/documents/details sought through the summons, SEBI may initiate prosecution/adjudication proceedings against him under the provisions of the SEBI Act.

5. I note that the summonses dated October 01, 2013, October 10, 2013 and November 27, 2013 were duly served upon the Noticee and the postal confirmation evidencing the service of the summons on the Noticee is available on record. However, Noticee has failed to furnish the requested information/records/documents/details in spite of several reasonable opportunities provided to him during the course of investigation. In view of the above, it is alleged that the Noticee has failed to comply with the summonses dated October 01, 2013, October 10, 2013

and November 27, 2013 and therefore, it is alleged that Noticee has violated the provisions of sections 11C(2) and 11C(3) read with 11(2) of the SEBI Act. In view of the above reasons, adjudication proceedings have been initiated against the Noticee under the provisions of section 15A(a) of the SEBI Act.

APPOINTMENT OF ADJUDICATING OFFICER

6. The undersigned was initially appointed as the Adjudicating Officer ('**AO'**) in the matter vide communiques dated July 17, 2017 and October 03, 2018 to conduct the adjudication proceedings in the manner specified under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) and impose such penalty on the Noticee, as deemed fit, in terms of Rule 5 of the Adjudication Rules and Section 15A(a) of the SEBI Act. Pursuant to the transfer of the undersigned to another department of SEBI, Dr. Anitha Anoop was appointed as the Adjudicating Officer in the matter vide order dated March 18, 2019. Subsequently, due to the transfer of Dr. Anitha Anoop, the undersigned was appointed as the Adjudicating Officer in the matter vide communique dated November 3, 2020.

SHOW CAUSE NOTICE, HEARING AND REPLY

7. Show Cause Notice ref. SEBI/EAD-1/AA/ASR/490/2019 dated December 23, 2019 (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 penalty be not imposed on him under the provisions of Section 15A(a) of the SEBI Act for the alleged violation of the provisions of sections 11C(2) and 11C(3) read with 11(2) of the SEBI Act by the Noticee.

8. The details in respect of the violation / non-compliance by the Noticee as observed from the SCN are as given below:

> "108. *Praveen / Noticee 13 was staying in the same building as Manish Chaturvedi did during the investigation period. Praveen / Noticee 13 had financial transactions with all 7 frontrunners (i.e. entities mentioned at Sr. 1 to 7 at Para 3(i) / Noticees 2, 4, 6, 7, 8, 10 and 12) and he has, allegedly, facilitated banking transactions for the aforesaid frontrunners through several entities which claimed to be involved in the business of diamond trading, investment etc. Further, Numerous bank transfers were seen between companies related to/ controlled by Praveen with the aforesaid frontrunners. Praveen was summoned by the Investigating Authority of SEBI to provide the details relating to the bank transactions. However, it is alleged that Praveen failed to provide any information regarding the aforementioned bank transactions.*

Therefore, the flow of profits could not be ascertained and investigation was adversely impacted due to the aforesaid noncooperation of Praveen.

The allegations against the Noticees on the basis of the discussions above are given in the table below along with the provisions allegedly violated by them and the penal provisions:

S. No.	***Name of the Entities***	***Allegations***	***Provisions of SEBI Act/ Rules/ Regulations allegedly violated by the respective Noticee***
1-12	……	…..	…..
13	*Praveen Kumar Jain AADPJ5102D*	*Praveen is alleged to have not complied with the summons to provide information to Investigating Authority*	*Section 11 C (2) and (3) of SEBI Act.*
14-17	…	…	…

9. The SCN dated December 23, 2019 was served upon the Noticee, however, no reply was received from the Noticee. Thereafter, another letter dated March 12, 2020 was also served on the Noticee, which was also not responded to by the Noticee. Subsequently, pursuant to my appointment as the AO in the matter, another notice dated February 09, 2021 was sent to the Noticee which was also duly served upon him. Vide the said Notice, the Noticee was advised to make submissions in the matter by February 26, 2021 and to also appear for a hearing in the matter on March 08, 2021. The aforesaid hearing was re-scheduled to April 07, 2021 (due to the non-receipt of confirmation from the Noticee within the stipulated time). Thereafter, the Noticee appeared for the online personal hearing on the scheduled date i.e., April 7, 2021 and made his submissions *inter alia* stating that in the said matter, an Adjudication Order dated February 15, 2021 has already been passed against him by another AO of SEBI and further mentioned that any further order passed in the matter against him would amount to double jeopardy. Thereafter, vide an email dated May 19, 2021, it was specifically informed to the Noticee that the instant proceeding against him is with respect to his non-compliance with the summonses dated October 1, 2013, October 10, 2013 & November 27, 2013 which was issued to the Noticee during the course of investigations by the IA. The said summonses were issued by the IA seeking certain details/information pertaining to the investigation in the matter and to specifically ascertain the role of the Noticee in the said matter. Thereafter, Noticee made detailed submissions in response to the SCN vide his letter dated June 01, 2021 wherein it was inter alia submitted by the Noticee as under:-

a. *Paragraph 01 of the SCN read along with the table 1 in paragraph 1 of SCN states that the present SCN has been issued to the Noticee for the alleged violation of section 12A(a), (b) and (c) of the SEBI Act and Regulation 3(a), 3(b), 3(c), 3(d), 4(1), 4(2) (a) and 4(2) (q) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) regulations, 2003 and the penalty be adjudicated in reference to section 15HA of the SEBI Act.*

b. *Whereas Paragraph 112 of the SCN read along with the table thereunder states that the Noticee have violated section 11C(2) and 11C(3) of the SEBI Act.*

c. *The Noticee submitted that the said observations are contradictory in nature and are not clear. Therefore, on the basis of the aforesaid, it is submitted that the present SCN should be quashed qua him the present SCN is not clear as to whether the SCN has issued to adjudicate and inquire the violation of PFUTP Regulations or violation of section 11C(2) and (3) of the SEBI Act.*

d. *With regard to the allegation that the Noticee failed to provide any information regarding the bank transaction executed between companies related to/controlled by me with the front runners and therefore, the flow of profits could not be ascertained and investigation was adversely impacted due to the aforesaid non-corporation. The Noticee submitted that the aforesaid allegation is frivolous and baseless without sufficient documents to support the said allegation.*

e. *In this regard it is submitted that the Noticee have, during the course of investigation by SEBI, duly recorded his statement on December 11, 2015 and December 21, 2015 along with an affidavit dated December 11, 2015 revealing all the information and details as true to his knowledge in relation to his association with Mr. Manish Chatuirvedi and the various financial transactions executed in this reference. The statements were recorded on oath as per the provisions of section 11C(5) of the SEBI Act. During the course of recording my statements on the aforementioned dates, the Noticee have provided all the information relating to the monetary transaction associated with my relationship with Mr Manish Chaturved.*

f. *Therefore, in this regard, it is submitted that though at the relevant point when the information was sought from me vide summons, the same was not provided within the prescribed time, however, when I was directed to appear before SEBI and was asked to provide the documents, I had provided all the necessary information which was available with me promptly to the investigating authority during the process of recording of my statements by the investigating authority or through an additional affidavit dated December 11, 2015 in this regard.*

g. *Further, vide SCN dated May 03, 2017, the Noticee have been alleged with the PFUTP regulations and for non-compliance of direction issued under section 11,11B and 11(4) of the SEBI Act.*

h. *The Ld. Adjudicating Officer in respect to the SCN dated May 03, 2017, after taking the submission made by him vide his reply dated July 11, 2018, concluded the proceedings so initiated against him by passing order dated February 15, 2021. Vide the said order Adjudicating Officer concluded that the*

Noticee was part of scheme of front-running by Mr. Manish Chaturvedi and other front-runners as had provided 06 trading accounts to Manish Chaturvedi, who indulged in front-running and had a lot transferred the amount of profits earned in such accounts to Manish Chaturvedi.

i. *The Ld. Adjudicating Officer has there in imposed a penalty of ₹25,00,000/- under section 15HA of SEBI Act for PFUTP Regulations and ₹10,00,000/- under section 15HB of SEBI Act for failure to comply with the directions issued by vide the order of SEBI.*

j. *The Noticee further submitted that the SCN dated May 03, 2017 was issued prior in time to the resent SCN dated December 23, 2019 and for same set of allegations which has been said to be adjudicated in the present proceedings which was issued subsequently.*

k. *Therefore , the new proceedings initiated through SCN dated December 23, 2019 in regard to the violation of PFUTP Regulations are hit by the principle of 'Res Judicata' & therefore, liable to be quashed.*

10. Thereafter, in the interest of natural justice, Noticee was provided with another opportunity of personal hearing on September 14, 2021, through the online webex platform. Ms. Rishika Harish and Ms. Nirali Mehta appeared as the Authorized Representatives ('**ARs**') on behalf of the Noticee on the stipulated date of hearing. During the course of hearing, the ARs reiterated the submissions made by the Noticee in his reply dated June 01, 2021.

CONSIDERATION OF ISSUES AND FINDINGS

11. I have carefully perused the SCN, the submissions made by the Noticee, the Adjudication Order dated February 15, 2021 referred to by the Noticee, and also the documents/records made available on record. It is alleged that Noticee has failed to comply with the summonses issued to him by the IA during the course of the investigation and as a result of the same, Noticee has allegedly violated the provisions of sections 11C(2) and 11C(3) read with section 11(2) of the SEBI Act.

12. The contention of the Noticee that he was subjected to another Adjudication Proceeding in the same matter and the concerned AO had passed an Order dated February 15, 2021 imposing monetary penalty on the Noticee is baseless and without any merit. I have perused the Adjudication Order dated February 15, 2021 and find that the facts and circumstances of the case resulting into the Adjudication Order dated February 15, 2021 passed against the Noticee is entirely different from the facts and circumstances pertaining to the current proceeding initiated against the Noticee vide SCN dated December 23, 2019. The proceedings against the Noticee which resulted into an Order dated February 15, 2021 was pertaining to the violation of the

provisions of Sections 12A (a), (b) and (c) of SEBI Act, 1992 and Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) and (q) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 and also in respect of the failure on the part of the Noticee to comply with the directions issued to him by SEBI vide an Order dated April 23, 2009 under sections 11, 11B and 11(4) of SEBI Act. I find that the instant adjudication proceeding against the Noticee is for his failure to comply with the summonses dated October 1, 2013, October 10, 2013 and November 27, 2013, issued by the IA during the course of the investigations, which resulted in the violation of the provisions of sections 11C(2) and 11C(3) read with section 11(2) of the SEBI Act by the Noticee. It is thus clear that both the proceedings initiated against the Noticee are entirely different. In view of the above, the contention of the Noticee is not tenable.

13. From the SCN dated December 23, 2019, I note that the allegation against the Noticee is that, he failed to comply with the summonses dated October 01, 2013, October 10, 2013 and November 27, 2013 which were issued to him by the IA during the course of investigations. I note that the IA had sought vital details/information from the Noticee through the aforementioned summonses and directed the Noticee to submit the same within the prescribed dates mentioned in the said summonses. The summonses were issued to the Noticee at his address viz. 504, Pawan Wing, Indraprasth Complex, Satya Nagar, Borivalli West, Mumbai-400092. I note that the summonses were also duly served upon the Noticee and the postal confirmation in this regard is on record. The fact that Noticee has received the summonses is also not disputed by him. However, it is on record that Noticee failed to submit/furnish the desired details /information sought through the summons. Admittedly, Noticee has mentioned in his letter dated June 1, 2021 that these details which were sought through the aforementioned summonses were submitted by him to the IA on December 11, 2015 and December 21, 2015 along with an affidavit dated December 11, 2015 when his statement was also recorded by the IA during the course of Investigations.

14. Before moving forward, the relevant provisions of the SEBI Act allegedly violated by the Noticee and as mentioned in the SCN are reproduced as under:-

> ***SEBI Act***
>
> ***Investigation.***
>
> ***11C.(2)*** *Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorised by it in this*

behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

***(3)** The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.*

15. In this regard, it is pertinent to note that section 11C(2) clearly obligates any person associated with the securities market to produce/submit the records/information sought by the investigating authority. Further, section 11C(3) empowers the Investigating Authority of SEBI to require any intermediary or any person associated with the securities market in any manner to furnish such information to, or produce such books or registers or other documents or record before him or any person authorized by him in this behalf as it may consider necessary if the furnishing of such records/information/documents are necessary. From the above observations, it is amply clear that the three summonses were issued to the Noticee by the IA seeking vital details/ information pertaining to the investigations during October /November 2013 whereas, Noticee has furnished the same only during December 2015 when his statement was recorded by the IO. Clearly, from the above observations, Noticee has failed to comply with the summons as the details were submitted by him belatedly i.e almost after 2 years. As a result of the non-submission of the required details/information by the Noticee, the progress of the investigation was also severely impacted.

16. The details of summonses sent to the Noticee by the IA are as follows:

Date of Summon	Summon for	Date for compliance	Details of service	Status of Reply	Details of service
October 01, 2013	Production of information before IA	October 03, 2013	Vide e-mail on October 01, 2013 at 13:24 hours and by Hand Delivery on October 01, 2013 at 15:10 Hours.	No reply from Noticee	Vide e-mail on October 01, 2013 at 13:24 hours and by Hand Delivery on October 01, 2013 at 15:10 Hours.
October 10, 2013		October 14, 2013	Through RPAD on October 17, 2013	No reply from Noticee	Through RPAD on October 17, 2013
November 27, 2013		November 29, 2013	Vide email on November 27, 2013 at 17:57 Hours and by courier on November 28, 2013.	No reply from Noticee	Vide email on November 27, 2013 at 17:57 Hours and by courier on November 28, 2013.

17. I find that the summons issued to the Noticee clearly stated that if the Noticee fails to comply with the summons, criminal prosecution may be launched against the Noticee under section 11C(6) of the SEBI Act which provides for a punishment with imprisonment for a term which may extend to one year or with fine which may extend to one crore rupees, or with both and also with a further fine which may extend to 5 lakh rupees for each day after the first, during which the failure or refusal continues. It was also stated that if the Noticee omits to attend and/or fails to give evidence or to produce the books of accounts and/or documents as required, SEBI will initiate adjudication proceedings against the Noticee under section 15A of the SEBI Act.

18. I note that the IA through summonses dated October 01, 2013, October 10, 2013 and November 27, 2013 sought the following details /information pertaining to the transactions between Pinky Auto Finance Limited (Pinky), Viraj Mercantile Private Limited (Viraj), E Ally Consulting India Private Limited (E Ally), Josh Trading Private Limited (Josh) (all front runners) and Laxmi Chaturvedi, Manish Chaturvedi, Manohar Chaturvedi, Monica Chaturvedi or any other entities of Chaturvedis (who had actually aided/ abetted /facilitated in the front running activities of the front runners:

    a. Details of bank transfers/statements supported by details/ purpose of each transaction
    b. In relation to transactions at Point 1 above, date of square off of transactions and mode of square off
    c. Interest paid/ received
    d. Details of tax deducted at Source, relevant Form 26AS extracts and relevant TDS certificates
    e. Copy of E-TDS returns and date of filing the E-TDS returns

19. The allegation/observation made in the Investigation Report ('**IR')** is that the trades of the *Sterling Group* were front–run in 7 different trading accounts viz, Laxmi Chaturvedi, Viraj, Josh, Pinky, E-Ally, Jaisal & Bhavesh and unfair gains had accrued to such accounts. During the course of investigations, the Noticee in his affidavit , which was submitted by him in December 2015 also mentioned that 6 out of 7 aforesaid trading accounts (except Laxmi Chaturvedi) were provided to his friend, Manish by him and Manish in turn had front-run the trades of the Sterling group through these accounts. As already stated, investigations established the fact that there were several financial transactions that took place between the Noticee and all the above mentioned 7 front-runners during the investigation period. Investigations further brought out that the Noticee had facilitated the banking transactions for the front-runners with the help of several entities, which claimed to be in the business of diamond trading, investment etc. It was established during

the course of investigation that Noticee was a close friend of Manish (the main perpetrator behind the front running of the Sterling group) and also resided in the same building as Manish did during the relevant investigation period. In view of the above reasons, the Noticee was summoned by the IA to provide the details/information relating to the bank transactions and other relevant details. However, it is on record that Noticee has failed to submit the same within the prescribed dates mentioned through the summonses and admittedly, submitted the same only during December 2015 i.e after a gap of almost 2 years from the date of issuance of the summons.

20. I note from the records that the information was sought from the Noticee by the IA during the months of October and November, 2013 and Noticee failed to submit the same within the date/time mentioned through the said summonses. Subsequently, an ad interim *ex-parte* impounding order dated July 31, 2015 was passed by SEBI, wherein, it was established that, on the basis financial transaction, familial relationship, friendship and connection of the Noticee with the entities against whom the SEBI's order dated July 31, 2015 has been passed etc, the Noticee had strong connections with the Front runners and also with the entities who had allegedly aided/ abetted /facilitated in the front running activities of front runners i.e Manish etc. It was only after the above mentioned Order of SEBI that Noticee appeared before the IA in person and the statement of the Noticee was also recorded by the IA on December 11, 2015 and December 21, 2015. Further, during the above period when the statement of the Noticee was recorded by the IA, the Noticee also submitted the relevant details sought through the aforementioned summonses.

21. Further, I also note that the details/ information which were sought from the Noticee through the three summonses October 01, 2013, October 10, 2013 and November 27, 2013 were very crucial and vital in respect of the investigation process as regards the front running by Manish Chaturvedi. For example, information regarding details of bank transfers supported by details/ purpose of each transaction, interest paid/ received, details of tax deducted at source, relevant Form 26AS extracts and relevant TDS certificates and copy of E-TDS returns and date of filing the E-TDS returns sought by the IA from the Noticee for the relevant period are important information/details to establish the link of the Noticee in the matter of front running by Manish Chaturvedi. I do not find any reason for the Noticee to hide this information unless some deceitful practices were being carried out by him in connivance with other entities associated with the Frontrunners and also in association with Manish. The said information sought from the Noticee vide summonses dated October 01, 2013, October 10, 2013 and November 27, 2013 was very relevant and important in unearthing the truth to protect the interest of the investors and punish

the manipulators associated with the front-runner. The failure on the part of the Noticee to comply with the three summons issued by the IA has clearly hampered the investigation process.

22. In this context, I note that Hon'ble Securities Appellate Tribunal (hereinafter referred to as '**SAT'**), in case of Asian Films Production and Distribution Ltd. vs SEBI (Appeal No. 203 of 2010 decided on 19th January, 2011), has held that:

> *"Non-compliance with summons is, indeed, a serious matter and cannot be viewed lightly. The respondent Board is the market regulator and has to regulate the securities market and the law provides that every person associated with the market in any manner should cooperate in the matter of carrying out investigations. In the year 2002, the provisions of the Act were amended and penalty for non-compliance with summons was enhanced considerably to make it more deterrent. Market players who do not cooperate with the regulator in the matter of investigations commit a serious wrong which can have serious repercussions in the market. We do not know what would have come to light if the company had furnished the information sought from it."*

23. I also note that Hon'ble SAT, in its order dated October 22, 2013 in the matter of Rich Capital & Financial Services Limited & Ans vs SEBI, observed that:

> *"10. We may pertinently note that the SEBI is basically constituted to promote orderly and healthy growth of securities market apart from protecting investors' interest. For discharging this onerous job, and with a view to achieve the underlined object, SEBI asa regulator is required to conduct investigation and enquiries in the affairs of various parties from time to time. For this purpose, first and the foremost thing is co-operation from the concerned officers of the companies not only to produce the relevant records as and when required by an investigating officer or enquiring authority or by any person authorised by the SEBI in this behalf but to appear in person as and when called upon. Section 11C (2) mandates every manager, managing director, officer or other employees of the company to preserve and produce such documents which are in their custody or power. Similar is the tone and texture of section 11C (3).*
>
> *11. In case of failure on the part of the concerned person to furnish such records/information, heavy monetary penalty is prescribed in section 15A (a) of the SEBI Act, 1992. In fact such an act on the part of a company or its concerned officers is not only contemptuous but also a hindrance in the way of conducting smooth investigation and enquiry by the regulator to arrive at a just and fair conclusion as per the provisions of SEBI Act, 1992. Such an increasing tendency on the past of the companies needs to be curbed at the threshold."*

24. From the foregoing paragraphs, it is conclusively established that the Noticee did not comply with the summons dated October 01, 2013, October 10, 2013 and November 27, 2013 issued by the IA and therefore, I hold that the Noticee has violated the provisions of sections 11C(2) and 11C(3) read with section 11(2) of the SEBI Act.

25. In view of the above, I conclude that the Noticee is liable for monetary penalty under the provisions of Section 15A(a) of the SEBI Act, which reads as under:

> ***Penalty for failure to furnish information, return, etc.***
>
> *15A. If any person, who is required under this Act or any rules or regulations made there under-*
>
> *(a) to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less*

26. In this regard, the provisions of Section 15J of the SEBI Act and Rule 5 of the Adjudication Rules require that while adjudging the quantum of penalty, the adjudicating officer shall have due regard to the following factors namely; -

> *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
>
> *(b) the amount of loss caused to an investor or group of investors as a result of the default;*
>
> *(c) the repetitive nature of the default.*

27. With regard to the above factors, I note that the material made available on record has not quantified the profit/loss for the violations committed by the Noticee. In view of the above, I am of the view that by not furnishing the documents/details/information to the IA on time, the Noticee has failed to comply with the mandatory statutory obligation. I also observe that Noticee has failed to comply with the summons on three occasions and therefore, the violation is repetitive in nature. In this context, reliance is placed upon the order of the Hon'ble Supreme Court of India in the matter of Chairman, SEBI Vs Shriram Mutual Fund { [2006]5 SCC 361 } –wherein the Hon'ble Supreme Court of India held that *"…In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant…"*. In this regard, I also observe that WTM-SEBI, vide Final Order dated December 18, 2020 passed in the matter of Front-Running by Manish Chaturvedi and Ors under sections 11(1), 11(4) and 11B of the SEBI Act has debarred the Noticee from accessing the securities market and buying, selling or otherwise dealing in the securities market, either directly or indirectly, for a period of 6 years from the date

of the said Final Order. Further, vide Adjudication Order dated February 15, 2021, the AO has also imposed monetary penalty of ₹25,00,000/- on the Noticee for the violation of PFUTP Regulations. I have considered the above factors while deciding the quantum of penalty to be imposed upon the Noticee in respect of his default w.r.t his non-compliance with the summonses issued to him by the IA, as aforesaid. At the same time, the failure on the part of the Noticee to comply with the statutory requirement of submitting the details/information sought through the summons issued to him by the IA during the course of investigations cannot be ignored.

ORDER

28. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in the preceding paragraphs, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, hereby impose a penalty of ₹ 2,00,000/- (Rupees Two lakh only) on the Noticee viz. Shri Praveen Kumar Jain under the provisions of Section 15A(a) of the SEBI Act for his failure to submit the required information/documents/records/details sought vide summonses dated October 01, 2013, October 10, 2013 and November 27, 2013, which resulted in violation of the provisions of Sections 11C(2) and 11C(3) read with section 11(2) of the SEBI Act. I am of the view that the said penalty is commensurate with the default committed by the Noticee

29. The Noticee shall remit / pay the said amount of penalty within 45 (forty five) days of the receipt of this order either by way of Demand Draft (DD) in favour of "SEBI -Penalties Remittable to Government of India", payable at Mumbai and the said DD should be forwarded to the Division Chief, Enforcement Department -I (EFD), Division of Regulatory Action -I [EFD1-DRA-1] SEBI Bhavan, Plot No.C4-A,' G' Block, Bandra Kurla Complex (BKC), Bandra (East), Mumbai –400 051 and also send an email to tad@sebi.gov.in with the following detail

1	Case Name	
2	Name of the Payee	
3	Date of Payment	
4	Amount Paid	
5	Transaction No.	
6	Bank Details in which payment is made	
7	Payment is made for (like penalties/disgorgement / recovery/ settlement amount and legal charges along with order details)	

30. Payment can also be made online by following the below path at SEBI website www.sebi.gov.in ENFORCEMENT → Orders → Orders of AO → Click on PAY NOW or at https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html.

31. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia,* by attachment and sale of movable and immovable properties.

32. In terms of rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee viz. Mr. Praveen Kumar Jain and also to Securities and Exchange Board of India.

Date: October 29, 2021
Place: Mumbai

SURESH B MENON
ADJUDICATING OFFICER