

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S. K. MOHANTY, WHOLE TIME MEMBER

ORDER

Under Sections 11(1), 11(4), 11(4A), 11A, 11B (1) and 11B (2) of the Securities and Exchange Board of India Act, 1992

In respect of:

Sl. No.	Name of the Noticee	PAN
1	Mukesh Parekh	AAFPP9715L
2	Archana Mukesh Parekh	AGNPP2265K

In the matter of Front Running Trading activity of Dealers of Reliance Securities Ltd. and other connected entities

1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) based on a surveillance alerts generated in the months of December 2019 and January 2020, initiated a preliminary examination in the present matter against certain entities, who were suspected to be front running the trades of Tata Absolute Return Fund, a scheme of Tata AIF, a SEBI registered Alternative Investment Fund (hereinafter referred to as “**Big Client**”). Pursuant to the preliminary examination, an *Ad Interim Ex Parte Order* dated August 7, 2020 (hereinafter referred to as “**Interim Order**”) was passed in the matter, *inter alia* restraining among other entities, Mr. Mukesh Parekh and Ms. Archana Mukesh Parekh (hereinafter referred to as “**Noticees**”) from accessing or associating themselves with the securities market, either directly or indirectly, in any manner whatsoever till further directions as they were *prima facie* observed to be engaged in the act of front running the trades of the Big Client. Further, *Noticees*, jointly and/or severally, were directed to deposit the proceeds unlawfully earned by them by carrying out such *prima facie* front running trades in an escrow account in favour of SEBI which was amounting to INR 66,00,000/-. In compliance with the directions issued vide the *Interim Order*, *Noticees* had deposited an amount of INR

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66,00,000/- in an escrow account.

2. Subsequently, a *Confirmatory Order* dated June 30, 2021 (hereinafter referred to as “**Confirmatory Order**”) was passed in the matter, wherein, the directions of the *Interim Order* were confirmed against the *Notices*. Further, the computation of proceeds generated from the *prima facie* front running activity from the trading account of Ms. Archana Mukesh Parekh was modified to INR 61,73,519/-. Accordingly, SEBI was directed to release INR 4,26,481/- from the escrow account which has been opened for the alleged trades executed from the trading account of Ms. Archana Mukesh Parekh.
3. As the *Interim Order* was passed pending investigation, SEBI proceeded with the investigation in the present matter to ascertain as to whether the acts of the *Notices* were in violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter also referred to as “**PFUTP Regulations**”) during the period December 1, 2019 to August 10, 2020 (hereinafter referred to as “**Investigation Period**”).
4. Based on the factual findings unearthed during the investigation, a common Show Cause Notice dated May 27, 2022 (hereinafter referred to as “**SCN**”) was issued to the *Notices* alleging that the front running trades would not have been executed from the trading account of Labdhi Enterprises, if not for the nexus among Labdhi Enterprises, Ms. Falguni Ketan Parekh, Mr. Ketan Parekh, Mr. Anish Bagadia and Mr. Harshal Vira. Further, it was also alleged that the unlawful gains that had accrued to the *Notices* as a result of their alleged front running activity was to the tune of INR 68,88,269/-. Therefore, it was alleged that the aforesaid act of the *Notices* has resulted in the violation of Sections 12A(a), 12A(b), and 12A(c) read with Section 27(1) of SEBI Act and regulations 3(a), 3(b), 3(c), 3(d) and 4(1), 4(2)(q) of PFUTP Regulations. *Notices* were therefore called upon to show cause as to
 - 4.1. why suitable direction(s) under Sections 11B(1) and 11(4) r/w 11(1) of SEBI Act should not be issued against them for the alleged violation mentioned above including directions to prohibit them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, for

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a particular period and directions not to be associated with any registered intermediary/ listed company and any public company which intends to raise money from public in the securities market, in any manner whatsoever, should not be issued against them. Further, the *Notices* were also show caused as to why any directions for disgorgement of the unlawful gains, jointly and severally along with interest, calculated at 12% per annum should not be issued against them;

- 4.2. why an inquiry should not be held against them in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and why suitable directions for imposing monetary penalty under Sections 11(4A) and 11B(2) read with Section 15HA of the SEBI Act, should not be issued against them for the alleged violation mentioned above.
5. Moreover, in the SCN the attention of the *Notices* was drawn to the SEBI (Settlement Proceedings) Regulation, 2018, if they wished to settle the proceedings initiated against them vide the SCN.
6. In response to the SCN, the *Notices* had filed settlement applications dated July 20, 2022 and July 22, 2022 in terms of SEBI (Settlement Proceedings) Regulation, 2018. Post consideration of the settlement applications of the *Notices*, a *Settlement Order* dated December 26, 2022 (hereinafter referred to as “**Settlement Order**”) was passed with respect to the *Notices* in the instant matter. The terms of the *Settlement Order inter alia* are as follows:
 - 6.1. The matter would be settled upon payment of INR 87,30,881/- as settlement amount with the disgorgement of remaining unlawful gains amounting to INR 2,88,269/- along with simple interest computed at the rate of 12% from the date of default till submission of revised settlement terms, amounting to a total of INR 3,61,434/-, on a joint and several liability basis of the *Notices*.
 - 6.2. The order disposes of the proceedings that may be initiated for the said violations as mentioned above, in respect of the *Notices*.
 - 6.3. SEBI shall not initiate enforcement action against the *Notices* for the said violations.
7. In compliance of the above *Settlement Order*, the *Notices* have remitted the

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settlement amount of INR 87,30,881/- and the remaining disgorgement amount of INR 3,61,434/-.

8. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the SEBI Act read with Sections 11(1), 11(4) and 11B (1) of the SEBI Act, hereby revoke the direction of restrain from buying, selling or dealing in the securities market or associating themselves with securities market, either directly or indirectly, in any manner, issued vide the *Interim Order* and the *Confirmatory Order qua* Mr. Mukesh Parekh and Ms. Archana Mukesh Parekh with immediate effect. Further, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11(4A), 11A, 11B (1) and 11B (2) read with Section 19 of the Securities and Exchange Board of India Act, 1992 read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, hereby disposes of the SCN issued against Mr. Mukesh Parekh and Ms. Archana Mukesh Parekh and pass the following direction:

8.1. The disgorgement amount of INR 69,61,434/- along with accrued interest is hereby directed to be transferred from the escrow account to the Investor Protection and Education Fund in terms of regulation 9(5) of SEBI (Settlement Proceedings) Regulation, 2018.

9. It is clarified that the revocation of the directions issued vide the *Interim Order* and the *Confirmatory Order* in the present matter is only with respect to Mr. Mukesh Parekh and Ms. Archana Mukesh Parekh and the SCN issued in the present matter is disposed of only *qua* Mr. Mukesh Parekh and Ms. Archana Mukesh Parekh. This revocation order is without prejudice to any other action SEBI may initiate against the *Noticees* as per law.
10. A copy of this Order shall be served on the *Noticees*, Stock Exchanges and Depositories, for necessary action.

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DATE: JANUARY 23, 2023

PLACE: MUMBAI

S.K. MOHANTY

WHOLE TIME MEMBER

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