

**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**FINAL ORDER**

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

<b>Sr. No.</b>	<b>Name of the Noticee</b>	<b>PAN</b>
1	Shri Sasidhar V	AAWPV4862B

**In the matter of Schemes of Taurus Mutual Fund holding debt instruments of  
Ballarpur Industries Ltd.**

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1. Present order is being passed in compliance with order dated July 01, 2022 passed by Hon'ble Securities Appellate Tribunal, Mumbai (hereinafter referred to as "**Hon'ble SAT**") in Appeal No. 129 of 2021 whereby Honb'le SAT *inter alia* directed as under:

" ....

10. For the reasons stated aforesaid, the impugned order cannot be sustained and is quashed. The appeal is allowed. The matter is remitted to the WTM to decide the matter afresh after providing a copy of the investigation report and giving an opportunity to file reply. In this regard, the appellant shall appear before the WTM on July 20, 2022 on which date the investigation report will be provided and the matter will proceed thereon.

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2. Aforesaid SAT Appeal No. 129 of 2021 was filed by the Noticee before Hon'ble SAT challenging the order dated August 18, 2020 (hereinafter referred to as "**the Final Order**") passed by Securities and Exchange Board of India (hereinafter referred to as "**SEBI**"). The order dated August 18, 2020 came to be passed by SEBI in the proceedings emanating from show cause notices dated September 30, 2019 and January 17, 2020 (hereinafter referred to as "**SCN**") issued by SEBI to the Noticee wherein, *inter alia*, the following was alleged:

- a. Taurus Mutual Fund (hereinafter may be referred to as “**Taurus MF/TMF**”) is a Mutual Fund registered with SEBI. Taurus Asset Management Company Ltd (hereinafter referred to as “**Taurus AMC**”) is the asset management company of the Taurus MF.
- b. Taurus Liquid Fund, Taurus Dynamic Income Fund, Taurus Ultra Short Term Bond Fund and Taurus Short Term Income Fund (hereinafter referred to collectively as “**Four Schemes**”) had exposure in debt securities issued by Ballarpur Industries Ltd (hereinafter referred to as “**BILT**”). On February 20, 2017, February 22, 2017 and February 27, 2017, BILT defaulted on its payment obligation of Rs. 45 crores, Rs. 39.75 crores and Rs. 22.25 crores respectively.
- c. Taurus MF on February 21, 2017, informed the board of Taurus AMC and Taurus Investment Trust Company Limited (hereinafter referred to as “**Trustee**”) about the inability of BILT to honour the commitment of payment of Commercial Papers (CPs) on account of their financial crisis. The Board of Taurus AMC and Trustee in meetings held on February 22, 2017, *inter alia*, decided to classify the CPs of BILT held by the Four Schemes as non-performing assets (NPAs). Further, the board of Taurus AMC approved the marking down of the value of the BILT securities to zero and decided to suspend subscription in the affected schemes w.e.f. February 23, 2017.
- d. Pursuant to default by CPs of BILT, the chronology of events was as follows:
  - i. February 20, 2017: Taurus AMC/TMF became aware of the default around 7:25 PM on February 20, 2017 but went ahead and published the NAV of the schemes without appropriately valuing BILT securities. The NAVs of the Four schemes of Taurus MF were published at 08:44 pm on February 20, 2017.
  - ii. February 21, 2017: As per the submissions of TMF, the Valuation Committee members met to discuss the issue in detail and recommended that the investment in BILT needs to be marked down fully and

recommendation be made to the Board of Taurus AMC and Trustees for them to take a final decision. The NAV of Taurus Liquid Scheme was published at 08:08 pm on February 21, 2017.

- iii. February 22, 2017: The Board of the AMC and the Board of the Trustee Company met in the afternoon and decided to endorse the Valuation Committee's recommendation to mark down all the investments / maturity proceeds of BILT securities by 100%. This had an impact on NAV of the four schemes of Taurus MF. The NAV of the Four schemes of Taurus MF were published at 08:49 pm on February 22, 2017.

- e. Taurus AMC failed to value the securities of BILT on the day of default and their value was marked down to zero on February 22, 2017.

- f. Taurus AMC vide email dated January 23, 2018 informed that Shri Sasidhar V (the Noticee) was Head-Customer Service of Taurus Mutual Fund.

- g. During the course of inspection of Taurus Mutual Fund, with respect to treatment to all investors in the Four schemes of Taurus MF before their markdown in valuation on February 22, 2017, the following were observed:

- i. The inspection of Date and Time Stamping Machine (DTSM) and adherence to cut-off timings revealed that the time stamp on the applications on February 17, 2017 were as follows:

Date	Name of applicant	Time stamp	Nature of application
17/02/2017	Revant Hemant Shah	TAMC AML 17FEB'17 15:28 08449	Empanelment with TMF as distributor
17/02/2017	Samooda Khatoon	TAMC AML 17FEB'17 17:39 08450	Surrender of unit certificate
17/02/2017	Madhavi Mukund Sagade	TAMC AML 17FEB'17 14:51 08451	Redemption of all units worth Rs. 1.02 crore from Taurus Dynamic Income Fund
17/02/2017	Priya Jude Abraham	TAMC AML 17FEB'17 14:51 08452	Redemption of all units worth Rs. 2,05,343 from Ultra Short Term bond Fund
17/02/2017	Jude J Abraham	TAMC AML 17FEB'17 14:52 08453	Redemption of all units worth Rs. 10,96,497 from Ultra Short Term bond Fund

17/02/2017	Joseph Abraham	TAMC AML 17FEB'17 14:52 08454	Redemption of all units worth Rs. 4,76,522 from Ultra Short Term bond Fund
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- From the time stamp it is seen that the serial number 08450 was generated on February 17, 2017, at 5:39 pm. Therefore, the next serial number should be stamped after this time.
- However, the next four serial numbers i.e. 08451, 08452, 08453 and 08454 were generated on February 17, 2017, at 2:51pm, 2:51pm, 2:52 pm and 2:52 pm respectively.
- Taurus vide email dated November 21, 2017 confirmed that Mr. Jude J Abraham was an employee of Taurus MF/ Taurus AMC as Head - Sales, Marketing & Product Development from February 9, 2015 to May 3, 2017, with Taurus AMC. Mr. Jude J Abraham, Ms. Priya Jude Abraham and Mr. Joseph Abraham are related parties as Ms. Priya Jude Abraham is wife of Mr. Jude J Abraham and Mr. Joseph Abraham is father of Mr. Jude J Abraham.

ii. The time stamp on some of the applications on February 20, 2017 were as follows:

Date	Name of applicant	Time stamp	Nature of application
20/02/2017	Dwarkanath S Rajan	TAMC AML 20FEB'17 15:48 08470	Change of nominee
20/02/2017	Sukanta Dey	TAMC AML 20FEB'17 14:54 08471	Redemption of all units worth Rs. 9197.27 from Taurus Short Term Income Fund
20/02/2017	Punjab and Sind Bank	TAMC AML 20FEB'17 14:57 08472	Redemption of all units worth Rs. 50.05 crore from Taurus Liquid Fund

- From the time stamp it is seen that the serial number 08470 was generated on February 20, 2017, at 3:48 pm. Therefore, the next serial number should be stamped after this time.
- However, the next two serial numbers i.e. 08471 and 08472 were generated on February 20, 2017, at 2:54 pm and 2:57 pm respectively.

- iii. The time stamp consists of the following
- The first word indicates 'the entity' – in this case TAMC i.e. Taurus AMC
  - The second word indicate 'the branch', - in this case AML i.e. Andheri, Mumbai branch
  - Next is date and time
  - Last is Serial Number
- iv. The above anomaly in time stamping can happen either due to error/malfunctioning in the machine or Taurus AMC tampered the time stamp machine.
- v. TMF vide email dated January 22, 2018, submitted that the time stamping machine is provided to TMF by Solaris Computers Private Limited (hereinafter may be referred to as "**Solaris/vendor**"). With respect to Date and Time Stamping Machine (hereinafter referred to as "**DTSM**"), TMF submitted the following:
- DTSM has two locks i.e. manual lock (which can be opened using a key) and an electronic lock / password. The manual lock is used to address issues relating to cartridges, battery and sensors of the DTSM. The electronic lock / password is used for re-installation or to make changes in core installation fields of DTSM. The staff at Taurus AMC has not been authorized to have access to electronic password. This has also been confirmed by the vendor to Taurus AMC.
  - The DTSM machines are also under annual maintenance contract/on call maintenance. All maintenance or repairs are solely conducted by the appointed vendor and the service record is being maintained.
  - The responsibility for coordinating with the vendor for maintenance and upkeep of DTSM machine, is that of Head-Customer Service. During the months January-February 2017, Mr. Sasidhar V was Head-Customer Service.

- The DTSM displays error code in limited cases, if malfunction is observed in its working with regard to paper and cartridges issues which if noticed are highlighted to vendor for corrective action. Beside this, there is also an ongoing practice to detect any malfunction by periodic visual evidence by way of identifying any impression errors in location code, time, number, no impression or if machine stops functioning completely. This point is also covered in the scope of work of the Internal Auditor of Taurus MF.
  - The applications received by TMF are time stamped and the same is then captured in an excel sheet by the Customer Service team member(s). This Control Sheet (informally also called, the Daily Transaction Cover sheet) captures various data fields such as time stamp number, branch, account number or application number, Scheme Name, Investor name, Amount etc. This data is maintained based on transaction type i.e. high value liquid purchase transaction, non-liquid transaction, redemptions, switches, NCT & SIP.
- vi. With respect to anomaly in time stamping on February 17, 2017 and February 20, 2017, TMF submitted that the above malfunction was observed during SEBI inspection. TMF checked for the possible reasons as to why this malfunction could have happened and why their team members could not detect it. Their conclusion was that:
- The control sheet captured only the serial number of the stamping and not the time of stamping.
  - The control sheet was being prepared as per the transaction type (as mentioned above) as a result running serial number of DTSM was not getting maintained in ascending order.

They also checked from the vendor for any possible audit trail. They were informed that the DTSM has no audit trail feature to detect or highlight instances when there is a mismatch in the time and/or serial number. They believe these facts could have contributed in the team members not detecting the malfunction on February 17, 2017 and February 20, 2017.

vii. In this regard, information on functioning of DTSM was sought from Solaris. Solaris vide email dated January 19, 2018 and January 20, 2018, *inter-alia* submitted the following:

- The DTSM is fully password protected the seriality of serial number and time and date cannot be altered.
- Only time can vary at any given time with a variation of seconds as mentioned in pamphlet. As and when the customer informs the time difference the service personnels are called for and the time correction is done so.
- The servicing of the machine is carried out, as and when required by the client and our service personnel prepares the service report and it is duly signed by the customer.
- Regarding password protection, they maintain it for their records. However, with respect to TMF, Customer Service Head Mr. Sasidhar and Deputy Mr. Yashpal, were aware of the password.

3. In view of the above, the SCN alleged that:

- a. The anomaly observed in the DTSM on February 17, 2017 and February 20, 2017, was not because of error or malfunction, but it was because, tampering was done in DTSM by TMF. The key of the machine and the password to alter the time/date was known to Mr. Sasidhar V, Head-Customer Service of Taurus AMC.
- b. Mr. Sasidhar V, Head-Customer Service of Taurus AMC, who was in possession of the key and password of DSTM, has acted fraudulently by tampering with the DSTM.
- c. This was done with an objective to give favour to select few investors i.e. Ms. Madhvi Mukund Sagade, Ms. Priya Jude Abraham, Mr. Jude J Abraham and Mr. Joseph Abraham, on February 17, 2017 and Mr. Sukanta Dey and M/s Punjab and Sind Bank on February 20, 2017.

- d. The act of Mr Sasidhar V to tamper with the DTSM enabled few select investors i.e. Ms. Madhvi Mukund Sagade, Ms. Priya Jude Abraham, Mr. Jude J Abraham and Mr. Joseph Abraham, Mr. Sukanta Dey and M/s Punjab and Sind Bank to redeem their units at a higher NAV prior to the mark down in the value of BILT.
  - e. Mr. Sasidhar V, Head-Customer Service of Taurus AMC has violated Regulation 3(a) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 and SEBI circular no SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006.
4. Accordingly, vide the SCN, the Noticee was called upon to show cause within 21 days from the receipt of the SCN, as to why
- a. suitable directions, should not be issued against him under Section 11(1) and 11B (1) of SEBI Act, 1992 read with provisions of SEBI (Mutual Funds) Regulations, 1996 and circulars issued including directions restraining him from participating in the securities market for a specified period.
  - b. In accordance with Rule 4 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 penalty be not imposed upon him under section 15HA of the SEBI Act, 1992 read with Section 11 B (2) of SEBI Act, 1992 for the alleged violations.
5. After the aforesaid SCN was issued to the Noticee, the Noticee filed his reply dated November 14, 2019. Pursuant of issuance of supplementary SCN dated January 17, 2020 the Noticee filed his reply dated January 22, 2020. An opportunity of hearing was provided to the Noticees by SEBI on February 12, 2020 and the Noticee filed his written submissions dated February 23, 2020. Thereafter, on August 18, 2020, a final order was passed by SEBI imposing a penalty of Rs. five lakhs on the Noticee. Aggrieved by the said order of SEBI, the Noticee filed Appeal No. 129 of 2021 before Hon'ble SAT. As quoted in para 1 above, vide order dated July 01, 2022, Hon'ble SAT allowed the appeal and remitted the matter to SEBI to decide the matter afresh after providing a copy of the investigation report and giving



an opportunity to file reply, to the Noticee. It may be noted that action in the matter was initiated based on an inspection of Taurus MF/Taurus AMC conducted by SEBI and the Noticee was an employee of Taurus AMC. There was no separate investigation conducted against the Noticee and the action against the Noticee was initiated based on the findings in the inspection report.

6. A copy of the inspection report along with annexures was provided to the Noticee on July 20, 2022 and he was advised to file a reply in the matter within 21 days. Further clarification regarding the inspection report, as sought by the Noticee, was provided on September 01, 2022 and the Noticee was advised to file a reply within 14 days from the date of clarification. The Noticee vide email dated September 13, 2022, sought additional time of seven days to file his reply, which was granted. The Noticee filed his reply dated September 21, 2022 in the matter. Thereafter, the file in the matter was placed before me to grant a date of hearing in the matter. The hearing in the matter was fixed for November 11, 2022. At the request of the Noticee, the hearing in the matter was rescheduled to November 23, 2022. The hearing was again rescheduled due to official exigencies and was finally held on December 13, 2022. On the date fixed for hearing authorised representative of the Noticee appeared and made submissions on behalf of the Noticee. The Noticee also filed post hearing written submissions, in the matter, which were received on January 07, 2023.
7. In his reply and written submissions filed on September 21, 2022 and January 07, 2023, respectively, the Noticee has *inter alia* submitted as under:
  - a. TAMCO, the Trustees and the KMPs have failed in their duties to monitor the compliance of SEBI Regulations and SEBI Circular.
  - b. The SCN has not alleged that the Noticee alone had the password to the DTSM and that he tampered with the DTSM isolatedly.

- c. The Vendor of the DTSM claimed that "*the DTSM is fully password protected and the seriality of serial number and time and date cannot be altered*". Further, the vendor stated that they maintain the password for their records, however, with respect to TMF, the Noticee and his deputy Mr. Yashpal were aware of the password. SEBI has not evaluated as to how many manual keys, which are maintained with branches, were in existence and the same were in whose custody and the password was with how many personnel, instead SEBI has taken a unilateral view that only the Noticee was aware of the password based on vendor statement and concluded that the Noticee altered the DTSM.
- d. The KMPs Mr. Amarjeet Singh, CFO and Mr. Waqar Naqvi, CEO both have stated that the manual key of the DTSM was handed over to the HR Department on January 1, 2018. Whereas the Noticee had produced documentary email evidence in reply to SCN on November 24, 2019 stating that the Noticee had handed over the manual key to the HR department on January 22, 2018 being the last date of his attendance. The CEO has further stated that the Noticee was asked to go on leave from December 11, 2017. For both the statements there is no evidence provided by him. Contrary to the contention of the CEO, the Noticee had marked his attendance from the date of resignation till January 22, 2018 which was evidenced by the time card machine in custody with TAMCO for its employees. Therefore, the statement made by the CEO that the Noticee was to remain on leave and was not asked to attend office is factually incorrect. Any decision by SEBI thereafter would be totally partial and against the Noticee's innocence in the whole issue. It appears that SEBI has deliberately ignored the Noticee's submission of documentary evidence and completely relied on selective statements of Mr. Waqar Naqvi, CEO and thus concluding in the Order as by drawing reasonable inference that the Noticee has tampered with the DTSM.

- e. The entire onus of complying with SEBI Circular SEBI/IMD/CIR No. 11/78450/06 dated October 11, 2006 is on the Mutual Fund as a whole and not on an individual.
- f. Complaints with respect to markdown of BILT by TMF was specifically against TAMCO and not isolatedly against the Noticee. These Investor complaints forwarded by SEBI are to KMP Mr. Amarjeet Singh who handles Investor Service. The reply to all these complaints were drafted by the KMP and the Noticee was asked to sign the letters. The parameters on which TMF was being investigated were in exclusive domain of the Valuation Committee, Fund Managers of relevant Schemes, Compliance Officer and other Key Managerial Personnels and there is no role for Customer Service. The Noticee cannot be solely held liable and accountable for the securities violation committed by TMF, TAMCO.
- g. The Minutes of the Meeting held on February 22, 2017 makes it apparently evident that the overall onus of fair valuation and protecting the interest of all four referred Investment Schemes vested with the KMP of TAMCO, who attended this meeting. Under such circumstances any isolated action against the Noticee would be bad in law.
- h. The email dated January 23, 2018 from Mr. Amarjeet Singh, CFO & reporting head was sent to SEBI and a copy was marked to all the KMPs. The email is regarding furnishing data and this email is sent after the Noticee's last date of physical attendance i.e. January 22, 2018. The email states that Manual Key has been moved from Head Customer Service to HR at Head office whereas earlier the vendor stated that the Manual Key remains with Branch and without password the date and time cannot be changed, which is maintained only by Solaris Team. Further, the internal auditors M/s Haribhakti & Co stated that Vendor has confirmed on email that the password is highly confidential and is not shared with anyone.

- i. The sequence of statements issued on January 15, 2018 by the vendor makes it abundantly clear that the password is not shared. This statement has been used as a supporting document by the CEO on February 04, 2019. However, on 20/01/2018 - that is almost a year before the same Vendor that is Solaris Computers has given a statement to SEBI that the password is known to Mr. Sasidhar and his Deputy Mr. Yashpal. Again on 25/01/2018 the same Vendor has written to the Internal Auditors of Taurus AMC stating that the password is "*highly confidential and is not shared with anyone*".
- j. It is pertinent to highlight here the fact that the email dated January 20, 2018 by the vendor to SEBI is not marked to the Noticee and the Internal Audit report dated January 25, 2018 was submitted after the Noticee's last attendance dated January 22, 2018. Hence, the Noticee has been in the dark on the ongoing inspection and incorrect material and facts have been supplied by the CEO to SEBI.
- k. The Noticee is not aware of the letter of employment dated December 4, 2017 in favor of Mr. Yashpal Sharma, however, the Noticee updated him regularly at the Taurus AMC office, Andheri, Mumbai from his first date of attendance and till the Noticee's last date of attendance i.e., January 22, 2018. Email dated January 15, 2018 from vendor to Mr. Yashpal Sharma states that the branch offices have the keys to change the ribbon cartridge without a password time and date cannot be changed which is maintained only by Solaris Team.
- l. In his letter dated February 4, 2019, Mr. Waqar Naqvi, CEO, stated that none of the employees were aware that BILT may default on February 20, 2017 and that people could not have acted on information not known to them. He also stated that on their request on January 15, 2018 the vendor had confirmed vide their email that DTSM is password protected and that the vendor does not share the password with AMC officials. It is also stated by Mr. Waqar Naqvi to SEBI that he and the Board of Taurus AMC were not

satisfied with response given by the Noticee in his email dated November 23, 2017 to Mr. Waqar Naqvi. Further, he states that being not satisfied with the reply, he advised him to go on leave effective December 11, 2017.

- m. There is no email supporting his statement of advice on going on leave. The Noticee did not receive any reply nor there was any oral discussion on the same with the Noticee. The Noticee tendered his resignation on December 11, 2017 and continued to mark attendance using the Company ID swiping card till January 22, 2018 and on January 22, 2018 handed over all the papers, computer and company ID Card. Taurus AMC issued a relieving letter on January 22, 2018 and further issued two more letters dated April 30, 2018 and again October 22, 2018 a work certificate being satisfactory and all of these were issued under the instructions of Mr. Waqar Naqvi, CEO. A copy of these correspondences already provided to SEBI. Had the Noticee been in possession of the letter stating to proceed on leave from December 11, 2017, he would have submitted it to SEBI and hence there is no such communication of not being satisfied with the Noticee's reply by the CEO on November 24, 2017.
- n. SEBI ignored the Noticee's statements given both in writing on November 11, 2019 and thereafter at personal hearing on February 12, 2020 but proceeded to believe Mr. Waqar's Statements based on his self-declaration without any supporting documents and further Mr. Waqar on behalf of the TMF and TAMC and all others and for reasons not known to the Noticee completed the Settlement Proceedings on July 23, 2020 and July 30, 2021 by paying the Settlement Amount.
- o. In response to SCN on November 11, 2019, the Noticee continued to reply as per reply given to the CEO via email. During personal hearing the Noticee was asked to name the persons who did the tampering of the time stamp machine as additional submissions. The Noticee submitted a detailed incident where again it was stated that he refused to tamper the time stamp

machine. The Vendor has given contradictory statements to the Inspection Officers of SEBI and Functional Staff of Audit Firm Haribhakti & Company.

- p. While explaining the steps taken subsequently by Taurus AMC, Mr. Waqar Naqvi stated that TMF has amended their date and time stamp machine policy. The amended policy was approved by Boards of the AMC and of the Trustees in their Board Meeting held on February 27, 2018. The Policy Document placed before the board of Taurus AMC states as "Policy on Date and Time Stamping". It may be noted that there is no such word "Amended Policy" in any place nor the date of Approval of Original Policy.
- q. About the Safekeeping of Time Stamp Machine, the Policy states that Manual Lock will be maintained with HR and Head Office and at Branches the same will be available with Branch Head. The Digital Lock will be maintained with Vendor Only. Thus understanding from the above, that the AMC first of all never had any policy prior to February 2018; secondly, the Manual Lock was available with Branch Head at Branches; and thirdly, the Manual lock was available with HR at Head Office. So everyone was having access and there was no restriction prior to February 2018 till the Board approved the policy.
- r. In view of the above, the assumption that the Noticee had access to the password and tampered with the DTSM machine is factually incorrect and any further inference based on this incorrect assumption is against the principles of natural justice and totally unfair to the Noticee.
- s. The gravity of the charge of tampering of DTSM against the Noticee is fully diluted considering the fact that while proceedings against the Noticee were in process, simultaneous proceedings were going on against TMF/TAMCO under various provisions of Mutual Fund Regulations. SEBI settled all the violations including those related to DTSM and passed Settlement Order dated July 23, 2020. The Settlement Order explicitly evidences that TAMCO

was fully aware of the fact that tampering DTSM was done to give benefit to select investors which included one of their own and employees and punishing the Noticee in isolation is abuse of the process of law. The Settlement Order was Passed on July 23, 2020 while the Order against the Noticee was passed subsequently on August 18, 2020 knowing fully aware by the SEBI that the Applicants, i.e. TAMCO and its KMPs were fully aware of the DTSM being tampered. This is in contrast to the charge that is framed against the Noticee that he was in sole possession of the password.

- t. The gravity of the charge that the Noticee was in sole possession of DTSM is further diluted considering the fact that SEBI went ahead and settled all the violations against Taurus AMC and its five KMPs who were instrumental in all the front and back office operations which were directly under the control of CFO and CEO ably assisted by Head of Investments and Company Secretary & Compliance Officer. This includes the few investors who were purportedly favored as employees of TAMCO.
- u. The Settlement order dated July 30, 2021 that the CEO and the Compliance Officer were responsible for ensuring that DTSM was not tampered and have allegedly violated SEBI Circular dated 11/10/2006 read with Regulations 25 (6A) of the MF Regulations. The Noticee further states that Article 14 of the Constitution of India mandates statutory authorities to apply the provisions keeping in view the basic tenet of equality before the law to all irrespective of the status of the person. TAMCO on the basis of its financial strength and out of the revenue earned for AMC settled all the violations for itself and for all the employees while SEBI has singled out the Noticee for monetary punishment. While at the same time SEBI has clearly stated that the material available with it does not show any disproportionate gain or unfair advantage and also there was no financial loss caused to the investors or group of investors. These, as per the AO, were on the basis of reasonable inference. The factual matrix clearly demonstrates that the Noticee was never in sole possession of the DTSM password and the whole punishment is solely

based on these reasonable inferences including that the Noticee was in sole possession of DTSM. The statements of Mr. Waqar Naqvi, CEO that the TAMCO were not satisfied with the Noticee's explanation on November 24, 2017 and that he was asked to go on leave from December 11, 2017 is totally false and incorrect and is not supported by any documentary evidence in the inspection report. The statements of the vendor are nothing but inconsistent statements given to SEBI and TAMCO with regard to the sharing of passwords. In view of the above, it is quite surprising that TAMCO for itself and on behalf of all its KMPs and other employees and Taurus AMC without even attempting to prove their innocence without admitting the guilt have settled the matter with SEBI. The aforementioned settlements clearly prove the Noticee's contention that he did not orchestrate any of the alleged acts of violations.

- v. Additionally, there has been shifting of stands from time to time by the CEO and the Vendor with specific regard to the tampering of DTSM. After the Settlement is done by SEBI with TAMCO, its employees and Taurus Investment Trust Company, the charges against the Noticee will be based on total surmises and conjectures especially with regard to tampering of DTSM in isolation by the Noticee, SEBI without producing adequate evidence in support of the violation, the charge remains a mere allegation. Under such circumstances where the evidence is in favour of the Noticee not tampering with the DTSM, the whole proceedings is not est. in law and any further proceeding in the matter will be an abuse of the process of law and against the Noticee's career more so when SEBI has specifically pointed out in its Order dated August 18, 2020 that there are no material on record against the Noticee, but still SEBI imposed financial penalty which is gross violation of principles of natural justice and endangering the Noticee's day to day sustenance.
- w. Several documents/emails do not pertain to the Noticee and were not marked to him and therefore, the Noticee has no comment.



8. Before dealing with the issues involved in the matter, it would be appropriate to refer to the provisions of law which are alleged to have been violated by the Noticees and the relevant extract thereof is reproduced below:

**Relevant extract of the provisions of the PFUTP Regulations, 2003**

***“Regulation 3. Prohibition of certain dealings in securities***

*No person shall directly or indirectly—*

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

*.....”*

***“Regulation 4. Prohibition of manipulative, fraudulent and unfair trade practices***

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

*Explanation.— For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.”*

In addition, the SCN also alleges violation of circular no. SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006.

9. Now I proceed to deal with the merits of the matter. Firstly, I note that vide its order dated July 01, 2022 Hon'ble SAT has remanded the present matter to pass a fresh order after providing a copy of the inspection report to the Noticee. I note that said inspection report has been provided to the Noticee and the Noticee has also filed his further reply to the SCN. I note that SEBI conducted an inspection of Taurus MF which commenced on March 29, 2017. During the course of inspection, it was found that there was a delay by TMF in recognising default in securities issued by BILT and the NAV of the Four Schemes did not reflect the same till it was finally recognised. Further, it was found that there were anomalies in the date/time vis-a vis the

serial numbers, of the redemption requests received for the Four Schemes on February 17, 2017 and February 20, 2017. Based on the anomalies in redemption requests noted during the inspection and the response received from TMF and its vendor, it has been alleged in the SCN that the DTSM was tampered with by TMF through the Noticee. The SCN alleged that the Noticee was the Head of Customer Service of Taurus AMC and was having the key of the DTSM and the password to alter the time/date. In this context it may be mentioned that for redemption of units of a mutual fund is done at the applicable NAV and the applicable NAV is determined based on cut-off timings. In terms of SEBI circular dated October 11, 2006, the redemption requests are required to be stamped at the time of receipt indicating the date and time of receipt and running serial number. The date and time stamped on the redemption request are used to determine the applicable NAV for the said redemption request. It has been alleged that the tampering of DTSM was done to give favour to certain investors i.e. Ms. Madhvi Mukund Sagade, Ms. Priya Jude Abraham, Mr. Jude J Abraham and Mr. Joseph Abraham, Mr. Sukanta Dey and M/s Punjab and Sind Bank, so that their units can be redeemed at a higher NAV prior to the mark down in the value of securities issued by BILT, pursuant to default in payments obligation by BILT on such securities. It is alleged in the SCN that anomaly was observed in the time stamping of applications for redemptions received on February 17, 2017 and February 20, 2017, in as much as the certain applications received, on these two dates, were having prior time stamped on whereas serial numbers of these applications was subsequent to those applications which were having later time stamped on them. The SCN after examining replies of TMF and the DTSM vendor viz. Solaris Computers Private Limited, alleged that such anomaly is attributable to tampering in DTSM by TMF through Noticee. As per SCN, the TMF in its response vide email dated January 22, 2018 had *inter alia* informed that the responsibility for coordinating with the vendor for maintenance and upkeep of DTSM machine was that of Head-Customer Service and during January-February, 2017, Noticee was Head-Customer Service. The SCN further stated that the vendor, vide email dated January 19, 2017 (actual date of the email was January 19, 2018) and January 20, 2018 *inter-alia* submitted that the DTSM is fully password protected and the sequencing of serial number,

the time and date cannot be altered and that with respect to TMF, the Noticee and his deputy Mr. Yashpal were aware of the password. In view of this, SCN alleges that Noticee who was in possession of the key and password of DTSM, has acted fraudulently by tampering with DTSM.

10.I note that the default in the securities issued by BILT was known to Taurus AMC/TMF on February 20, 2017, however, the same was recognised and its impact on NAV of the Four Schemes, which had invested in the said securities, was reflected, and the marked down NAV was published, on February 22, 2017. The anomalies noted in the serial numbers of redemption requests made by Ms. Madhvi Mukund Sagade, Ms. Priya Jude Abraham, Mr. Jude J Abraham and Mr. Joseph Abraham, Mr. Sukanta Dey and M/s Punjab and Sind Bank are also available on record and the same has not been disputed which are as under:

Date	Name of applicant	Time stamp	Nature of application
17/02/2017	Revant Hemant Shah	TAMC AML 17FEB'17 15:28 08449	Empanelment with TMF as distributor
17/02/2017	Samooda Khatoon	TAMC AML 17FEB'17 17:39 08450	Surrender of unit certificate
17/02/2017	Madhavi Mukund Sagade	TAMC AML 17FEB'17 14:51 08451	Redemption of all units worth Rs. 1.02 crore from Taurus Dynamic Income Fund
17/02/2017	Priya Jude Abraham	TAMC AML 17FEB'17 14:51 08452	Redemption of all units worth Rs. 2,05,343 from Ultra Short Term bond Fund
17/02/2017	Jude J Abraham	TAMC AML 17FEB'17 14:52 08453	Redemption of all units worth Rs. 10,96,497 from Ultra Short Term bond Fund
17/02/2017	Joseph Abraham	TAMC AML 17FEB'17 14:52 08454	Redemption of all units worth Rs. 4,76,522 from Ultra Short Term bond Fund

Date	Name of applicant	Time stamp	Nature of application
20/02/2017	Dwarkanath S Rajan	TAMC AML 20FEB'17 15:48 08470	Change of nominee
20/02/2017	Sukanta Dey	TAMC AML 20FEB'17 14:54 08471	Redemption of all units worth Rs. 9197.27 from Taurus Short Term Income Fund
20/02/2017	Punjab and Sind Bank	TAMC AML 20FEB'17 14:57 08472	Redemption of all units worth Rs. 50.05 crore from Taurus Liquid Fund

It is also clear that due to the change in serial numbers of the redemption requests of these investors of the Four Schemes, they were able to redeem their units in the Four Schemes at a higher NAV prior to mark down in the value of securities of BILT due to default in payment obligations. I note that Noticee was the head of the Customer Services of Taurus AMC and as confirmed by the vendor, the password to the DTSM was available with him and his deputy, Mr. Yashpal. In his reply in the present proceedings after remand, the Noticee has not denied that he was having the password. However, he has contended that he was not the only person who was having the password, there were other persons who knew the password and therefore, it is not correct to infer that he tampered with DTSM. In this regard, I note that the Noticee in his reply dated November 14, 2019 feigned ignorance about the allegation made in the SCN and attributed the anomaly in the DTSM to some error or malfunctioning in the machine. In his additional submissions dated February 23, 2020 in the proceedings for passing the Final Order, submitted that he was aware of the tempering made in the DTSM but he was not responsible for the tempering. In his reply dated November 24, 2017 during the internal inquiry conducted by TMF, Noticee had attributed the anomaly in the DTSM to some error or malfunction in the machine. All these facts when seen in light of the fact that Noticee was also having the password of DTSM machine, give rise to a reasonable inference that Noticee only had tampered with the machine. Had it not been so, Noticee despite knowing the fact that the machine was tempered with, would not have stated in the internal inquiry and in reply to the SCN that anomaly in the DTSM was owing to malfunction/error in the machine. Thus, it is the contradictory positions taken by the Noticee with respect to the tempering of DTSM, coupled with the fact of possession of password of DTSM machine with the Noticee, which shows that it was Noticee who had tampered with DTSM and changed the serial numbers of the redemption requests of certain investors in the Four Schemes of TMF.

11. The Noticee has further contended that the Taurus AMC, the trustees and KMPs failed in their duties to monitor compliance of SEBI Regulations and that isolated action against the Noticee would be bad in law. Further, the Noticee has contended that the gravity of violations alleged against the Noticee are diluted due to the fact

that SEBI settled the violations alleged against Taurus AMC and its KMPs and the settlement order evidences that Taurus AMC was fully aware of tampering of DTSM. In this regard, I note that in the present matter, enforcement proceedings were initiated against nine entities including the Noticee. Out of these nine entities, seven entities have settled the enforcement proceedings initiated against them, *inter alia*, on payment of Rs. 2,35,49,451/- (Rupees two crore thirty five lakhs forty nine thousand four hundred fifty one) and an adjudication order has been passed against one entity imposing a penalty of Rs. 1,50,00,000/- (Rs. One crore fifty lakhs). It may also be noted that this course of action, i.e. settlement of enforcement proceedings was also open to the Noticee as well, which the Noticee did not avail. Therefore, the contention of the Noticee that the present action taken against him is isolated one, is not correct. Further, regarding the contention of the Noticee that the action initiated against him stands diluted because actions initiated against some of the entities in the matter have been settled, I note that in terms of Section 15JB of SEBI Act, 1992 and SEBI (Settlement Proceedings) Regulations, 2018, specified proceedings as defined under the said regulations can be settled. The settlement of the proceedings is without admission or denial of guilt. Thus, it is not correct to contend that settlement of proceedings by the other entities involved in the matter mitigates the gravity of allegations made against the Noticee. Further, the fact that other entities were also aware of the tampering in DTSM, does not dilute the allegation that Noticee herein was involved in the tampering with DTSM which allegation is to be proved on the basis of the evidences/material of the present case.

12. The Noticee has contended that the password to the DTSM was known to others as well and pointed to the contradictory submissions made by the vendor at different points of time and lack of any policy regarding handling of DTSM. In this regard, I note that the vendor had submitted that the DTSM is fully password protected and the seriality of the serial number and time and date cannot be altered. I note that this is a claim by the vendor which has been found to be incorrect because as discussed in para 10 above it was noticed during inspection that the seriality of the serial number was not matching with date and time in several

transactions. With respect to the contention of the Noticee that a policy on safekeeping of the DTSM password was not in place, I note that lack of policy regarding safekeeping of DTSM cannot be used by the Noticee as an excuse to indulge in the alleged violations. Further, I note that the vendor had also submitted that the password to the DTSM was known to the Noticee and his deputy. I note that the Noticee has not contended that the password to DTSM was not known to him. Therefore, I do not have any cause to doubt the submissions of the vendor in this regard. The Noticee has also contended that the statement of the CEO of Taurus AMC suggesting that the Noticee was sent on leave by TMF on not being satisfied with the response of Noticee regarding the anomaly in DTSM, is untrue as the Noticee attended office till January 22, 2018 and handed over charge on January 22, 2018. In this regard, I note that the part of the statement of the CEO referred to by the Noticee is regarding the events that happened subsequent to the period of alleged violations and after the inspection conducted by SEBI and the same have not been included in the allegations against the Noticee. Be that as it may, the said statement by CEO of Taurus AMC, is not being considered to determine the violations alleged against the Noticee. Therefore, the contentions of the Noticee in this regard are misplaced.

13. In view of the aforesaid discussions, I find that the Noticee was involved in the tampering with the DTSM, which resulted into undue benefit to certain investors in the Four Schemes of TMF by redeeming their units at higher NAV. Thus, I find that the Noticee has violated the provisions of Regulations 3(a) and 4(1) of PFUTP Regulations, 2003.

14. I note that SCN in the present matter also calls upon Noticee to explain as to why penalty under Section 15HA read with Section 11B(2) of the SEBI Act, 1992, should not be imposed upon him. I note that the power given under Section 11B (2) is without prejudice to the power to issue direction as given under Section 11B (1) of the SEBI Act, 1992. Section 15HA of the SEBI Act, 1992 provides as under:

*"15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh*

*rupees but which may extend to twenty -five crore rupees or three times the amount of profits made out of such practices, whichever is higher.”*

15. Having regard to the facts and circumstances of the case including the fact that the Noticee was not a key managerial personnel of Taurus AMC and there is no allegation in the SCN that he has received any monetary benefit out of redemptions made at higher NAV, I find that a direction imposing monetary penalty under Section 15HA of the SEBI Act, 1992 will meet the ends of the justice. I note that Section 15J of the SEBI Act, 1992 provides as under:

*“15J. While adjudging quantum of penalty under 115-I or section 11 or section 11B, the Board or 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.*

*Explanation. — For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”*

16. I note that in the present case, the material available on record does not show any disproportionate gain or unfair advantage made by the Noticee. Further, material available on record also does not show any amount of loss caused to investor or group of investors. Also the default by the Noticee is not repetitive in nature. However, in terms of Section 15HA of SEBI Act, 1992 a minimum penalty of Rs. five lakh has to be imposed.

#### **DIRECTIONS:**

17. In view of the above, I, in exercise of the powers conferred upon me under Sections Section 11(1) and 11B read with Section 15HA and 15J, of the SEBI Act, 1992 read with Section 19 thereof, hereby impose a penalty of Rs. five lakh only on the

Noticee. The Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. [www.sebi.gov.in](http://www.sebi.gov.in) on the following path, by clicking on the payment link:

ENFORCEMENT > ORDERS > ORDERS OF CHAIRPERSON/MEMBERS > PAY NOW

18. The order comes into force with immediate effect.

19. Copy of this Order shall be forwarded to the recognised stock exchanges, registrar and transfer agents and depositories for information and necessary action.

Sd/-

**ANANTA BARUA**

**WHOLE TIME MEMBER**

**Date: June 27, 2023**

**Place: Mumbai**

**SECURITIES AND EXCHANGE BOARD OF INDIA**