

SECURITIES AND EXCHANGE BOARD OF INDIA  
INTERIM EX PARTE ORDER

UNDER SECTIONS 11(1), 11(4), 11B and 11D OF THE SECURITIES AND  
EXCHANGE BOARD OF INDIA ACT, 1992

In respect of:

Noticee no.	Name	PAN
1.	Yogesh Garg	AKSPG0248E
2.	Sarita Garg	AMWPG6158M
3.	Kamlesh Agarwal	AZQPA1126Q
4.	Ved Prakash HUF	AAMHV6845A
5.	Sarita Garg HUF	ABIHS4539R

*(The above entities are individually referred to by their corresponding names/numbers and collectively referred to as “Noticees”)*

In the matter of suspected entities front running the trades of Life Insurance Corporation of India (Big Client)

**A. BACKGROUND**

1. Alert system of Securities and Exchange Board of India (“SEBI”) generated front running alerts for the months of January to March, 2022 against 5 entities suspected to be front running the trades of Life Insurance Corporation of India (“LIC”/ “Big Client”).
2. Based on the aforesaid alerts, an examination was conducted for the period January 01, 2020 to March 15, 2022 (“Examination Period”) to examine possible violations of provisions of the Securities and Exchange Board of India Act, 1992 (“SEBI Act”) and various regulations framed thereunder including SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (“PFUTP Regulations”) by the suspected entities.

**B. SUMMARY OF THE CASE BASED ON THE PRELIMINARY EXAMINATION**

3. Noticee 1 is an employee of LIC since November 08, 2011. During the Examination Period, he was working in the investment department of LIC through which trades on behalf of LIC were placed. Noticees 1 to 5 are connected through family relations, common address and common phone number as per KYC details.
4. The trading pattern of the alleged front runners during the Examination Period shows that orders for the first leg of their intraday trades were placed and executed just prior to the impending order(s) of LIC (where Noticee 1 was employed) and the order(s) for squaring off their trades *i.e.*, second leg sell/ buy order(s) were placed at a limit price which is less/ more than the buy/ sell order limit price of LIC, ensuring that such sell/ buy order(s) would get matched with the buy/ sell order(s) of LIC. It has also been *prima facie* observed that the aforesaid trades were executed in Buy-Buy-Sell (“**BBS**”) and/ or Sell-Sell-Buy (“**SSB**”) pattern (*discussed in detail later*), through which the accounts of the alleged front runners were able to generate substantial profit (*discussed in detail later*). By adopting the aforesaid mechanism, Noticees have *prima facie* engaged in a scheme of front running LIC’s orders thereby *prima facie* violating the provisions of SEBI Act and PFUTP Regulations.

**C. ALLEGED VIOLATION OF SEBI ACT AND PFUTP REGULATIONS**

5. I have perused and considered the findings of preliminary examination and the material available on record. I find that essentially, the issue that *prima facie* requires to be addressed in the present matter is whether Noticees have front run the impending orders of LIC/Big Client. The provisions attracted in the present case are section 12A (a), (b), (c) and (e) of the SEBI Act and regulations 3(a), 3 (b), 3 (c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations. The text of the said provisions is reproduced below:

## **SEBI Act**

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

12A. No person shall directly or indirectly—

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

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

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

(e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;

BY THE PEOPLE. FOR THE PEOPLE. OF THE PEOPLE

## **PFUTP Regulations**

### ***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;

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

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

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of

securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

#### **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.]*

(2) Dealing in securities shall be deemed to be a *\*[manipulative]* fraudulent or an unfair trade practice if it involves any of the following:—

(a)...

(b)...

....

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

...

*\* Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020 w.e.f. October 19, 2020.*

6. Even though the SEBI Act or the PFUTP Regulations do not mention the term “front running”, regulation 4(2)(q) of PFUTP Regulations specifically covers front running transactions. From the above, regulation 4(2)(q) of PFUTP Regulations requires satisfaction of the following two elements: (i) existence of non-public information regarding the substantial order of big client for dealing in securities; and (ii) orders placed by the alleged front runner (directly or indirectly) in advance of the substantial

impending order to be placed by big client, while being in possession of the said non-public information.

7. From the above, it can be stated that to classify a trading activity as front running, the following two important factors need to be determined:
- (i) *First*, there should be an information which is not publicly available regarding substantial impending order of big client in a security; and
  - (ii) *Second*, the alleged front runners place orders in security (directly or indirectly) while in possession of the aforesaid non-public information in advance of large order to be placed by the big client.

8. Before proceeding further, it is to be noted that in suspected front running trades involving family members, direct evidence may not always be present, as passing on non-public information to family members regarding the impending orders of big client may happen in a private manner, which may not leave any trail of evidence. Therefore, in absence of direct evidence, the communication or acting on the non-public information has to be inferred from proximate facts and circumstances surrounding the event. In this regard, Hon'ble Supreme Court in SEBI vs. Kanaiyalal Baldevbhai Patel (2017)15 SCC 1 has *inter alia* held that:

*“To attract the rigor of Regulations 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and the correct test is one of preponderance of probabilities. Merely because the operation of the aforesaid two provisions of the 2003 Regulations invite penal consequences on the defaulters, proof beyond reasonable doubt as held by this Court in Securities and Exchange Board of India v. Kishore R. Ajmera (supra) is not an indispensable requirement. The inferential conclusion from the proved and admitted facts, so long the same are reasonable and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified.”*

(emphasis supplied)

**D. ACCESS TO NON-PUBLIC INFORMATION AND CONNECTION INTER-SE BETWEEN THE NOTICEES**

**D.I ACCESS TO NON-PUBLIC INFORMATION**

9. From the material available on record, I note that Noticee 1 (Yogesh Garg) was appointed in LIC on November 08, 2011 as an Assistant Administrative Officer (AAO). He thereafter worked as an AAO in Kolkata, Rohtak and Delhi offices of LIC. He worked as an Administrative Officer (AO) in the investment department of LIC in Mumbai from May 15, 2019 to April 11, 2022. The investment department of LIC is considered as a sensitive department. On April 11, 2022, Noticee 1 was transferred to Management Development Centre (MDC) of LIC. From the above, it is clear that during the Examination Period (*i.e.*, January 01, 2020 to March 15, 2022), Noticee 1 was working in the investment department of LIC's Mumbai office.
10. To ascertain whether Noticee 1 had access to non-public information of orders of LIC, it becomes imperative to examine the flow of information in LIC from the time the decisions for trading in scrips are taken to the time orders are placed and executed. As per email dated October 04, 2022, sent by LIC to SEBI, in LIC, the authority to decide the scrips for buy/ sell, quantity, limit price *etc* is vested with different committees. Fund managers and chief officers in LIC prepare the daily buy/ sell mandates out of the stocks approved by the said committees. The daily mandate prepared is handed over to the chief dealer of the equity dealing room for execution. Once the daily mandates are received by the chief dealer, the chief dealer and in his absence, the senior most dealer, distributes them amongst dealers for execution. Every dealer is assigned a dealer code and orders are placed by them in the SAP system.
11. During the Examination Period, Noticee 1 was a dealer in LIC (*i.e.*, *inter alia* his responsibilities included placing orders with the empanelled brokers and into the SAP system). During January, 2020 to December, 2021, he was dealing in tri-party repo (TREPS), primary and secondary market dealing for government securities/ SDL and other related jobs in LIC. From January 11, 2022 to April 11, 2022, he was engaged in equity dealing in LIC.

12. From the above, it *prima facie* appears that Noticee 1 as a dealer in LIC had knowledge of confidential/ non-public information regarding the size and timing of impending buy/ sell orders of big client LIC, which could impact the price of the underlying scrip, during the Examination Period.

**D.II CONNECTION INTER SE BETWEEN NOTICEES**

13. Based on the details collected including from account opening forms (AOF)/KYCs of bank accounts, KYCs from telecom service providers (TSPs) and banks, information received from trading members, the relationship among the Noticees is observed to be as follows:

**Table 1**

Noticee no.	Basis of connection of persons facilitated/ aided/ abetted/ connived in front running	
1.	Yogesh Garg	(i) Son of Ved Parkash Garg and Noticee 2 (Sarita Garg). Son-in law of Noticee 3 (Kamlesh Agarwal). (ii) From the account opening forms (AOF)/KYCs of bank accounts of suspected entities, it was observed that Noticee 1 (Yogesh Garg) is the joint account holder along with Ved Parkash Garg and Noticee 2 (Sarita Garg) in their respective bank accounts. (iii) Ved Parkash Garg, Noticees 1 and 2 have the same address at Dilshad Garden, Delhi, 110095 and common mobile number xxxxxx5312 in their bank/trading member account opening forms. (iv) Further, mobile no. of Ved Parkash Garg registered with the trading member for trade confirmation is xxxxxx7044. As per KYC of TSP, this number is registered in the name of Noticee 1 (Yogesh Garg).
2.	Sarita Garg	(i) Mother of Noticee 1 (Yogesh Garg) and spouse of Ved Parkash Garg. (ii) Ved Parkash Garg, Noticees 1 and 2 have the same address at Dilshad Garden, Delhi, 110095 and common mobile number xxxxxx5312 in their bank/trading member account opening forms. Further, mobile no. xxxxxx3045 is common to Ved Parkash Garg, Noticees 1 and 2. (iii) Mobile no. xxxxxx2801 is common to Noticees 2 to 5. As per KYC of TSP, this number is registered in the name of Noticee 2 (Sarita Garg) and is registered with the trading member for trade confirmation of Noticee 2. (iv) Noticees 2, 4 and 5 have the same address at The Marina Badshahpur Sector 68 Haryana, India, 122101. (v) Noticee 1 (Yogesh Garg) is the joint account holder along with Ved Parkash Garg and Noticee 2 (Sarita Garg) in their respective bank accounts.
3.	Kamlesh Agarwal	(i) Mother-in-law of Noticee 1 (Yogesh Garg). (ii) Mobile no. xxxxxx2801 is common to Noticees 2 to 5. As per KYC of TSP, this number is registered in the name of Noticee 2 (Sarita Garg). (iii) Mobile no. xxxxxx6225 is registered with the trading member for trade confirmation for Noticee 3. As per KYC of TSP, this number is registered in the name of Noticee 1 (Yogesh Garg).

Noticee no.	Basis of connection of persons facilitated/ aided/ abetted/ connived in front running	
4.	Ved Prakash Garg HUF	(i) Ved Parkash Garg was its Karta till his death on March 23, 2019. After his death, Saurabh Garg became Karta. Coparceners are Noticee 1 (Yogesh Garg) and Noticee 2 (Sarita Garg). (ii) Mobile no. xxxxxx7044 is registered with the trading member for trade confirmation for Noticee 4. As per KYC of TSP, this number is registered in the name of Noticee 1 (Yogesh Garg). (iii) Mobile no. xxxxxx2801 is common to Noticees 2 to 5. As per KYC of TSP, this number is registered in the name of Noticee 2 (Sarita Garg). (iv) Noticees 2, 4 and 5 have the same address at The Marina Badshahpur Sector 68 Haryana, India, 122101.
5.	Sarita Garg HUF	(i) Karta of this HUF is Noticee 2 (Sarita Garg). (ii) Noticees 2, 4 and 5 have the same address at The Marina Badshahpur Sector 68 Haryana, India, 122101. (iii) Mobile no. xxxxxx2801 is common to Noticees 2 to 5. As per KYC of TSP, this number is registered in the name of Noticee 2 (Sarita Garg).

14. In this case, apart from the Noticees, another individual is relevant, namely, Ved Parkash Garg, who passed away on March 23, 2019 (*i.e.*, before the Examination Period) as per death certificate dated April 12, 2019 issued by Municipal Corporation Gurugram. From the information tabulated above, it is clear that Noticee 1 is the son of late Ved Parkash Garg and Noticee 2. Noticee 1 is also the son-in-law of Noticee 3. Late Ved Parkash Garg was Karta of Noticee 4 until he passed away. Noticee 2 is Karta of Noticee 5. Thus, late Ved Parkash Garg and Noticees 1 to 5 are connected based on family relations, common address and common phone numbers.
15. As stated before, late Ved Parkash Garg passed away on March 23, 2019 (*i.e.*, before the Examination Period) and Noticee 1 was the joint account holder with Ved Parkash Garg in his bank account. The said bank account was associated with late Ved Parkash Garg's trading account. Further, mobile no. registered with the trading member for trade confirmation of trades of late Ved Parkash Garg was issued in the name of Noticee 1. The aforesaid facts when read together raises *prima facie* suspicion that Noticee 1 was operating the bank account and executing trades from account of late Ved Parkash Garg after his death.
16. It is *prima facie* observed that Noticee 1 was aware of the trades which took place in the accounts of Noticees 2 to 4 or that he executed trades in their accounts as information/ confirmation regarding their trades would go to mobile numbers shared by him with other Noticees or such numbers were registered in his name as detailed



in Table 1 above. The tower location of mobile number where trade confirmation was being received for Noticee 3 (xxxxxx6225) is appearing in Mumbai around residential address of Noticee 1. Noticee 1 is the joint holder in the bank accounts of both Late Ved Parkash Garg and Noticee 2. Late Ved Parkash Garg, Noticee 1 and Noticee 2 also share common address (Dilashad Garden, Delhi). Further, Noticees 4 and 5 along with Noticee 2 also shared the same address (Badshahpur Sector 68, Haryana). Hence, as brought out before with respect to Noticees 2 to 5, it *prima facie* appears that non-public information regarding upcoming orders of LIC has either been shared by Noticee 1 with his family members/entities established by his family members or Noticee 1 has executed alleged front running trades in accounts of Noticees 2 to 5.

## **E. ALLEGED FRONT RUNNING TRADES**

### **E. I. DETAILS OF MODE OF ORDER PLACEMENT BY ALLEGED FRONT RUNNERS**

17. As noted above, before the start of the Examination Period, father of Noticee 1 (*i.e.*, Ved Parkash Garg) had already passed away, despite this, trades were executed from his trading account indicating clearly that someone else was operating the said trading account. It has also been brought out above how Noticee 1 was the joint account holder with Ved Parkash Garg in his bank account which was associated with his trading account. Further, mobile no. registered with the trading member for trade confirmation of trades of Ved Parkash Garg was issued in the name of Noticee 1. Thus, it is *prima facie* concluded that Noticee 1 was operating the bank account and trading account of late Ved Parkash Garg. As a logical consequence, for the purpose of this Order, violations, if any, observed in the trading and bank account of late Ved Parkash Garg are to be read and understood as violations committed by Noticee 1 himself.
18. From the trade data, it is observed that Noticees 2 to 5 were dealing through 2 trading members, Anand Rathi Broker and Motilal Oswal Broker. Late Ved Parkash Garg, Noticees 2, 3 and 5 had their respective trading accounts with Anand Rathi Broker and Noticees 3 and 4 had their respective trading accounts with Motilal Oswal Broker.

19. From the information received from NSE, BSE and trading members, it was observed that Media Access Control (MAC) address (a hardware identifier that uniquely identifies each device on a network) through which orders were placed for late Ved Parkash Garg and Noticees 2, 3 and 5 is the same *i.e.*, A8:93:4A:7E:1D:95. This *prima facie* shows that the orders of the said entities were placed from the same device/system. For Noticee 4, as stated before, all trade confirmation messages were being sent to the mobile number (*i.e.*, no. xxxxxx7044) which is registered in the name of Noticee 1 (Yogesh Garg).
20. It is relevant to discuss here that pursuant to internal alerts generated at SEBI, certain inquiries regarding trades of Noticee 1 (Yogesh Garg) were undertaken. It appears that subsequently Noticee 1 confessed to his seniors at LIC regarding trades executed by him from accounts of his mother and mother-in-law. *Vide* letter dated April 27, 2022 sent by Chief (Investment) and Executive Director (Investment) of LIC to Managing Director of LIC, the MD was intimated that on April 08, 2022, Noticee 1 admitted before the said persons that he had executed online trades amounting to Rs. 70-80 lakhs from trading account of his mother and mother-in-law. The letter further states that even though Noticee 1 joined the equity dealing section on January 11, 2022, he was earlier working in the debt section which functions in the same room as the equity dealing room. I note that subsequent to the aforesaid letter, *vide* letter dated June 01, 2022, LIC sought reply of Noticee 1 and statements showing dealings of family members in online trading from March 05, 2019 to April 10, 2022. However, *vide* letter dated June 20, 2022, Noticee 1 responded to LIC that he has not communicated regarding online trading to any LIC officer and that there was no dealing in securities by his spouse and his daughters (*i.e.*, he did not disclose trading details of his mother and mother-in-law). *Vide* letters dated July 21, 2022, August 03, 2022 and August 12, 2022 to LIC, Noticee 1 again denied executing any transactions through accounts of his mother and mother-in-law and communicating the above to any LIC officer. He also stated that he will submit the requisite statements as soon as he receives it as his mother and mother-in law do not reside with him.
21. *Vide* letters dated August 26, 2022 and September 19, 2022, LIC communicated to Noticee 1 that as per official records his mother has been declared as his dependent, and again asked him to *inter alia* submit trading account statements immediately. As

per email from LIC to SEBI on October 04, 2022, letter dated September 19, 2022 was the last letter sent by LIC to Noticee 1, of which reply is awaited. From the above, by apparently confessing and then denying trading from accounts of his mother (Noticee 2) and mother-in-law (Noticee 3), and then evading supplying their trading account statements, I find the behaviour of Noticee 1 *prima facie* suspicious. I find that such behaviour on the part of Noticee 1 points to a possibility that he is attempting to conceal relevant information. The close relationship shared between Noticees 1 to 5 in addition to the circumstances discussed above *prima facie* leads to a reasonable inference that Noticee 1 could have passed on non-public information of orders of Big Client to Noticees 2 to 5. This inference can be further corroborated by examining the trading pattern observed in accounts of late Ved Parkash Garg and Noticees 2 to 5 as discussed in detail in succeeding paragraphs of this Order.

## E. II. TRADING ACTIVITY ANALYSIS PRE-EXAMINATION PERIOD, EXAMINATION PERIOD AND POST EXAMINATION PERIOD

22. Details of opening of trading accounts by Noticees 3 to 5 is as follows:

**Table 2**

Noticee	Trading account activation date	First front running activity date	Last front running activity date	Last trade date (as analysed till October 31, 2022)
Kamlesh Agarwal (Noticee 3)	July 07, 2021 (with Motilal Oswal Broker) and August 10, 2021 (with Anand Rathi Broker)	August 27, 2021	March 14, 2022	April 07, 2022
Ved Prakash HUF (Noticee 4)	February 09, 2022	March 09, 2022		April 04, 2022
Sarita Garg HUF (Noticee 5)	February 01, 2022	February 16, 2022		April 11, 2022

23. From the above table, the activation of the trading accounts of Noticees 3 to 5 in the previous month or the same month as *prima facie* first front running activity coupled with the fact that there was no significant trading activity after the Examination Period (*i.e.*, when Noticee 1 (Yogesh Garg) was transferred from the investment department of LIC) does not appear to be coincidental.

24. A comparison of the trading activity of Noticee 1 through account of late Ved Parkash Garg and Noticees 2 to 5 during the pre-examination period, Examination Period and post-examination period in equity and derivative segments is given below:

**Table 3**

Noticee no.	Pre-Examination Period (from January 01, 2019 to December 31, 2019)						Examination Period (from January 01, 2020 to March 15, 2022)					
	Equity - Cash	Equity - Derivatives	Equity - Cash		Equity - Derivatives		Equity - Cash	Equity - Derivatives	Equity - Cash		Equity - Derivatives	
	Gross Trade Value (in lakh)	Gross Trade Value (in lakh)	Intra Day scrip days	Intra day profit (in lakh)	Intra Day contract days	Intra day profit (in lakh)	Gross Trade Value (in lakh)	Gross Trade Value (in lakh)	Intra Day scrip days	Intra day profit (in lakh)	Intra Day contract days	Intra day profit (in lakh)
Noticee 1 (through account of Ved Parkash Garg)	1557.38	4167.00	46	(0.04)	140	0.92	26877.30	18924.39	391	31.34	430	13.68
Noticee 2	472.12	113.52	15	(0.22)	5	-(1.70)	43951.99	14699.69	566	44.97	299	14.31
Noticee 3	-	-	-	-	-	-	43350.54	10667.02	697	60.87	226	19.44
Noticee 4	-	-	-	-	-	-	1533.20	-	18	5.14	-	-
Noticee 5	-	-	-	-	-	-	5414.28	2816.34	54	13.82	31	5.64

**Table 4**

Noticee no	FR names	Post Examination Period (from March 16, 2022 to October 31, 2022)					
		Equity - Cash	Equity - Derivatives	Equity - Cash		Equity - Derivatives	
		Gross Trade Value (in lakh)	Gross Trade Value (in lakh)	Intra Day scrip days	Intra day profit (in lakh)	Intra Day contract days	Intra day profit (in lakh)
1.	Yogesh Garg through account of Ved Parkash Garg	-	-	-	-	-	-
2.	Sarita Garg	25.7	1.74	-	-	1.00	0.05
3.	Kamlesh Agarwal	67.17	-	1.00	0.00	-	-
4.	Ved Prakash Garg HUF	95.00	-	1.00	(0.14)	-	-
5.	Sarita Garg HUF	38.20	2.18	-	-	1.00	(0.32)

25. No significant trading activity in accounts of late Ved Parkash Garg and Noticee 2 was observed during the pre-examination period. Infact, they have suffered losses during the pre-examination period in the equity cash segment. Further, during the pre-examination period, no trading activity by Noticees 3 to 5 was observed as their trading accounts were activated during the Examination Period. From the aforesaid tables, it can be observed that the trading activity in accounts of late Ved Parkash Garg and Noticees 2 to 5 is concentrated during the Examination Period wherein collectively they made huge profits and their trading decreased considerably in the post-examination period.

### **E. III. ANALYSIS OF THE PATTERN OF SUSPECTED FRONT RUNNING INSTANCES**

26. Before proceeding to discuss the pattern followed in front running instances, I find it relevant to discuss the strategies commonly used to front run trades. In Buy-Buy-Sell (BBS) trading pattern, the alleged front runner, by using the non-public information regarding an impending buy order of the big client, places his buy order before the big client's buy order. As and when the big client places a buy order, the price of the security rises and the alleged front runner sells the securities bought earlier, at the raised price, thereby pocketing the difference between the new raised price of the security which is established during / post big client's buy trades and the price at which he had bought his securities. Further, in the Sell-Sell-Buy (SSB) trading pattern, the alleged front runner by using the non-public information regarding an impending sell order of the big client, places his sell orders before the big client's sell order. When the big client places a sell order, the price of the security falls which gives an opportunity to the alleged front runner to buy back the securities at a lower price to meet his obligations which he had created earlier by selling securities.
27. In the present case, following the pattern illustrated above, the orders have been orchestrated in such a manner that the trades executed follow a sequence - buy trade of the front runner, buy trade of the Big Client either before or coinciding with the sell trade of the front runner or sell trade of the front runner, sell trade of the Big Client either before or coinciding with the buy trade of the front runner. In other words, the trading pattern of late Ved Parkash Garg and Noticee 2 to 5 appears to be, firstly taking

the same position as that of the impending Big Client order and then squaring off the position when the Big Client places its order. Further, the timing and price of placing such limit orders of the alleged front runners and the Big Client are in such a manner that the trades of the alleged front runners match with the trades of the Big Client. The trading pattern points towards the possibility of the alleged front runners front running the orders of Big Client.

28. To demonstrate the pattern of the front running instances, order placement analysis of account of late Ved Parkash Garg and the alleged front runners was undertaken for sample scrip days wherein they were observed to be making substantial profits and also their trades were matching with LIC. Few illustrative instances of such activity are as follows:

### 28.1 Ved Parkash Garg

- (i) As stated before, it is *prima facie* concluded that Noticee 1 (Yogesh Garg) was operating the demat account of late Ved Parkash Garg. On February 09, 2022, Noticee 1 from account of Ved Parkash Garg traded in the scrip of ASTRAL (Astral Ltd), (ISIN: INE006I01046) in the equity segment. The details of his trades are tabulated below:

**Table 5**

Buy/sell client name	Trade qty	Order start time	Order end time/Order modified end time	Limit price (Rs.)	Avg trade price (Rs.)	Trade start time	Trade end time	Match quantity with LIC
Noticee 1 through account of Ved Parkash Garg buy	5000	11:36:13	11:39:03	2111.15 - 2114	2111.37	11:36:13	11:39:03	
LIC buy	8993	11:49:40	11:49:57	2130	2127.98	11:49:57	11:50:04	
Noticee 1 through account of Ved Parkash Garg sell	5000	11:44:38	11:49:57	2127.90	2127.90	11:49:57	11:49:57	5000

(ii) Noticee 1 through account of late Ved Parkash Garg placed buy order(s) in the above scrip between 11:36:13 to 11:39:03 hours for 5000 shares just before LIC's buy order(s) between 11:49:40 to 11:49:57 hours for 8,993 shares at limit price of Rs. 2130. Further, Noticee 1 placed sell order(s) during 11:44:38 to 11:49:57 hours to square off his trades at sell limit order price Rs 2127.90. It was observed that sell order(s) placed from this account at limit price of Rs. 2127.90 exactly matched with the buy order(s) placed by LIC at limit price of Rs. 2130. Further, since the sell order limit price of Ved Parkash Garg's account *i.e.*, Rs. 2127.90 was less than the buy order limit price of LIC *i.e.*, Rs. 2130, his entire sell order(s) matched with buy order(s) of LIC (*i.e.*, second leg trades of Ved Parkash Garg matched 100% with LIC). It was observed that average sell price of trades placed from account of Ved Parkash Garg was closer to the average buy price of LIC. Noticee 1 by buying the shares ahead of the order(s) of LIC and subsequently placing sell order(s) in a manner that would ensure that these order(s) would get matched with the buy order(s) of LIC, has front run the trades of LIC, and has made an intraday profit of Rs. 82,641.95 in the account of Ved Parkash Garg. In other words, the order(s) for the first leg of the intra-day trade or the front running leg was placed from the trading account of Ved Parkash Garg just prior to the impending buy order(s) of the Big Client and the second leg of the intra-day trade or the squaring-off trade is set in motion by placing the sell order(s) which coincides with the impending buy order(s) by the Big Client, and as a result, all of his sell order(s) got matched with the buy order(s) of Big Client resulting into a profit.

## **28.2 Noticee 2 (Sarita Garg)**

(i) On February 24, 2022, Noticee 2 traded in the scrip of HAVELLS (Havells India Ltd), ISIN: INE176B01034, in the equity segment. The details of few of her trades are tabulated below:

**Table 6**

Buy/sell client name	Trade qty	Order start time	Order end time / Order modified end time	Limit price (Rs.)	Avg trade price (Rs.)	Trade start time	Trade end time	Match quantity with LIC
Noticee 2 buy	6000	10:22:36	10:26:43	1174.75 – 1176.70	1175.30	10:22:36	10:26:43	
LIC buy	6000	10:35:12	10:36:24	1180	1179.89	10:35:42	10:36:24	
Noticee 2 sell	6000	10:23:43	10:36:24	1179.85 – 1179.90	1179.89	10:35:42	10:36:24	6000

(ii) Noticee 2 placed buy order(s) between 10:22:36 to 10:26:43 hours for 6000 shares at an average price of Rs. 1175.30 just before LIC's order(s) start time at 10:35:12 hours. LIC placed buy limit order(s) at Rs 1180. Further, Noticee 2 placed sell limit order(s) during 10:23:43 to 10:36:24 hours to square off her trades at limit price of Rs 1179.85 to 1179.90. Since the sell order limit price of Noticee 2 *i.e.*, Rs. 1179.85 to 1179.90 is less than the buy order limit price of LIC *i.e.*, Rs. 1180, the entire sell order(s) of Noticee 2 got matched with the buy order(s) of LIC. It is observed that average sell price of Noticee 2 is equal to the average buy price of LIC. Second leg trades of Noticee 2 matched 100% with LIC. Noticee 2 by buying the shares ahead of LIC order(s) and subsequently placing sell order(s) in a manner that would ensure that these order(s) would get matched with the buy order(s) of LIC, and has made an intraday profit of Rs. 27,540.

(iii) In addition to the above, details of few of her other trades on the same day are tabulated below:

**Table 7**

Buy/sell client name	Trade qty	Order start time	Order end time/ Order modified end time	Limit price (Rs.)	Avg trade price (Rs.)	Trade start time	Trade end time	Match quantity with LIC
Noticee 2 buy	5500	12:39:47	12:41:01	1169.10 – 1169.95	1169.52	12:39:59	12:41:30	
LIC buy	5500	12:56:45	12:56:45	1175	1174.70	12:56:45	12:56:45	
Noticee 2 sell	5500	12:50:35	12:56:45	1174.70	1174.70	12:56:45	12:56:45	5500



(iv) Noticee 2 placed buy order(s) between 12:39:47 to 12:41:01 hours for 5500 shares at an average price of Rs. 1169.52 just before LIC's buy order(s) at 12:56:45 hours for 5500 shares at a limit price of Rs. 1175. Further, Noticee 2 placed sell limit order(s) between 12:50:35 to 12:56:45 hours to square off her trades at sell order limit price of Rs. 1174.70. The last sell order(s) of Noticee 2 were placed at the same time as the buy order(s) by LIC. Further, since the sell order limit price of Noticee 2 *i.e.*, Rs. 1174.70 is less than buy order limit price of LIC *i.e.*, Rs. 1175, the entire sell order(s) of Noticee 2 was matched with the buy order(s) of LIC. It is observed that average sell price of Noticee 2 is equal to the average buy price of LIC *i.e.*, Rs. 1174.70. Second leg trades of Noticee 2 matched 100% with LIC. By buying the shares ahead of LIC order(s) and subsequently placing sell order(s) in a manner that would ensure that these order(s) would get matched with the buy order(s) of LIC, Noticee 2 has made an intraday profit of Rs. 28,490. Further, she has followed the same pattern multiple times on the same day and earned a total profit of Rs. 1,11,777.30 on February 24, 2022.

### 28.3 Noticee 3 (Kamlesh Agarwal)

(i) On March 07, 2022, Noticee 3 traded in the scrip of ABSLAMC (Aditya Birla Sun Life AMC Ltd.), ISIN: INE404A01024 in the equity segment. The details of few of her trades are tabulated below:

**Table 8**

Buy/sell client name	Trade qty	Order start time	Order end time/ Order modified end time	Limit price (Rs.)	Avg trade price (Rs.)	Trade start time	Trade end time	Match quantity with LIC
Noticee 3 buy	11000	12:43:20	12:48:15	489.50 - 490.90	489.81	12:43:20	12:48:15	
LIC buy	75,007	13:15:05	13:17:51	489 - 497	495.63	13:15:05	13:17:51	
Noticee 3 sell	11000	12:57:20	13:17:51	496.25 - 496.95	496.64	13:17:07	13:17:51	10999

(ii) Noticee 3 placed buy order(s) between 12:43:20 to 12:48:15 hours for 11,000 shares just before LIC's buy order(s) between 13:15:05 to 13:17:51 hours for 75,007 shares at limit price of Rs 489 to 497. Further, Noticee 3 placed sell limit order(s) during 12:57:20 to 13:17:51 hours to square off her trades at limit price of

Rs. 496.25 to Rs 496.95. Since the sell order limit price of Noticee 3 *i.e.*, Rs. 496.25 to 496.95 was less than buy order limit price of LIC *i.e.*, Rs. 489 to 497, 99.99% of sell order(s) of Noticee 3 matched with buy order(s) of LIC. Noticee 3 by buying the shares ahead of the order(s) of LIC and subsequently placing sell order(s) in a manner that would ensure that these order(s) would get matched with the buy order(s) of the LIC, has made an intraday profit of Rs. 75,130.

(iii) In addition to the above, details of few of her other trades on the same day are tabulated below:

**Table 9**

Buy/sell client name	Trade qty	Order start time	Order end time/ Order modified end time	Limit price (Rs.)	Avg trade price (Rs.)	Trade start time	Trade end time	Match quantity with LIC
Noticee 3 buy	5000	15:02:39	15:05:26	490.25 - 491.00	490.41	15:02:39	15:05:27	
LIC buy	39,421	15:07:24	15:07:24	497	495.78	15:07:24	15:07:24	
Noticee 3 sell	5000	15:03:53	15:07:24	496.10 - 496.70	496.34	15:07:24	15:07:24	5000

(iv) Noticee 3 placed buy order(s) between 15:02:39 to 15:05:26 hours for 5,000 shares at an average price of Rs. 490.41 just before LIC's buy order(s) at 15:07:24 hours for 39,421 shares at limit price of Rs. 497. Further, she placed sell limit order(s) at Rs. 496.10 to 496.70 during 15:03:53 to 15:07:24 hours to square off her trades. It was observed that sell order(s) placed by Noticee 3 at limit price of Rs. 496.10 to 496.70 exactly matched with the buy order(s) placed by LIC at limit price of Rs. 497. Since the sell order limit price of Noticee 3 *i.e.*, Rs. 496.10 to Rs. 496.70 is less than buy order limit price of LIC *i.e.*, Rs. 497, 100% of sell order(s) of Noticee 3 matched with buy order(s) of LIC. Noticee 3 by buying the shares ahead of order(s) of LIC and subsequently placing sell order(s) in a manner that would ensure that these order(s) would get matched with the buy order(s) of LIC, has *prima facie* front run the trades of LIC, and has made an intraday profit of Rs. 29,650. Further, Noticee 3 has followed the same pattern multiple times on the same day and earned a total profit of Rs. 2,91,346.80 on March 07, 2022.

**28.4 Noticee 4 (Ved Prakash HUF)**

- (i) On March 09, 2022, Noticee 4 traded in the scrip of BDL (Bharat Dynamics Limited) ISIN: INE404A01024, in the equity cash segment. The details of few trades of Noticee 4 on the said date are tabulated below:

**Table 10**

Buy/sell client name	Trade qty	Order start time	Order end time/ Order modified end time	Limit price (Rs.)	Avg trade price (Rs.)	Trade start time	Trade end time	Match quantity with LIC
Noticee 4 sell	10,000	12:39:44	12:53:00	466.00 – 468.50	467.71	12:39:44	12:53:56	
LIC sell	80,457	13:02:52	13:12:08	462.00 – 465.65	463.07	13:02:52	13:12:20	
Noticee 4 buy	10,000	12:47:53	13:12:08	462.20 – 462.35	462.28	13:11:28	13:12:08	10000

- (ii) Noticee 4 placed sell order(s) between 12:39:44 and 12:53:00 hours for 10,000 shares at an average price of Rs. 467.71 just before LIC’s sell order(s) between 13:02:52 to 13:12:08 hours for 80,457 shares. Further, it placed buy limit order(s) during 12:47:53 to 13:12:08 hours to square off its trades. It was observed that buy order(s) placed by Noticee 4 at limit price Rs. 462.20 to Rs. 462.35 exactly matched with the sell order(s) placed by LIC at limit price ranging from Rs. 462.00 to Rs. 465.65. Second leg trades of Noticee 4 matched 100% with LIC. Noticee 4 by selling shares ahead of the order(s) of LIC and subsequently placing buy order(s) in a manner that would ensure that these order(s) would get matched with the sell order(s) of LIC, has *prima facie* front run trades of LIC, and has made an intraday profit of Rs. 54,300. Further, it has followed the same pattern multiple times on the same day and earned a total profit of Rs 1,22,871 on March 09, 2022.

**28.5 Noticee 5 (Sarita HUF)**

- (i) On March 07, 2022, Noticee 5 traded in the scrip of ABSLAMC (Aditya Birla Sun Life AMC Ltd), ISIN: INE404A01024, in the equity cash segment. The details of few trades of Noticee 5 on the said date are tabulated below:

**Table 11**

Buy/sell client name	Trade qty	Order start time	Order end time/ Order modified end time	Limit price (Rs.)	Avg trade price (Rs.)	Trade start time	Trade end time	Match quantity with LIC
Noticee 5 buy	7000	12:45:00	12:52:06	489.95 – 490.15	489.74	12:45:00	12:52:06	
LIC buy	75,007	13:15:05	13:17:51	489.00 – 497.00	495.63	13:15:05	13:17:51	
Noticee 5 sell	7000	13:05:07	13:17:29	496.95 – 497.0	496.98	13:17:12	13:17:29	7000

(ii) Noticee 5 placed buy order(s) between 12:45:00 and 12:52:06 hours for 7,000 shares at an average price of Rs. 489.74 just before LIC's buy order(s) between 13:15:05 hours to 13:17:51 hours for 75,007 shares. Further, Noticee 5 placed sell limit order(s) between 13:05:07 hours and 13:17:29 hours to square off its trades. It was observed that sell order(s) placed by Noticee 5 at limit price of Rs. 496.95 to Rs. 497 exactly matched with the buy order(s) placed by LIC at limit price of Rs. 489 to Rs. 497. Second leg trades matched 100% with LIC. Noticee 5 by buying the shares ahead of the order(s) of LIC and subsequently placing sell order(s) in a manner that would ensure that these order(s) would get matched with the buy order(s) of the LIC, has made intraday profit of Rs. 50,680.

(iii) In addition to the above, details of few other trades of Noticee 5 on the same day are tabulated below:

**Table 12**

Buy/Sell Client Name	Trade Qty	Order Start Time	Order End Time/ Order modified end time	Limit Price (Rs.)	Avg Trade Price (Rs.)	Trade Start Time	Trade End Time	Match quantity with LIC
Noticee 5 buy	5800	13:21:06	13:29:17	491.85 – 493.50	492.66	13:21:06	13:29:17	
LIC buy	16,128	13:31:23	13:31:52	497.00	496.67	13:31:23	13:31:52	
Noticee 5 sell	5800	13:29:29	13:31:23	496.70 – 496.80	496.76	13:31:23	13:31:23	5800

(iv) Noticee 5 placed buy order(s) between 13:21:06 and 13:29:17 hours for 5,800 shares at an average price of Rs. 492.66 just before LIC's order(s). LIC placed buy limit order(s) between 13:31:23 hours to 13:31:52 hours and bought 16,128 shares. Noticee 5 placed sell limit order(s) between 13:29:29 hours and 13:31:23 hours to square off its trades. It was observed that sell order(s) placed by Noticee 5 at limit price of Rs. 496.70 to Rs. 496.80 exactly matched with the buy order(s) placed by LIC at limit price of Rs. 497. Further, since the sell order limit price of Noticee 5 *i.e.*, Rs. 496.70 to Rs. 496.80 is less than buy order limit price of LIC *i.e.*, Rs. 497, 100% of sell order(s) of Noticee 5 matched with buy order(s) of LIC. Noticee 5 by buying the shares ahead of the order(s) of LIC and subsequently placing sell order(s) in a manner that would ensure that these order(s) would get matched with the buy order(s) of LIC has *prima facie* front run the trades of LIC, and has made an intraday profit of Rs. 23,780. Further, it has followed the same pattern multiple times on the same day and earned a total profit of Rs. 1,05,132.15 on March 07, 2022.

28.6 The trading pattern in accounts of late Ved Parkash Garg and Noticees 2 to 5 above shows that the first leg of trades was placed/executed just prior to the impending orders of LIC and the second leg of the intra-day trade (squaring off trades) were placed prior to the last tranche of order by LIC or immediately after it resulting into a profit. The aforesaid pattern coupled with the fact that Noticee 1 was working as a dealer in LIC, the trade activation date of accounts of Noticees 3 to 5, trades of Ved Parkash Garg and Noticees 2 to 5 during pre-examination period, Examination Period and post-examination period leads to a compelling *prima facie* inference that Noticees 1 to 5 took advantage of the non-public information of impending trades of LIC to front run its trades. The trades in accounts of late Ved Parkash Garg and Noticees 2 to 5 *prima facie* appearing to front run trades of LIC are placed in the Annexure as follows:

- (i) Annexure 1: Trades of Ved Parkash Garg;
- (ii) Annexure 2: Trades of Noticee 2 (Sarita Garg);
- (iii) Annexure 3: Trades of Noticee 3 (Kamlesh Agarwal);
- (iv) Annexure 4: Trades of Noticee 4 (Ved Prakash HUF); and
- (v) Annexure 5: Trades of Noticee 5 (Sarita Garg HUF).

28.7 With respect to Noticees 1 to 5 their (i) total trades and its Gross Traded Value (GTV); (ii) Intraday trades and GTV thereof; and (iii) Intraday trades common with LIC (along with GTV of such trades) during the Examination Period were analyzed (refer Columns 'A', 'B' and 'C' respectively of the table below). From 'Column C' below, it can be observed that Intraday GTV of Noticees 1 to 5 common with LIC contributed to 88.05% of total GTV of Noticees during the Examination Period.

**Table 13**

Noticee	Column A		Column B		Column C		
	Total Trades (Intraday Trades and Non-Intraday Trades)		Intraday Trades (Common and Non-common Intraday Trades)		Common Intraday Trades		
	No. of Instance	GTV (Lacs)	No. of Instance	GTV (Lacs)	No. of Instance	GTV (Lacs)	% of common intraday GTV
Yogesh Garg through account of Ved Parkash Garg	1253	45678.8	815	42429.4	511	35728.19	78.22%
Sarita Garg	1109	58543	862	56002.9	742	53614.27	91.58%
Kamlesh Agarwal	1027	53988.8	852	52699.4	584	49318.91	91.35%
Ved Prakash HUF	21	1533.2	18	1329.81	18	1329.81	86.73%
Sarita Garg HUF	98	8230.62	85	7993.08	81	7916.97	96.19%
<b>Combined</b>	<b>3508</b>	<b>167974</b>	<b>2632</b>	<b>160455</b>	<b>1936</b>	<b>147908.2</b>	<b>88.05%</b>

#### **E.IV ANALYSIS OF BANK STATEMENTS OF ALLEGED FRONT RUNNERS**

29. Bank statements were analyzed for late Ved Parkash Garg and Noticees 2 to 5 for the Examination Period. Various financial transactions were observed amongst Ved Parkash Garg, Noticees 1 and 2, Shweta Agarwal (wife of Noticee 1), and Saurabh Garg (brother of Noticee 1, son of Ved Parkash Garg and Noticee 2 who has the same address as Noticees 2, 4 and 5 at Badshahpur, Sector 68, Haryana in his Aadhar card). The aforementioned persons are collectively referred to as "**Garg Family Member(s)**".

## 29.1 Ved Parkash Garg

- (i) Bank account of late Ved Parkash Garg bearing account no. xxxxxxxxxxx1509 held with Yes Bank was analysed. He was found to have received funds totalling to an amount of Rs 50,19,700 from other Garg Family Member(s) during January 01, 2020 to July 01, 2022 and subsequently transferred a total of Rs 39,39,600 to the trading member Anand Rathi Broker. It was also observed that he received funds amounting to Rs 83,45,937 from the trading member Anand Rathi Broker and transferred a total amount of Rs 74,97,160 to other Garg Family Member(s).
- (ii) As per the death certificate of Ved Parkash Garg submitted by Motilal Oswal Broker, he passed away on March 23, 2019. However, transactions were observed in his bank account even after his death. As per his bank KYC, it was observed that Noticee 1 is the joint holder of this bank account along with Ved Parkash Garg. Thus, it is *prima facie* concluded that this account may be operated by Noticee 1.
- (iii) It is also *prima facie* observed that there were instances where an amount received from Garg Family Member(s) was immediately transferred to the broker, which indicates that the said amounts were received from Garg Family Member(s) for trading. If not for the said transfer from Garg Family Member(s), Ved Parkash Garg did not have sufficient balance to transfer to the broker. For example, on September 01, 2020, account of Ved Parkash Garg had balance of Rs 12,706, he received Rs 4,00,000 from Noticee 1 and on the same day he transferred Rs 4,00,000 to Anand Rathi Broker.

## 29.2 Noticee 2 (Sarita Garg)

- (i) Bank account of Noticee 2 (Sarita Garg) bearing no. xxxxxxxxxxx0841 held with Yes Bank was analysed. She had received funds totalling to an amount of Rs 82,13,500 from other Garg Family Member(s) during January 15, 2020 to July 01, 2022 and subsequently transferred a total of Rs 45,43,000 to the trading

member Anand Rathi Broker. It was also observed that she had received funds amounting to Rs 93,48,729 from the trading member Anand Rathi Broker and transferred a total amount of Rs 90,55,760 to other Garg Family Member(s).

- (ii) As per her bank KYC, it was observed that Noticee 1 is the joint holder of this bank account along with Noticee 2. Thus, it *prima facie* appears that this account may be operated by Noticee 1 as well.
- (iii) It is also observed that there were instances where an amount received from Garg Family Member(s) was immediately transferred to the broker, which indicates that the said amounts were received from Garg Family Member(s) for trading. If not for the said transfer from Garg Family Member(s), Noticee 2 did not have sufficient balance to transfer to the broker. For example, on January 15, 2020, Noticee 2 had balance of Rs 8,179, she received Rs 1,00,000 from Noticee 1 and on the same day she transferred Rs 1,00,000 to Anand Rathi Broker. Similarly, on November 12, 2020, she had balance of Rs 11,469, Noticee 2 received Rs 4,00,000 from Noticee 1 and on the same day she transferred Rs 4,00,000 to Anand Rathi Broker.

### 29.3 Noticee 3 (Kamlesh Agarwal)

- (i) Bank account of Noticee 3 (Kamlesh Agarwal) bearing no. xxxxxxxxxxx8208 held with HDFC Bank was analysed. Noticee 3 was found to have received funds totalling to an amount of Rs 60,10,000 from Garg Family Member(s) during July 10, 2021 to July 01, 2022 and subsequently transferred a total of Rs 57,95,000 to the trading members Motilal Oswal Broker and Anand Rathi Broker. It was also observed that Noticee 3 received funds of Rs 1,03,19,051 from both the trading members and transferred a total amount of Rs 62,27,080 to Garg Family Member(s).
- (ii) Further, cheque and cash withdrawal of Rs 7,20,000 was observed from March 19, 2022 till April 29,2022 (post Examination Period). It may be noted that no significant cash/cheque withdrawals were observed from January, 2020 till March 18, 2022.



- (iii) Noticee 3 has opened her bank account on July 10, 2021 as per bank KYC. Trading activity was observed from July 12, 2021 and alleged front running activity was observed from August 27, 2021. Therefore, it is *prima facie* observed that this bank account may have been activated for the purpose of trading transactions. Further, the major funding in this bank account was from the Garg Family Member(s) which was utilized for trading activity.
- (iv) It was also observed that Shweta Agarwal *i.e.*, wife of Noticee 1 (Yogesh Garg) is the joint account holder of this bank account and also the mobile number linked with this bank account is registered under her name. It was also observed that there were instances where an amount received from Garg Family Member(s) was immediately transferred to the broker, which indicates that the said amounts were received from Garg Family Member(s) for trading. If not for the said transfer from Garg Family Member(s), Noticee 3 did not have sufficient balance to transfer to the broker. For example, on July 11, 2021, Noticee 3 had balance of Rs 60,101, she received Rs 9,90,000 from spouse of Noticee 1 (Shweta Agarwal) and on the same day she transferred the same amount to Motilal Oswal Broker.

#### **29.4 Noticee 4 (Ved Prakash HUF)**

- (i) Bank account of Noticee 4 (Ved Prakash HUF) bearing account no. xxxxxxxxxxxx5711 held with Axis Bank was analysed. Noticee 4 was found to have received funds totalling to an amount of Rs 25,00,000 from Garg Family Member(s) during January 31, 2022 to July 01, 2022 and subsequently transferred a total of Rs 27,35,000 to the trading member Motilal Oswal Broker. It was also observed that Noticee 4 received funds of Rs 32,11,569 from the trading member Motilal Oswal Broker and transferred a total amount of Rs 27,50,000 to Garg Family Member(s).
- (ii) It was noted that Noticee 4 opened bank account on January 31, 2022 as per bank KYC. Trading activity was observed from March 09, 2022. It was observed from the trading activity of Noticee 4 that trades were carried out only till April

04, 2022 (*i.e.*, around the time Noticee 1 was transferred from the investment department of LIC) and alleged front running activity till March 14, 2022. On analysis of Noticee 4's bank statement, it was observed that there are no fund transfers to the trading member and no fund transfers from the Garg Family Member(s) after March 09, 2022. Further, all the pay-outs received from the trading member after March 09, 2022 were transferred significantly to Noticee 1 (Yogesh Garg) and Mr. Saurabh Garg (brother of Yogesh Garg) and significant cash withdrawals were also observed. No major transactions in this bank account after the front running activity was observed and last transaction was observed on June 08, 2022 (bank statement was analysed till September 30, 2022). Major funding in this bank account was from the Garg Family Member(s) which was utilized for trading activity.

- (iii) It was also observed that there were instances where an amount received from Garg Family Member(s) was immediately transferred to the broker, which indicates that the said amounts were received from Garg Family Member(s) for trading. If not for the said transfer from Garg Family Member(s), Noticee 4 did not have sufficient balance to transfer to the broker. For example, on March 09, 2022, Noticee 4 had balance of Rs 29,915 when it received Rs 1,50,000 and Rs 1,70,000 from Noticee 1, thereafter, it transferred Rs 3,35,000 to Motilal Oswal Broker.
- (iv) The fund movements in bank account of Noticee 4 suggests that the same was mainly used for alleged front running activity.

#### **29.5 Noticee 5 (Sarita Garg HUF)**

- (i) Bank account of Noticee 5 bearing no. xxxxxxxxxx9317 held with Yes Bank was analysed. It was observed that Noticee 5 has opened bank account on January 28, 2022 as per bank KYC. Trading activity was observed from February 07, 2022.
- (ii) Noticee 5 was found to have received funds totalling to an amount of Rs. 27,10,032 from Garg Family Member(s) during January 28, 2022 to July 01,

2022 and subsequently transferred a total of Rs. 26,50,000 to the trading member Anand Rathi Broker. It was also observed that it received funds of Rs. 39,15,586 from the trading member Anand Rathi Broker and transferred a total amount of Rs. 27,66,001 funds to Garg Family Member(s).

- (iii) It was observed from the trading activity of Noticee 5 that trades were carried out only till April 11, 2022 (*i.e.*, around the time Noticee 1 was transferred from the investment department of LIC) and front running activity till March 14, 2022. Further, all the pay-outs received from the trading member after March 10, 2022 were transferred significantly to Garg Family Member(s). No major transactions in this bank account after the front running activity was observed. Last transaction was observed on June 05, 2022 (bank statement analysed till September 30, 2022). Major funding in this bank account was from the Garg Family Member(s) which was utilized to carry on trading activity.
- (iv) It was also observed that there were instances where an amount received from Garg Family Member(s) was immediately transferred to the broker, which indicates that the said amounts were received from Garg Family Member(s) for trading. If not for the said transfer from Garg Family Member(s), Noticee 5 did not have sufficient balance to transfer to the broker. For example, on February 15, 2022, Noticee 5 had balance of Rs. 9,575, it received Rs. 8,50,000 from Noticee 2, and on the same day, it transferred Rs. 8,00,000 to Anand Rathi Broker.
- (v) The fund movements in bank account of Noticee 5 suggests that the same was mainly used for alleged front running activity.

## **F. CALCULATION OF PROFIT**

- 30. Profit of Noticees 1 to 5 is calculated by subtracting the buy value of the trade from the sell value on that particular scrip day. Consolidated profit of Noticees 1 to 5 is mentioned in the following table:

**Table 14**

Noticee	No of front running trades	Total buy value (in Rs.)	Total sell value (in Rs.)	Profit
				(in lakh Rs.)
Yogesh Garg through account of Ved Parkash Garg	363	1,40,07,49,269.95	1,40,65,24,515.40	57.75
Sarita Garg	581	2,13,67,56,888.75	2,14,44,28,335.10	76.71
Kamlesh Agarwal	429	2,10,80,77,356.15	2,11,65,49,671.85	84.72
Ved Prakash Garg HUF	17	6,40,00,644.65	6,45,12,289.95	5.12
Sarita Garg HUF	68	34,50,91,187.15	34,70,69,524.15	19.78
	<b>1458</b>	<b>6,05,46,75,346.65</b>	<b>6,07,90,84,336.45</b>	<b>244.09</b>

**G. CONCLUSION**

31. From the above, it can be seen that each of the Noticees had a distinct role to play in the fraudulent scheme devised for front running the orders of LIC. It is *prima facie* observed from the preceding paragraphs that Noticee 1 being a dealer in LIC was in possession of non-public information regarding impending orders of LIC and *inter alia* acted as an information carrier. Further, as brought out before, I find that Noticee 1 has also *prima facie* used the account of late Ved Parkash Garg to trade basis the non-public information of LIC. With respect to Noticees 2 to 5, they or their accounts were *prima facie* instrumental in front running trades of LIC. Thus, based on the available records, I find that responsibility for the alleged illegal gain stated in Table 14 must be borne by all parties who either acted as information carrier or front runner or both. Hence, it is *prima facie* concluded that Noticees 1 to 5 were involved in a scheme to front run the trades of the Big Client and therefore they are *prima facie* jointly and severally liable for the proceeds generated from the front running trades.
32. Detailed investigation is *inter alia* required to determine whether the non-public information of orders of Big Client were passed on by Noticee 1 to some or all of the other Noticees, or Noticee 1 himself used accounts of Noticees 2 to 5 to execute front running trades. Nevertheless, the sudden increase in trading activities of late Ved

Parkash Garg and Noticees 2 to 5, the activation of trading account immediately prior to the first front running activity by Noticees 3 to 5, the large volume of the shares traded from accounts of Ved Parkash Garg and Noticees 2 to 5, the several number of days on which trading took place, and the close proximity of time between the orders of Noticees 1 to 5 and Big Client elaborated in the foregoing paragraphs *prima facie* leads to a conclusion that Noticee 1 who possessed non-public information of orders of LIC had either passed on information or used accounts of Ved Parkash Garg and Noticees 2 to 5 to front run trades of LIC.

33. In view of the above, I observe that by *prima facie* indulging in a fraudulent scheme to front run the trades of LIC, the Noticees have *prima facie* violated section 12A (a), (b), (c) and (e) of the SEBI Act and regulations 3(a), 3 (b), 3 (c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations.

#### **H. NEED FOR INTERIM DIRECTIONS**

34. It is SEBI's duty to safeguard the interests of investors and protect the integrity of the securities market. PFUTP Regulations has been formulated with the main objective of preventing fraudulent activities and it seeks to curb fraudulent and manipulative activities in the securities market in order to retain investor trust in the ecosystem. Since the conduct of Noticees 1 to 5, does not *prima facie* appear to be in the interest of investors and the securities market, necessary action has to be taken against them immediately, else it may lead to erosion of investors' trust in the securities market.
35. Subsequent to inquiries made by SEBI, the front running activity in the accounts of Noticees 1 to 5 appears to have ceased in the month of March, 2022. However, based on material available on record, the person who has possession and passed on or acted basis the non-public information *i.e*, Noticee 1, is still professionally associated with LIC. SEBI has been informed by LIC that Noticee 1 has been transferred from the investment department of LIC to another department of LIC.
36. I note that even when Noticee 1 was not a dealer in the equity segment of LIC (*i.e*, prior to January 11, 2022), as brought out in the detailed Annexures to this Order, he

appears to have engaged in substantial front running activity in the equity segment. Therefore, despite not working in the equity segment of investment department of LIC, it appears that Noticee 1 had access to non-public information relating to equity market orders of LIC. Thus, there is a possibility that notwithstanding his transfer out of the investment department of LIC, Noticee 1 may still be in a position to source non-public information pertaining to orders of LIC and continue to engage in fraudulent, manipulative or unfair trade practices including by way of front running, unless immediate preventive directions are passed. Detailed investigation is also *inter alia* warranted to ascertain how Noticee 1 (Yogesh Garg) had access to non-public information of equity segment of LIC while dealing in its debt segment before January 11, 2022 and whether any other individuals were involved in passing the non-public information to Noticee 1.

37. Organizations such as LIC are critical to the securities market and the economy at large. They are expected to have adequate processes to prevent, detect, and remediate any fraudulent, manipulative or unfair trade practices by its employees. Employees of such organizations have a significant responsibility to uphold the highest standards of regulatory compliance. Any *prima facie* transgression of regulations, particularly by an employee of such an organisation, needs to be dealt with sternly.
38. Further, as noted in the preceding paragraphs, the front runners (Noticees 1 to 5) or Noticee 1 using accounts of late Ved Parkash Garg and Noticees 2 to 5, are alleged to have made illegal gains by way of the *prima facie* front running activity amounting to Rs. 244.09 lakhs. It is possible that the said Noticees may divert the alleged unlawful gains before investigation is concluded and directions for disgorgement, if any, are passed. Non-interference at this stage would therefore result in irreparable injury to interests of the securities market and the investors. Considering the factual matrix and the *prima facie* conclusion of front running, I am convinced that, pending detailed investigation the balance of convenience lies in passing interim directions against the Noticees *inter alia* for preventing any further front running activity in the interest of investors, development of securities market, and for impounding and retaining such quantified alleged unlawful gains.

## ORDER

39. In view of the above, pending investigation including as detailed above, in order to protect the interests of investors and the integrity of the securities market, I, in exercise of the powers conferred upon me under sections 11(1), 11(4), 11B and 11D read with section 19 of the SEBI Act hereby issue by way of this interim ex-parte order, the following directions:

- 39.1. Noticees 1 to 5 are restrained from buying, selling or dealing in securities either directly or indirectly, in any manner whatsoever until further orders. If Noticees 1 to 5 have any open position in any exchange traded derivative contracts, as on the date of this Order, they can close out / square off such open positions within 3 months from the date of this Order or at the expiry of such contracts, whichever is earlier. The said entities are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this Order;
- 39.2. Noticees 1 to 5 shall cease and desist from, directly or indirectly, engaging in any fraudulent, manipulative or unfair trade practice including front running thereby committing or causing violation of any provision of the SEBI Act and the PFUTP Regulations;
- 39.3. The proceeds in the bank accounts of Noticees 1 to 5, to the extent of illegal gains mentioned in Table 14 above shall be impounded, jointly and severally. Further, Noticees 1 to 5 are directed to open an escrow account with a scheduled commercial bank and deposit the impounded amount mentioned therein within 15 days from the date of service of this Order. The escrow account shall be an interest bearing escrow account and a lien shall be created in favour of SEBI. Further, the monies kept therein shall not be released without permission from SEBI;

- 39.4. Noticees 1 to 5 are directed not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge on any of such assets held in their name, jointly or severally, including money lying in bank accounts except with the prior permission of SEBI until the impounded amount is deposited in the escrow account;
- 39.5. Noticees 1 to 5 are directed to provide a full inventory of all assets held in their name, jointly or severally, whether movable or immovable, or any interest or investment or charge on any of such assets, including details of all bank accounts, demat accounts and mutual fund investments, immediately but not later than 15 days from the date of receipt of this Order;
- 39.6. The banks where Noticees 1 to 5 are holding bank accounts, individually or jointly, are directed to ensure that till further directions, except for compliance of direction at paragraph 39.3 above, no debits are made in the said bank accounts without the permission of SEBI. The banks are directed to ensure that all the above directions are strictly enforced. On production of proof of deposit of entire amount mentioned in Table 14 above, SEBI shall communicate to the banks to defreeze the accounts corresponding to the entities mentioned in said Table. Debit freeze on the bank accounts of the Noticees shall be removed only upon deposit of all illegal gains due from Noticees, as mentioned in Table 14 above. Further, the depositories are directed to ensure, that till further directions, no debits are made in the demat accounts of Noticees 1 to 5 held individually or jointly.
- 39.7. The registrar and transfer agents are also directed to ensure that till further directions, the securities / mutual funds units held in the name of Noticees 1 to 5 jointly or severally, are not transferred / redeemed.
- 39.8. LIC is hereby advised to review its extant processes and take all necessary additional measures as may be necessary to prevent, detect, and remediate any fraudulent, manipulative or unfair trade practices by its employees in relation to its investment activities.



40. The above directions shall take effect immediately and shall be in force until further orders.
41. The *prima facie* observations contained in this Order, are made on the basis of the material available on record. In this context, the Noticees may, within 21 days from the date of receipt of this Order, file their reply/objections, if any, to this Order and may also indicate whether they desire to avail an opportunity of personal hearing on a date and time to be fixed on a specific request to be made in that regard.
42. This Order is without prejudice to the right of SEBI to take any other action that may be initiated against the Noticees in accordance with law.
43. A copy of this Order shall be served upon the Noticees, Stock Exchanges, Banks, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions. A copy of this Order shall also be sent to LIC for their information and action.

Enclosure: Annexures 1 to 5 (Trading details of Ved Parkash Garg and Noticees 2 to 5).

**DATE: APRIL 27, 2023**

**PLACE: MUMBAI**

**ANANTH NARAYAN G.**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**









**ANNEXURE 1.2 TRADES OF VED PARKASH GARG ON BSE**

S.No	Date	Security Name /Contract	ISIN	Total traded qty in the scrip	Details of trades of Ved Parkash Garg BSE															Details of Big Client										Buy Match Qty	Sell Match Qty	Buy Match Qty (%)	Sell Match Qty (%)	
					FR PAN	NAME	Buy Qty	Buy Value	Buy order start time	Buy order end time	Buy Trade Start Time	Buy TradeEnd Time	Sell TradeQty	Sell Value	Sell order start time	Sell order end time	Sell TradeStart Time	Sell Trade End Time	Profit(Sqr ed of Qty) of FR	Buy Qty	Buy Order Start Time	Buy Order end Time	Buy Trade Start Time	Buy Trade End Time	Sell TradeQty	Sell Order Start Time	Sell Order end Time	Sell TradeStar t Time	Sell Trade End Time					BO PAN
1	2022-02-08	PROCTER & GAMBLE HYGIENE & HEALTH CARE LTD (500459)	INE179A01014	678	ABBPP4397H	VED PARKASH	100	1514931.30	14:58:32.591880	14:58:32.591880	14:58:32.591880	14:58:32.592670	100	1522485.00	15:03:00.423159	15:03:00.423159	15:14:33.600048	15:14:33.600048	7553.7	287	15:14:33.600048	15:14:33.600048	15:14:33.600048	15:29:03.486058	-	-	-	-	-	AAACL0582H	100	0	100%	0















**ANNEXURE 2.2 TRADES OF NOTICE 2 (SARITA GARG) ON BSE**

S.No	Date	Security Name /Contract	ISIN	Total traded qty in the scrip	Details of trades of Sarita Garg on BSE															Details of Big Client										BO PAN	Buy Match Qty	Sell Match Qty	Buy Match Qty (%)	Sell Match Qty (%)	
					FR PAN	NAME	Buy Qty	Buy Value	Buy order start time	Buy order end time	Buy Trade Start Time	Buy TradeEnd Time	Sell TradeQty	Sell Value	Sell order start time	Sell order end time	Sell TradeStart Time	Sell Trade End Time	Profit(Sqr ed of Qty) of FR	Buy Qty	Buy Order Start Time	Buy Order end Time	Buy Trade Start Time	Buy Trade End Time	Sell TradeQty	Sell Order Start Time	Sell Order end Time	Sell TradeStar t Time	Sell Trade End Time						
1	2021-04-06	Endurance Technologies Ltd (540153)	INE913H01037	147265	AMWPG6158M	SARITA GARG	2000	2760000.00	12:03:08.291597	12:03:22.943158	12:03:08.291597	12:03:22.943158	2000	2763697.10	12:02:46.266649	12:33:56.130850	12:02:46.266649	12:33:56.130850	3697.1	130000	11:59:15.765505	12:28:46.921932	12:02:57.049889	12:42:00.041757	-	-	-	-	-	-	AAACL0582H	800	0	40%	0
2	2021-11-29	SBI Cards and Payment Services Ltd (543066)	INE018E01016	299505	AMWPG6158M	SARITA GARG	5000	4696286.05	12:11:53.864789	12:12:18.355512	12:11:53.864988	12:12:18.357848	5000	4698912.75	0.508901609	12:17:19.677778	12:13:39.137365	12:17:36.381021	2626.7	64000	12:14:27.622460	12:41:58.694860	12:14:27.622460	12:41:58.697107	-	-	-	-	-	-	AAACL0582H	1000	0	20%	0

Total Profit= Rs. 6323.8



ANNEXURE 3.1 TRADES OF NOTICEE 3 (KAMLESH AGARWAL) ON NSE

S.No	Date	Security Name / Contract	ISIN	FR Instrumt Type	FR Expiry Date	FR Strike Price	Total traded qty in the scrip	Details of trades of Kamlesh Agarwal on NSE							Details of Big Client																																
								FR PAN	Concatenate	NAME	Buy Qty	Buy Value	Buy order start time	Buy order end time	Buy Trade Start Time	Buy Trade End Time	Sell Qty	Sell Value	Sell order start time	Sell order end time	Sell Trade Start Time	Sell Trade End Time	Profit/(Sq uared off FR)	BO PAN	BO Name	BO Instrumt Type	Buy Qty	Buy Value	Buy order start time	Buy order end time	Buy Trade Start Time	Buy Trade End Time	Sell Qty	Sell Value	Sell order start time	Sell order end time	Sell Trade Start Time	Sell Trade End Time	Buy Match Qty	Sell Match Qty	Buy Match Qty %	Sell Match Qty %					
1	27/08/2021	LT	INE018A0	EQ		4903187	AZOPA1126Q	27082021NE0	KAMLESH AGARWAL	200	327834.7	14:03:37	10:25:56	14:03:37	200	329886	10:41:14	15:25:43	10:41:14	15:25:43	205.10	AAAL0582H	ULIF004200910LICEND+GRW512	EQ	0	0	-	-	-	-	-	-	-	-	-	-	-	489500	806912507.4	11:38:17	15:09:33	11:38:17	15:25:04	0	0	0	0









**ANNEXURE 3.2 TRADES OF NOTICEE 3 (KAMLESH AGARWAL) ON BSE**

S.No	Date	Security Name /Contract	ISIN	Total traded qty in the scrip	Details of trades of Kamlesh Agarwal on BSE														Details of Big Client														BO PAN	Buy Match Qty	Sell Match Qty	Buy Match Qty (%)	Sell Match Qty (%)	
					FR PAN	NAME	Buy Qty	Buy Value	Buy order start time	Buy order end time	Buy Trade Start Time	Buy TradeEnd Time	Sell TradeQty	Sell Value	Sell order start time	Sell order end time	Sell TradeStart Time	Sell Trade End Time	Profit(Sqr ed of Qty) of FR	Buy Qty	Buy Order Start Time	Buy Order end Time	Buy Trade Start Time	Buy Trade End Time	Sell TradeQty	Sell Order Start Time	Sell Order end Time	Sell TradeStart Time	Sell Trade End Time									
1	2022-01-12	TATA STEEL LTD. (500470)	INE081A01020	209174	AZQPA1126Q	KAMLESH AGARWAL	3500	39968331.00	12:05:29.701455	12:05:29.701455	12:05:29.701455	12:05:29.703150	3500	3996825.00	12:12:11.256196	12:12:11.256196	12:12:28.880164	12:12:28.880164	10494	30700	12:06:32.704848	12:13:44.160047	12:06:32.704848	12:14:24.022154	0	0	0	0	0	AAACL0582H	3500	0	100%	0				
2	2022-02-02	STATE BANK OF INDIA (500112)	INE062A01020	830652	AZQPA1126Q	KAMLESH AGARWAL	5000	2672386.75	13:40:30.477980	13:40:30.477980	13:40:30.477980	13:40:30.477980	5000	2677250.00	13:47:54.199310	13:47:54.199310	13:52:15.912611	13:52:15.912611	4863.25	186000	13:44:00.345611	13:53:10.305471	13:44:00.345611	13:53:10.305471	0	0	0	0	0	AAACL0582H	5000	0	100%	0				
																			<b>Total Profit= Rs 15357.25</b>																			





