

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**[ADJUDICATION ORDER NO. EAD/PM-AA/AO/38/2018-19]**

**UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995**

In respect of  
**Shri Hemant Vastani**  
**(PAN: AAZPV7797C)**

In the matter of  
**Multi Commodity Exchange of India Limited**

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**FACTS OF THE CASE IN BRIEF**

1. Securities and Exchange Board of India (**SEBI**) conducted investigation in the scrip of Multi Commodity Exchange of India Limited (hereinafter referred to as “**Company/MCX**”) for the period of April 27, 2012 to July 31, 2013 and it was observed that Shri Hemant Vastani (“**The Noticee**”) had sold shares of MCX and had failed to make necessary disclosures under the SEBI(Prevention of Insider Trading) Regulations, 1992 (“**PIT Regulations**”).

**APPOINTMENT OF ADJUDICATING OFFICER**

2. The undersigned was appointed as Adjudicating Officer under section 15I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalty by Adjudicating Officer) Rules, 1995 (hereinafter referred to as the ‘**Adjudication Rules**’) to inquire into and adjudge under section 15G of the SEBI Act the alleged violations of

provisions of Regulation 13(4) r/w 13(5) of PIT Regulations by the Noticee.

### **SHOW CAUSE NOTICE, REPLY AND HEARING**

3. A Show Cause Notice dated December 14, 2017 (hereinafter referred to as “**SCN**”) was issued to the Noticee under Rule 4 of the Adjudication Rules to show cause as to why an inquiry should not be initiated and penalty be not imposed under section 15A(b) of the SEBI Act, 1992 for the alleged violations specified in the SCN.
4. As no reply was received for the said SCN, an opportunity of personal hearing was granted to the Noticee on August 21, 2018 in accordance with Rule 4(3) of the AO Rules. However, the Noticee failed to appear for personal hearing as well. Accordingly, the matter is being decided ex-parte.

### **CONSIDERATION OF ISSUES AND FINDINGS**

5. I have carefully perused the SCN and the documents available on record. The issues that arise for consideration in the present case are :
  - I. Whether the Noticee was covered under the ambit of “Officer” as specified in Reg. 13(4) of the PIT Regulations?
  - II. Whether the Noticee failed to make any disclosure as envisaged in Reg. 13(4) of the PIT Regulations? and
  - III. Does the violation, if any, attract monetary penalty under section 15A(b) of SEBI Act?
6. Before moving forward, it is pertinent to refer to the relevant provisions of PIT Regulations which reads as under:-

#### ***PIT REGULATIONS Continual Disclosure***

**13(4)** Any person who is a director or officer of a listed company, shall disclose to the company and the stock exchange where the securities are listed in Form D, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings of such person and his dependents (as defined by the company) from the last disclosure made under sub-regulation (2) or under this subregulation, and the change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.

**FINDINGS:**

7. It is seen from the Investigation Report (hereinafter referred to as “IR”) and the relevant documents that the Noticee sold a total of 2,967 shares of MCX during the investigation period on 19 days which led to obligation of disclosure under reg. 13(4) on 4 dates viz. April 27, 2012, June 18, 2012, August 07, 2012, September 04, 2012 and January 10, 2013. As per the IR, the Noticee did not make any disclosure except for 200 shares sold on January 13, 2013 which was disclosed on July 8, 2013.
8. It is observed from the IR that the Noticee was an “officer” as mentioned by the Code of Conduct for prevention of Insider Trading (“Code of Conduct”) of MCX. On perusal of the Code of Conduct it is observed that the definition of the term Officer had been modified on 2 occasions – November 3, 2012 and January 3, 2013. As per the material available on record the Noticee was employed as Head - Finance & Accounts from March 15, 2011 to March 31, 2013 with MCX. As per the definition of “Officer” in the Code of Conduct the designation of Head - Finance & Accounts was included for the first time after the amendment on January 3, 2013. Further, it is observed from the replies of other Noticees in the matter that a letter dated January 3, 2013 was addressed by MCX to the Bombay Stock Exchange Ltd. informing about the change in definition of

the term “Officer”. On perusal of the said letter, it is observed that the said letter lists the names of employees additionally covered under the definition of “Officer” after the amendment alongwith their shareholding on December 31, 2012. The name of the Noticee is also included in the said list.

9. It can thus be concluded from the amendments to the Code of Conduct and the letter dated January 3, 2013 that the Noticee became the “Officer” as per code of conduct only on January 3, 2013 and was not covered under the ambit of Reg. 13(4) prior to the said date.
10. It is observed from the details of transactions done by the Noticee that he has sold 200 shares of MCX for a consideration of Rs. 2,80,494/-. Hence, the triggers mentioned in Reg. 13(4) are not triggered and the Noticee was liable to make any disclosure for the said transaction.
11. Since the Noticee was not required to make any disclosure under Reg. 13(4), there is no need to consider issue No. 2 and 3.

### **ORDER**

12. For the aforesaid reasons, the allegations levelled in the Show Cause Notice EAD/AO-PM/AA/OW/31636/2017 dated December 14, 2017 alleging violations of provisions of Regulation 13(4) r/w 13(5) of PIT Regulations, 1992 by the Noticee i.e. Shri Hemant Vastani cannot be sustained and the SCN is disposed of.
13. In terms of rule 6 of the Adjudication Rules, copies of this order are sent to Noticee and also to the Securities and Exchange Board of India.

**Date: September 28, 2018**  
**Place: Mumbai**

**Prasanta Mahapatra**  
**Adjudicating Officer**