

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: S. RAMAN, WHOLE TIME MEMBER

ORDER

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

REGULATION 11 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF INSIDER TRADING) REGULATIONS, 1992 READ WITH REGULATION 12 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2015.

IN THE MATTER OF INSIDER TRADING IN THE SCRIP OF 63 MOONS TECHNOLOGIES LIMITED [ERSTWHILE FINANCIAL TECHNOLOGIES (INDIA) LIMITED] –

	NAME	PAN
1.	SHRI SHREEKANT JAVALGEKAR	AARPJ9648L
2.	SMT ASHA SHREEKANT JAVALGEKAR	ABRPJ2888H
3.	SHRI MANISH P. SHAH	AMXPS9294F
4.	SHRI PRAKASH SHAH	AQUPS4514H
5.	SHRI HARIHARAN VAIDYALINGAM	AABPV4103E
6.	SHRI V. ARVINDKUMAR IYENGAR	AADPI3727M
7.	SMT DHANASHRI IYENGAR	AEQPK1802C
8.	SHRI BHARAT KANAIYALAL SHETH	AAQPS2482L

Background –

1.1 Securities and Exchange Board of India (“SEBI”) conducted an investigation in the scrip of 63 Moons Technologies Limited [erstwhile Financial Technologies (India) Limited] (hereinafter referred to as “FTIL”) for the period from April 27, 2012–July 31, 2013 (“Investigation Period”). The aforesaid investigation was initiated by SEBI, pursuant to receipt of a complaint dated September 26, 2014, *inter alia* alleging insider trading by certain individuals while trading in the scrip of FTIL.

1.2 The Investigation Report *inter alia* states –

- i. FTIL was incorporated as a private limited company in 1988. The status of FTIL was converted from private limited to public limited on August 1994. FTIL was subsequently renamed as 63 Moons

Technologies Limited on May 27, 2016. The Registered Office of FTIL is at Shakti Tower–1, Premises E, 766, 7th Floor, Anna Salai, Thousand Lights, Chennai–600002, Tamil Nadu.

- ii. The shareholding pattern in FTIL for the quarters ending March 2012; June 2012; September 2012; December 2012, March 2013; June 2013; September 2013 and December 2013 [Source–Bombay Stock Exchange (“BSE”) website], was as follows –

	March 2012			June 2012			September 2012		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Promoter	12	2,10,52,582	45.69	12	2,10,52,582	45.69	12	2,10,51,582	45.69
Non–Promoter	51,615	2,50,25,955	54.31	50,059	2,50,25,955	54.31	45,010	2,50,26,955	54.31
Total	51,628	4,60,78,537	100.00	50,072	4,60,78,537	100.00	45,023	4,60,78,537	100.00

	December 2012			March 2013			June 2013		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Promoter	12	2,10,42,582	45.67	12	2,10,27,582	45.63	12	2,10,27,582	45.63
Non–Promoter	46,749	2,50,35,955	54.33	48,336	2,50,50,955	54.37	47,514	2,50,50,955	54.37
Total	46,762	4,60,78,537	100.00	48,349	4,60,78,537	100.00	47,527	4,60,78,537	100.00

	September 2013			December 2013		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Promoter	12	2,10,27,582	45.63	12	2,10,25,878	45.63
Non–Promoter	75,387	2,50,50,955	54.37	68,704	2,50,52,659	54.37
Total	75,400	4,60,78,537	100.00	68,717	4,60,78,537	100.00

- iii. The Directors in FTIL were –

TABLE I				
	NAME	DESIGNATION	DATE OF APPOINTMENT	DATE OF CESSATION
1.	JIGNESH PRAKASH SHAH	CHAIRMAN AND MANAGING DIRECTOR	15.09.2000	20.11.2014
2.	DEWANG SUNDERRAJ NERALLA	WHOLE-TIME DIRECTOR	15.09.2000	20.11.2014
3.	MANJAY P SHAH	WHOLE-TIME DIRECTOR	01/04/2012	20.11.2014
4.	PANDURNAG GHANASHAM KAKODKAR	DIRECTOR	31.01.2001	20.07.2013
5.	CHANDRAKANT UTTAMCHAND KAMDAR	DIRECTOR	23.03.2009	21.10.2013
6.	R. DEVARAJAN	DIRECTOR	23.03.2009	20.08.2013
7.	CHAITAN MANBHAI MANIAR	DIRECTOR	15.10.2010	26.08.2013
8.	RAVI KANAIYALAL SHETH	DIRECTOR	15.09.1994	21.02.2014
9.	PADMANABH RAMCHANDRA BARPANDE	DIRECTOR	11.08.2010	10.08.2013

iv. The Promoters of FTIL were –

TABLE II		
	NAME	SHAREHOLDING (%)
1.	JIGNESH PRAKASH SHAH	18.08
2.	DEWANG SUNDERRAJ NERALLA	0.13
3.	RUPAL J. SHAH	0.12
4.	MANISH P. SHAH	0.19
5.	MANJAY P. SHAH	0.17
6.	PUSHPA P. SHAH	0.13
7.	PRAKASH B. SHAH	0.08
8.	BINA M. SHAH	0.00
9.	TEJAL M. SHAH	0.00
10.	MANDAR NERALLA	0.00
11.	LA-FIN FINANCIAL SERVICES PRIVATE LIMITED ("La-Fin")	26.76
12.	NAKSHI M. SHAH	0.00
*During the period June 30, 2012 to December 31, 2013, the Total Promoter Shareholding in FTIL moved from 45.69% to 45.63%.		

A. NSEL Circular dated July 31, 2013 –

The Investigation Report states –

- i. Vide a Circular dated July 31, 2013 (Ref. No.: NSEL/TRD/2013/065), the National Spot Exchange Limited ("NSEL") suspended trading in all contracts (except e-series contracts) and deferred settlement of all pending contracts.
- ii. As per information obtained from the erstwhile Forward Market Commission ("FMC") (FMC merged with SEBI w.e.f. September 28, 2015), which was subsequently examined by SEBI, the chronology of events leading to the issuance of the aforementioned NSEL Circular and thereafter, is as under –

TABLE III		
	DATE	PARTICULARS
1.	05.06.2007	<p>Vide Notification S. O. No. 906(E) dated June 5, 2007, the Department of Consumer Affairs, Ministry of Consumer Affairs, Govt. of India ("DCA") granted exemption to NSEL from the operation of the Forward Contracts (Regulation) Act, 1952 ("FCRA") for all forward contracts of one day duration for the sale and purchase of commodities traded on its platform, subject to the following conditions –</p> <ol style="list-style-type: none"> a. <i>No short sale by Members of the Exchange shall be allowed;</i> b. <i>All outstanding positions of the trade at the end of the day shall result in delivery;</i> c. <i>NSEL shall organize spot trading subject to regulation by the authorities regulating spot trade in the areas where such trading takes place;</i> d. <i>All information or returns relating to the trade as and when asked for shall be provided to the Central Government or its designated agency;</i>

		<p>e. <i>The Central Government reserves the right to impose additional conditions from time to time as it may deem necessary, and</i></p> <p>f. <i>In case of exigencies, the exemption will be withdrawn without assigning any reason in public interest.</i></p>
2.	06.02.2012	Vide Notification dated February 6, 2012 , DCA substituted the words ' <i>its designated agency</i> ' in condition (d) above, with ' <i>Forwards Market Commission</i> '. As a result of the aforesaid, ' <i>All information or returns relating to the trade as and when asked for shall be provided to the Central Government or FMC</i> '.
3.	22.02.2012	<p>Upon an analysis of the information/returns related to trade of NSEL, FMC sought clarifications from them vide letter dated February 22, 2012, in respect of the following issues, viz. –</p> <p>a. <i>The condition of 'no short sale by members of the exchange shall be allowed' was not being met by NSEL.</i></p> <p>b. <i>As per the trade data submitted by NSEL, it was observed that 55 contracts offered for trade on NSEL were with settlement periods exceeding 11 days and all such contracts traded on NSEL were in violation of provisions of FCRA.</i></p>
4.	10.04.2012	Pursuant to an examination of NSEL's reply (dated February 29, 2012) to its letter dated February 22, 2012, FMC informed DCA that the aforesaid entity failed to fulfil the conditions stipulated under the Notification dated June 5, 2007.
5.	27.04.2012	Vide Show Cause Notice (" SCN ") dated April 27, 2012, DCA directed NSEL to show cause as to why action should not be taken against it for violation of the conditions contained in the Notification dated June 5, 2007.
6.	29.05.2012	<p>NSEL submitted its reply to the SCN <i>inter alia</i> stating –</p> <p><i>"Deposit of goods in warehouse prior to execution of sale transaction (i.e. intra-day squaring off on trading) was not possible if sale order needed to be validated against physical stock lying in the Exchange warehouse because it was not possible to transfer warehouse receipt in favour of the buyer instantaneously after the trade and also due to constraints on warehousing capacity, it was not practical to insist that the sellers must deliver stock first into Exchange warehouse."</i></p>
7.	02.08.2012	<p>FMC forwarded its comments to DCA in respect of the issues identified at point 3(a)–(b), <i>inter alia</i> stating –</p> <p>a. <u><i>Short Sale by members of the Exchange:</i></u> <i>From the reply submitted by NSEL vide its letter dated May 29, 2012; it appeared that NSEL did not insist upon ownership of goods before allowing its members to place the sale order. FMC was of the view that all those sale transactions which were not backed by the ownership of goods were in violation of the condition of "no short sale by the members of the Exchange shall be allowed".</i></p> <p>b. <u><i>Contracts in which settlement period goes beyond 11 days period:</i></u> <i>- In view of the definition of "Forward Contract" under FCRA, FMC was of the view that all the contracts traded on NSEL which provided settlement schedule for a period exceeding 11 days were Non-Transferable Specific Delivery ("NTSD") contracts. Thus, even if the Gazette Notification did not specify the delivery period, NSEL had to settle the delivery for all open position within a period of 11 days as the NSEL was allowed to only trade in one day forward contracts and was obliged to ensure delivery and settlement within 11 days.</i></p>

8.	03.10.2012	An article published in ' <i>The Economic Times</i> ' reported that SCN was issued by DCA to NSEL. Further, the article reported that DCA was probing alleged discrepancies in contract positions at NSEL. The article also reported that FMC observed – <ul style="list-style-type: none"> a. <i>NSEL had not made it mandatory for its sellers to actually deposit goods in the warehouse before they took a short position;</i> b. <i>NSEL did not have a stock check facility for validating a Member's position, and</i> c. <i>55 contracts trading on NSEL had a settlement period exceeding 11 days.</i>
9.	03.10.2012	Through an ' <i>Exchange Communication</i> ', NSEL informed all its Members regarding SCN dated April 27, 2012, its reply to the SCN and also offered clarifications on the article in ' <i>The Economic Times</i> ' as under – <p><i>"....All contracts traded on NSEL are for one day duration only.... With respect to short sale, the Exchange has clarified its operational procedure, which does not allow any member to carry out short sale, as the seller is forced to deliver as per the scheduled delivery day. Hence, Exchange is in full compliance with the provisions of FCRA r/w Gazette notification dated June 5, 2007. Neither Central Government nor FMC has directed the Exchange to discontinue any of the contracts that has been allowed for trading by the Exchange."</i></p>
10.	26.12.2012	The Director, Directorate of Marketing, Govt. of Maharashtra, vide an Order dated December 26, 2012, suspended the License granted to NSEL as ' <i>Private Market</i> ' under the Maharashtra Marketing (Development And Regulation) Act, 1963 (" APMC Act "). In the aforesaid Order, it was observed – " <i>NSEL has failed to exercise its regulatory function in respect of the activities at its terminals and thereby, ensuring transparency in transactions.</i> " The Order further concluded that <i>NSEL failed to fulfil the objectives aimed at by the State (Maharashtra) in view of the Agricultural Marketing Reforms agenda set by the Government of India.</i>
11.	12.07.2013	Vide letter dated July 12, 2013, DCA directed NSEL to give an Undertaking that – <ul style="list-style-type: none"> a. <i>No further/fresh contracts shall be launched by NSEL and</i> b. <i>All the existing contracts will be settled on the due dates.</i>
12.	16.07.2013 22.07.2013	Vide Circulars dated July 16, 2013 and July 22, 2013, NSEL suspended launching of any new commodity, product or new center. Further, NSEL reduced the settlement and delivery period of all existing contracts to T+10 days and made them ' <i>trade to trade</i> '.
13.	31.07.2013	Vide Circular dated July 31, 2013, NSEL suspended trading in all contracts (except e-series contracts) and deferred settlement of all pending contracts.
14.	06.08.2013	In partial modification of the Notification dated June 5, 2007, DCA imposed the following additional conditions on NSEL – <ul style="list-style-type: none"> a. <i>No trading in the existing e-series contracts;</i> b. <i>No further/fresh one-day forward contracts in any commodity shall be undertaken by NSEL without prior approval of the Central Government;</i> c. <i>Settlement of all outstanding one-day forward contracts at NSEL shall be done under the supervision of FMC.</i>
15.	06.08.2013	NSEL suspended trading in e-series contracts.
16.	17.12.2013	FMC issued an Order dated December 17, 2013, wherein it held FTIL to not be a ' <i>fit and proper person</i> ' for continuing as a shareholder of 2% or more of the paid-up equity capital of Multi Commodity Exchange of India Limited (" MCX "). Further, FMC held that Shri Jignesh Shah, Shri Joseph Massey and Shri Shreekant Javalgekar were not ' <i>fit and proper person</i> '(s) and directed them not to hold any position in the management/Board of any Stock Exchange recognised/registered by the Govt. of India/FMC.

		<p>In the aforementioned Order, the FMC observed the following irregularities in the functioning of NSEL –</p> <ol style="list-style-type: none"> a. <i>The responsibility for planning, directing and controlling the activities of NSEL had been placed on the KMPs. However, KMPs of NSEL over the years had failed to meet their responsibilities with respect to planning, directing and controlling, details of which are as follows:</i> <ul style="list-style-type: none"> ➤ <i>As per the exemption granted under Section 27 of the FCRA, only one day forward contracts were permitted, whereas paired contracts were being run on NSEL since September, 2009.</i> ➤ <i>The defaulters were given more and more time to bring in funds whereas Rule 28 of NSEL provided for debarment of defaulting members. On the other hand, NSEL allowed and facilitated continuous trading by the defaulting members allowing them to receive more and more funds through the Exchange without verification of goods in the warehouses.</i> b. <i>Buyers with poor credentials had been introduced over the period and the default had started in 2011-12, itself.</i> c. <i>NSEL was granted exemption under Section 27 of the FCRA to trade on one day forward contract in commodities; however, from the year 2009 onwards, with the approval of the Board, it started trading in paired contracts in commodities in such a manner that it would generate an assured return of 13% to 18% per annum, akin to financial transactions under the garb of commodities trading.</i> d. <i>Despite being aware that the transactions taking place on its platform were violating the primary conditions of exemptions granted to them under Section 27 of FCRA, the Board of Directors allowed short selling with no system in place to verify physical possession of goods by sellers before allowing them to trade and launched contracts with long term settlement instead of ensuring the settlement of all contracts within a period of 11 days, in contravention of the provisions of FCRA.</i> e. <i>Many of the defaulting borrowers were allowed to continue trading on NSEL despite defaulting several times and instead of debarring them from trading, the Board and management went all out in gross violation of their bye-laws and rules, to allow them to trade for extended periods.</i>
17.		<p>In the Internal Audit Report of NSEL for the period from April 1, 2011 to September 30, 2011, the Internal Auditor observed –</p> <p><i>“NSEL was taking higher risk of credit default as it does not hold any security or line. The activity entails funding of the transactions and the provisions of NBFC and the Company has not secured any such license as an NBFC for carrying out such activity and in order to avoid the application pertaining to NBFC, the transaction needs to be restructured in the books of Accounts of the Company.”</i></p>

B. Unpublished Price Sensitive Information (“UPSI”) –

The Investigation Report also states as under –

- i. The SEBI (Prevention of Insider Trading) Regulations, 1992 (“**Insider Trading Regulations, 1992**”) defines ‘price sensitive information’ and ‘unpublished’ as under –
 - a. **Regulation 2(ha)** – “price sensitive information” means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company.
Explanation –
The following shall be deemed to be price sensitive information –
 - i. Periodical financial results of the company;
 - ii. Intended declaration of dividends (both interim and final);
 - iii. Issue of securities or buy-back of securities;
 - iv. Any major expansion plans or execution of new projects.
 - v. Amalgamation, mergers or takeovers;
 - vi. Disposal of the whole or substantial part of the undertaking; and
 - vii. Significant changes in policies, plans or operations of the company.
 - b. **Regulation 2(k)** – “unpublished” means information which is not published by the company or its agents and is not specific in nature.
- ii. The determination of *UPSI* by the Investigating Authority was made upon a consideration of *inter alia* the following factors –
 - a. The issuance of the SCN dated April 27, 2012, by DCA, triggered a chain of events in respect of NSEL and its holding company i.e. FTIL.
 - b. NSEL’s press release dated October 3, 2012, was issued to cover up the irregularities in its functioning and to mislead the public.
 - c. The discontinuation of irregularities in the functioning of NSEL i.e. cessation of short selling by its Members, pairing of contracts and settlement of contracts beyond 11 days, was imminent.
 - d. The discontinuation of irregularities would in turn result in impending payment defaults by Members of NSEL and lead to the loss of reputation of the Promoters/Management of FTIL.

- e. Prior to the aforesaid SCN, the irregularities in the functioning of NSEL were not in the knowledge of the concerned regulatory authority and no concrete action had yet been taken until the issuance of the aforesaid SCN, by DCA to NSEL.
- iii. The *UPSI* in respect of the shares of FTIL was therefore, the implication of the SCN dated April 27, 2012, issued by DCA to NSEL i.e. suspension of contracts and deferral of settlements and subsequent payment defaults by Members of NSEL and loss of reputation of Promoters/Management of FTIL.
- iv. **Period of *UPSI*: April 27, 2012–July 31, 2013:** The *UPSI* came into existence on April 27, 2012, upon the issuance of the SCN to NSEL, by the DCA. The *UPSI* ceased to exist when NSEL suspended trading in all contracts (except e-series contracts) and deferred settlement of all pending contracts on July 31, 2013.
- v. **Connection between FTIL and NSEL –**
 - a. NSEL, an unlisted company incorporated under the provisions of the Companies Act, 1956, on May 18, 2005, was a wholly-owned subsidiary of FTIL.
 - b. FTIL's shareholding in its subsidiary i.e. NSEL, was at 99.99%.
 - c. FTIL was also the Promoter of NSEL.
 - d. The Promoters of FTIL were *inter alia* Shri Jignesh Shah (18.08%) and La-Fin (26.76%).



- vi. **Connection between FTIL and MCX –**
 - a. MCX is a listed company incorporated under the provisions of the Companies Act, 1956, on ...
 - b. FTIL's shareholding in MCX was at 26%.
 - c. FTIL was the Promoter of MCX.
 - d. The Promoters of FTIL were *inter alia* Shri Jignesh Shah and La-Fin.



vii. **Connection between FTIL, NSEL and MCX –**

The Investigation Report also states –

- a. Shri Jignesh Shah and Shri Shreekant Javalgekar were Directors in FTIL, NSEL and MCX.
- b. Shri R. Devarajan was a Director in FTIL and NSEL.
- c. Shri P. R. Barapande, Shri P. G. Kakodkar and Shri C. M. Maniar were Directors in FTIL and MCX.
- d. Shri Paras Ajmera was a Director in MCX (nominated by FTIL).
- e. Shri Joseph Massey was a Director in NSEL and MCX.
- f. Shri Dilip Tambe (Senior Vice President – Communications Department, FTIL) also worked for NSEL.
- g. FTIL, NSEL and MCX were therefore, all companies under a common management with common Directors and employees.

viii. **Impact of NSEL's Circular on the share price of FTIL –**

Any material development(s) concerning/having an impact on the business of the unlisted subsidiary company i.e. NSEL, would have automatically impacted the business (including share price, etc.) of its listed holding company i.e. FTIL.

As on July 31, 2013; August 1, 2013 and August 2, 2013 i.e. prior to and subsequent to the issuance of NSEL's Circular, the opening and closing share price of FTIL on BSE and NSE were as under –

TABLE IV							
	DATE	OPENING PRICE	HIGHEST TRADED PRICE	LOWEST TRADED PRICE	CLOSING PRICE	SHARES TRADED	DIFFERENCE IN SHARE PRICE (%)
BSE	31.07.2013	₹547.00	₹559.00	₹514.10	₹541.55	94,707	*-66.76%
	01.08.2013	₹487.40	₹487.40	₹180.35	₹191.75	62,54,247	
	02.08.2013	₹173.00	₹178.85	₹105.50	₹151.25	64,80,729	*-80.52%
NSE	31.07.2013	₹544.00	₹559.90	₹513.95	₹539.85	6,18,451	*-66.66%
	01.08.2013	₹485.90	₹485.90	₹180.00	₹191.65	2,66,79,527	
	02.08.2013	₹173.30	₹175.40	₹105.45	₹147.50	2,26,14,644	*-80.47%
*The difference in share price is calculated as a percentage of the difference between the closing price on July 31, 2013 and the lowest traded price on (a) August 1, 2013 and (b) August 2, 2013.							

- On July 31, 2013, the share price of FTIL closed at ₹541.55 (BSE) and ₹539.85 (NSE).
- Since the scrip of FTIL was also trading in Futures & Options Segment ("F&O Segment") during the Investigation Period, there was no specified Price Band.

- As soon as the announcement of suspension of trading by NSEL was made, the price of the scrip decreased substantially on August 1, 2013 and August 2, 2013.
 - In just two days, the share price of FTIL touched a low of ₹105.50 on August 2, 2013 i.e. a fall of ₹436.05 (80.52%) from the closing price of July 31, 2013, at BSE and a low of ₹105.45 on August 2, 2013 i.e. a fall of ₹434.40 (80.47%) from the closing price of July 31, 2013, at NSE.
 - The volume of the scrip increased substantially on –
 - August 1, 2013 (at BSE–65 times the volume of the scrip on July 31, 2013, and at NSE–42 times the volume of the scrip on July 31, 2013)
 - August 2, 2013 (at BSE–approximately 68 times the volume of the scrip on July 31, 2013, and at NSE– approximately 36 times the volume of the scrip on July 31, 2013).
- ix. There were 12 major corporate announcements during the Investigation Period *inter alia* pertaining to FTIL’s Board Meeting considering financial results and recommending final/interim dividend, declaration of interim/final dividend, record date, announcement of quarterly/annual financial results of FTIL alongwith the information about the Press Release made by FTIL’s subsidiary i.e. NSEL. The subsequent impact of the aforementioned corporate announcements on the price and volume of FTIL’s scrip was also examined by the Investigating Authority.

C. Insiders –

- i. The Insider Trading Regulations, 1992, defines ‘insider’, ‘connected person’ and ‘deemed to be connected person’ as under –
- a. **Regulation 2(e)** – “insider” means any person who,
- i. is or was connected with the company or is deemed to have been connected with the company and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or
 - ii. Has received or has had access to such unpublished price sensitive information.

- b. **Regulation 2(c)** – "connected person" means any person who –
- i. Is a director, as defined in clause (13) of section 2 of the Companies Act, 1956 (1 of 1956), of a company, or is deemed to be a director of that company by virtue of sub-clause (10) of section 307 of that Act; or
 - ii. Occupies the position as an office or an employee of the company or holds a position involving a professional or business relationship between himself and the company (whether temporary or permanent) and who may reasonably be expected to have an access to unpublished price sensitive information in relation to that company.
- [Explanation:—For the purpose of clause (c), the words "connected person" shall mean any person who is a connected person six months prior to an act of insider trading;]
- c. **Regulation 2(h)** – "person is deemed to be connected person" if such person –
- i. is a company under the same management or group, or any subsidiary company thereof within the meaning of sub-section (1B) of section 370, or sub-section (11) of section 372, of the Companies Act, 1956 (1 of 1956) or sub-clause (g) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969) as the case may be;
 - ii. is an intermediary as specified in section 12 of the Act, Investment company, Trustee Company, Asset Management Company or an employee or director thereof or an official of a stock exchange or of clearing house or corporation;
 - iii. is a merchant banker, share transfer agent, registrar to an issue, debenture trustee, broker, portfolio manager, Investment Advisor, sub-broker, Investment Company or an employee thereof, or is member of the Board of Trustees of a mutual fund or a member of the Board of Directors of the Asset Management Company of a mutual fund or is an employee thereof who have a fiduciary relationship with the company;
 - iv. is a Member of the Board of Directors or an employee of a public financial institution as defined in section 4A of the Companies Act, 1956;
 - v. is an official or an employee of a Self-regulatory Organisation recognised or authorised by the Board of a regulatory body;
 - vi. is a relative of any of the aforementioned persons;
 - vii. is a banker of the company;
 - viii. relatives of the connected person; or
 - ix. is a concern, firm, trust, Hindu undivided family, company or association of persons wherein any of the connected persons mentioned in sub-clause (i) of clause (c), of this regulation or any of the persons mentioned in sub-clause (vi), (vii) or (viii) of this clause have more than 10 per cent of the holding or interest.

- ii. The Directors and Officers in FTIL, NSEL and MCX during the *UPS* period were as under –

TABLE V					
	ENTITY NAME	DESIGNATION/RELATIONSHIP	CO.	DESIGNATION/RELATIONSHIP OF ENTITY WITH COMPANY	
				FROM	TO
1.	JIGNESH P. SHAH	VICE CHAIRMAN, NON-EXECUTIVE NON INDEPENDENT DIRECTOR	MCX	01/04/2008	31/10/2013
		MANAGING DIRECTOR	FTIL	15/09/2009	20/11/2014
		NON-EXECUTIVE DIRECTOR	NSEL	18/05/2005	22/12/2014
2.	SHREEKANT JAVALGEKAR	MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER	MCX	01/07/2012	22/10/2013
		DIRECTOR - FINANCE	FTIL	25/10/2004	30/06/2012
		NON EXECUTIVE DIRECTOR	NSEL	25/02/2011	13/08/2013
3.	PARAS AJMERA	NON-EXECUTIVE NON INDEPENDENT DIRECTOR (NOMINEE OF FTIL)	MCX	01/08/2008	12/11/2013
		DIRECTOR – OPERATIONS & HR	FTIL	01/10/2005	TILL DATE
4.	P R BARPANDE	ADDITIONAL DIRECTOR	MCX	28/06/2012	30/08/2013
		DIRECTOR	FTIL	11/08/2010	11/08/2013
5.	JOSEPH MASSEY	NON-EXECUTIVE NON INDEPENDENT DIRECTOR	MCX	01/06/2009	30/09/2013
		NON EXECUTIVE DIRECTOR	NSEL	18/05/2005	21/10/2013
6.	R. DEVARAJAN	DIRECTOR	FTIL	23/03/2009	20/08/2013
		INDEPENDENT NON EXECUTIVE DIRECTOR	NSEL	30/11/2011	08/08/2013
7.	FTIL	PROMOTER/HOLDING COMPANY	NSEL	NOT APPLICABLE	
			MCX		
8.	HEMANT VASTANI	HEAD FINANCE & ACCOUNTS	MCX	15/03/2011	31/03/2013
		CHIEF FINANCIAL OFFICER		01/04/2013	31/03/2014
9.	SAMEER PATIL	SR. VICE PRESIDENT- PRODUCT KNOWLEDGE MANAGEMENT TEAM	MCX	01/04/2010	30/04/2014
10.	VENKAT CHARY	CHAIRMAN, NON-EXECUTIVE INDEPENDENT DIRECTOR	MCX	29/09/2003	01/09/2013
11.	LA- FIN	PROMOTER	FTIL	NOT APPLICABLE	
12.	RAVI K SHETH	DIRECTOR	FTIL	15/09/1994	21/02/2014
13.	CHANDRAKANT KAMDAR	DIRECTOR	FTIL	23/03/2009	21/10/2013
14.	N. BALASUBRAMANIAM	DIRECTOR	FTIL	22/08/2013	27/08/2013
15.	MANJAY SHAH	WHOLE-TIME DIRECTOR	FTIL	01/04/2012	20/11/2014
		DIRECTOR - BUSINESS DEVELOPMENT		03/01/2002	31/03/2012
16.	DEWANG NERALLA	WHOLE-TIME DIRECTOR	FTIL	15/09/2000	20/11/2014
17.	B D PAWAR	DIRECTOR(NON-EXECUTIVE)	NSEL	15/05/2007	07/08/2013
18.	SHANKARLAL GURU	DIRECTOR(NON-EXECUTIVE, CHAIRMAN)	NSEL	15/05/2007	07/08/2013
19.	SHASHIDHARAN KOTIAN	CHIEF FINANCIAL OFFICER	NSEL	01/04/2010	24/03/2014
20.	ANJANI SINHA	MD & CEO	NSEL	18/07/2011	20/08/2013
21.	MANISH PANDEY	MANAGER – BUSINESS DEVELOPMENT	NSEL	18/04/2011	23/10/2013
22.	AMIT MUKHERJEE	ASSISTANT VICE PRESIDENT	NSEL	01/12/2005	23/10/2013
23.	JAI BAHUKHANDI	ASSISTANT VICE PRESIDENT	NSEL	27/10/2008	23/10/2013
24.	H B MOHANTY	ASSISTANT VICE PRESIDENT	NSEL	24/08/2005	31/03/2014
25.	KALPESH SHAH	ASSISTANT VICE PRESIDENT	NSEL	01/08/2012	24/03/2014

TABLE V					
	ENTITY NAME	DESIGNATION/RELATIONSHIP	CO.	DESIGNATION/RELATIONSHIP OF ENTITY WITH COMPANY	
				FROM	TO
26.	C.M. MANIAR	NON-EXECUTIVE INDEPENDENT DIRECTOR	MCX	29/09/2003	01/09/2013
		DIRECTOR	FTIL	15/10/2010	26/08/2013
27.	P. G. KAKODKAR	NON-EXECUTIVE DIRECTOR	MCX	01/04/2005	28/06/2012
		DIRECTOR	FTIL	31/01/2001	20/07/2013
28.	SUMESH PARASRAMPURIA	CHIEF BUSINESS OFFICER	MCX	14/11/2006	31/03/2010
		DIRECTOR - BUSINESS DEVELOPMENT		01/04/2010	24/04/2014
29.	DIPAK D. SHAH	CHIEF MARKET OPERATIONS OFFICER	MCX	01/04/2008	31/03/2010
		DIRECTOR - MARKET OPERATIONS		01/04/2010	30/10/2013
30.	P.P. KALADHARAN	CHIEF TECHNOLOGY OFFICER	MCX	28/03/2011	24/04/2014
31.	SHVETAL S. VAKIL	NON-EXECUTIVE INDEPENDENT DIRECTOR	MCX	03/10/2003	01/09/2013
32.	J. B. RAM	SR. VICE PRESIDENT- MEMBERSHIP	MCX	21/06/2010	11/08/2016
33.	RAVI KAMAL BHARGAVA	NON-EXECUTIVE INDEPENDENT DIRECTOR (NOMINEE OF FMC)	MCX	13/06/2012	31/03/2015
34.	RAKESH EBRAHIMPURKAR	HEAD-HR	MCX	04/02/2013	24/04/2014
35.	PRAKASH APTE	NON-EXECUTIVE INDEPENDENT DIRECTOR (NOMINEE OF FMC)	MCX	14/06/2012	01/09/2013
36.	KALPESH SHUKLA	SR. VICE PRESIDENT- MARKET OPERATIONS	MCX	01/04/2011	24/01/2014
37.	SUMAN DAS SARMA	SR. VICE PRESIDENT- COMMUNICATIONS	MCX	01/04/2010	03/12/2012
38.	RAMALINGAM M	SR. VICE PRESIDENT- MARKET OPERATIONS	MCX	01/04/2013	TILL DATE
39.	MAHESH JOSHI	CHIEF FINANCIAL OFFICER	MCX	11/08/2011	31/01/2013
40.	P. SATISH	NON-EXECUTIVE INDEPENDENT DIRECTOR (NOMINEE OF NABARD)	MCX	28/11/2011	04/07/2014
41.	DINESH KUMAR MEHROTRA	INDEPENDENT DIRECTOR, FMC NOMINATED	MCX	03/07/2013	02/07/2016
42.	PARVEEN KUMAR SINGHAL	DEPUTY MANAGING DIRECTOR (NON BOARD)	MCX	01/12/2009	24/04/2014
43.	P. RAMANATHAN	COMPANY SECRETARY AND CHIEF COMPLIANCE OFFICER	MCX	08/02/2010	22/04/2014
44.	RAJESH BAGWE	VICE PRESIDENT – HR	MCX	01/04/2009	31/10/2012
45.	R.M. PREMKUMAR	NON-EXECUTIVE INDEPENDENT DIRECTOR (NOMINEE OF FMC)	MCX	10/08/2009	12/12/2013
46.	RAGHAVENDRA PRASAD	VICE PRESIDENT- LEGAL	MCX	06/06/2011	31/03/2013
		SR. VICE PRESIDENT- LEGAL		01/04/2013	TILL DATE
47.	LAMBERTUS RUTTEN	MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER (BOARD MEMBER)	MCX	01/07/2009	30/06/2012
		NON EXECUTIVE DIRECTOR		01/07/2009	01/09/2013
48.	USHA SURESH	NON-EXECUTIVE INDEPENDENT DIRECTOR (NOMINEE OF FMC)	MCX	14/02/2011	01/04/2013
49.	HARIHARAN VAIDYALINGAM	NON-EXECUTIVE DIRECTOR (NOMINEE OF FTIL)	MCX	19/04/2002	28/06/2012
50.	GIRISH RAIPURIA	SR. VICE PRESIDENT- MARKET OPERATIONS (DEPUTED TO BFX FROM 19-01- 2009 TO 31-05-2012)	MCX	01/04/2008	31/05/2012
51.	KOVILAKATH VENUGOPAL	INDEPENDENT DIRECTOR – SBI NOMINEE	MCX	10/01/2012	08/06/2012
52.	NILANJAN GHOSH	SR. VICE PRESIDENT- RESEARCH & STRATEGY	MCX	01/09/2011	05/05/2013
		CHIEF ECONOMIST		06/05/2013	24/04/2014

TABLE V					
	ENTITY NAME	DESIGNATION/RELATIONSHIP	CO.	DESIGNATION/RELATIONSHIP OF ENTITY WITH COMPANY	
				FROM	TO
53.	NSEL	SUBSIDIARY	FTIL	NOT APPLICABLE	
54.	MCX	SUBSIDIARY	FTIL	NOT APPLICABLE	
55.	JIGISH SHANTILAL SONAGARA	PRESIDENT & HEAD - EXCHANGE TECHNOLOGY	FTIL	01/10/2004	20/12/2016
56.	MADHOOKAR G. PAVASKAR	DIRECTOR - RESEARCH & STRATEGY (NON-BOARD)	FTIL	21/09/2007	TILL DATE
57.	RAJENDRA MEHTA	PRESIDENT - MEMBER SOLUTIONS	FTIL	13/08/2012	00/01/1900
58.	PRASHANT DESAI	PRESIDENT - INVESTOR RELATIONS	FTIL	10/12/2012	13/03/2014
59.	DEVENDRA KUMAR AGRAWAL	CHIEF FINANCIAL OFFICER	FTIL	12/12/2005	TILL DATE
60.	SHALAKA GADEKAR	GROUP HEAD - HUMAN RESOURCES	FTIL	22/09/2009	31/05/2015
61.	NAISHADH DESAI	SR. VICE PRESIDENT & COMPANY SECRETARY	FTIL	24/03/2008	26/09/2013
62.	MITEN MEHTA	PRESIDENT - NEW PROJECTS	FTIL	01/07/2013	20/11/2014
63.	NIMISH SHUKLA	SR. VICE PRESIDENT - CORPORATE AFFAIRS	FTIL	01/12/2009	31/12/2012
64.	DILIP TAMBE	SR. VICE PRESIDENT – COMMUNICATIONS	FTIL	10/09/2012	02/04/2014
65.	PRATAP DASHARATH POLKAM	SR. VICE PRESIDENT & HEAD -EXCHANGE TECHNOLOGY	FTIL	28/12/1999	TILL DATE
66.	SAMEER M VASANI	SR. VICE PRESIDENT - EXCHANGE TECHNOLOGY	FTIL	17/11/1997	TILL DATE
67.	ROHIT FRUMENTIUS AMBOSTA	SR, VICE PRESIDENT & HEAD - ESG	FTIL	17/10/2005	06/11/2015
68.	V. ARVINDKUMAR IYENGAR	SR. VICE PRESIDENT & HEAD - TECHNOLOGY (ZEUS)	FTIL	04/04/2001	22/08/2013
69.	SHASHI BHARGAVA	CHIEF DELIVERY OFFICER-ODIN	FTIL	29/10/2007	30/04/2013
70.	MEHMOOD VAID	SR. VICE PRESIDENT - SALES & MARKETING	FTIL	03/09/2012	TILL DATE
71.	PARAG AJMERA	CHIEF BUSINESS OFFICER	FTIL	02/11/2001	TILL DATE
72.	SUNIL KHAIRNAR	INDEPENDENT NON EXECUTIVE DIRECTOR	NSEL	17/05/2013	16/07/2013
73.	JASDEEP SINGH	ASSISTANT VICE PRESIDENT - BUSINESS DEVELOPMENT	NSEL	13/12/2010	02/11/2012
74.	OM PRAKASH AGARWAL	ASSISTANT VICE PRESIDENT - BUSINESS DEVELOPMENT	NSEL	20/12/2005	21/12/2013
75.	PRADEEP KUMAR MISHRA	ASSISTANT VICE PRESIDENT - PRODUCT DEVELOPMENT AND COLLATERAL FINANCING	NSEL	25/08/2007	31/03/2014
76.	NIRAV PANDYA	COMPANY SECRETARY	NSEL	14/02/2011	17/01/2014
77.	PALLAVI KAPOOR	EXECUTIVE	NSEL	04/01/2010	02/12/2013
78.	SANTOSH MANSINGH	ASSISTANT VICE PRESIDENT	NSEL	06/10/2008	31/03/2014
79.	RITESH KUMAR SAHU	ASSISTANT MANAGER	NSEL	17/07/2006	10/12/2013
80.	ASHUTOSH MODAK	SENIOR MANAGER	NSEL	18/08/2008	23/12/2013
81.	RAJESH J GOPANI	DIRECTOR	LA-FIN	28/03/2013	26/12/2013

- iii. The abovementioned entities and their dependents/relatives (240 entities/individuals) were identified as ‘insiders’ [321 entities in total] and their trades in the scrip of FTIL during the Investigation Period, were examined for any suspected insider trading.

D. Trading by ‘insiders’ in the scrip of FTIL –

- i. Regulation 3(i) of the Insider Trading Regulations, 1992, states –
 - a. **Regulation 3(i)** – *No insider shall – either on his behalf or on behalf of any other person deal in securities of a company listed on any stock exchange when in possession of any unpublished price sensitive information ...*
- ii. Only 21 of the aforementioned 321 ‘insiders’ were found to have traded in the scrip of FTIL during the Investigation period/UPSI period i.e. April 27, 2012–July 31, 2013. The details are as under –

TABLE VI								
	ENTITY NAME	BSE BUY	NSE BUY	TOTAL BUY	BSE SELL	NSE SELL	TOTAL SELL	NET QTY
		(A)	(B)	C (A+B)	(D)	(E)	F (D+E)	C-F
1.	PARAS AJMERA	-	5,429	5,429	-	-	-	5,429
2.	PRASHANT DESAI	200	1,880	2,080	-	-	-	2080
3.	DEVENDRA KUMAR AGRAWAL	-	200	200	-	-	-	200
4.	HEMANT VASTANI	-	10	10	-	10	10	-
5.	SHASHIDHARAN KOTIAN	-	-	-	-	1	1	(1)
6.	VIDULA MODAK	-	-	-	-	5	5	(5)
7.	DILIP TAMBE	-	-	-	50	-	50	(50)
8.	DEEPTI RAIPURIA	-	-	-	40	-	40	(40)
9.	PRAKASH RAMANATHAN	-	-	-	-	30	30	(30)
10.	NAISHADH DESAI	-	12,000	12,000	-	12,000	12,000	-
11.	OM PRAKASH AGARWAL	-	320	320	-	270	270	50
12.	SHREEKANT JAVALGEKAR	-	-	-	-	9,000	9,000	(9,000)
13.	ASHA SHREEKANT JAVALGEKAR	-	-	-	-	465	465	(465)
14.	MAHESH JOSHI	-	-	-	800	-	800	(800)
15.	MANISH P. SHAH	-	-	-	5,000	10,000	15,000	(15,000)
16.	PRAKASH SHAH	-	-	-	10,000	-	10,000	(10,000)
17.	HARIHARAN VAIDYALINGAM	-	-	-	3,000	-	3,000	(3,000)
18.	V. ARVINDKUMAR IYENGAR	-	-	-	-	2,100	2,100	(2,100)
19.	RAMALINGAM M.	-	-	-	-	200	200	(200)
20.	DHANASHRI IYENGAR	-	100	100	300	1,900	2,200	(2,100)
21.	BHARAT KANAIYALAL SHETH	-	-	-	1,153	4,847	6,000	(6,000)

- iii. An examination of the trading done by the ‘insiders’ at sr. no. 1–11; 14 and 19 revealed the following –
- Shri Paras Ajmera, Shri Prashant Desai and Shri Devendra Kumar Agrawal were net buyers and did not sell any share of FTIL during the Investigation Period – *No adverse inference was drawn for their trades.*
 - Trades of Shri Hemant Vastani, Shri Shashidharan Kotian, Shri Dilip Tambe, Smt. Deepti Raipuria, Smt. Vidula Modak and Shri Prakash Ramanathan in the scrip of FTIL were found to be insignificant – *No adverse inference was drawn for their trades.*
 - Shri Naishadh Desai bought 12,000 shares of FTIL and sold the same quantity of shares during the Investigation Period. Further, his trading pattern did not indicate any insider trading – *No adverse inference was drawn for his trades.*
 - Shri Om Prakash Agarwal bought 320 shares and sold 270 shares of FTIL during the Investigation Period. Further, his trading pattern did not indicate any insider trading – *No adverse inference was drawn for his trades.*
 - Shri Mahesh Joshi and Shri Ramalingam M. were neither Directors nor employees of FTIL or NSEL. However, since they were employed by MCX, they were considered as ‘insiders’ by virtue of FTIL’s holding in that entity – *No adverse inference was drawn for his trades.*
- iv. Additionally, an analysis of the Top 15 Net Sellers in the scrip of FTIL during the *UPSI* period was also made – *No adverse inference was drawn for their trades.*
- v. As regards trades of the ‘insiders’ at sr. no. 12–21 (excluding 14 and 19), the Investigation Report noted the following –

I. Shri Shreekant Javalekar –

- Managing Director and Chief Executive Officer (“CEO”) of MCX during the *UPSI* period.
- Non-Executive Director of NSEL from February 25, 2011 to August 13, 2013 i.e. during the *UPSI* period.
- Employee of FTIL from October 25, 2004 to June 30, 2012 (Director-Finance of FTIL on June 30, 2012) and from October 1, 2014 till date.

TABLE VIII – A – 1		
PRE-UPSI PERIOD	UPSI PERIOD	POST-UPSI PERIOD
<ul style="list-style-type: none"> ▪ BOUGHT 3700 SHARES OF FTIL. ▪ DID NOT SELL SHARES OF FTIL. 	<ul style="list-style-type: none"> ▪ DID NOT BUY SHARES OF FTIL. ▪ HOWEVER, SOLD 9,000 SHARES OF FTIL (AT NSE). 	<ul style="list-style-type: none"> ▪ DID NOT BUY OR SELL SHARES OF FTIL

TABLE VIII – A – 2		
DATE	NO. OF SHARES SOLD	AMOUNT (IN ₹)
01.01.2013	1100	12,54,800
02.01.2013	1000	11,40,950
08.03.2013	6900	57,38,527
TOTAL	9000	81,34,277

II. Smt. Asha Shreekant Javalgekar –

- a. Wife of Shri Shreekant Javalgekar.

TABLE VIII – B – 1		
PRE–UPSI PERIOD	UPSI PERIOD	POST–UPSI PERIOD
<ul style="list-style-type: none"> BOUGHT 375 SHARES OF FTIL. DID NOT SELL SHARES OF FTIL. 	<ul style="list-style-type: none"> DID NOT BUY SHARES OF FTIL. HOWEVER, SOLD 465 SHARES OF FTIL (AT NSE). 	<ul style="list-style-type: none"> DID NOT BUY OR SELL SHARES OF FTIL.

TABLE VIII – B – 2		
DATE	NO. OF SHARES SOLD	AMOUNT (IN ₹)
08.03.2013	465	3,87,552

III. Shri Manish P. Shah –

- a. Promoter of FTIL.
- b. Brother of Jignesh P. Shah and Manjay P. Shah, Directors and Promoters of FTIL.
- c. During the *UPSI* period, Jignesh P. Shah was Chairman and Managing Director of FTIL and Manjay Shah was the Whole-Time Director.
- d. Jignesh P. Shah was Non–Executive Director in NSEL during the period when NSEL’s Circular dated July 31, 2013, was issued and continued in that capacity till December 22, 2014.

TABLE VIII – C – 1		
PRE–UPSI PERIOD	UPSI PERIOD	POST–UPSI PERIOD
<ul style="list-style-type: none"> DID NOT BUY OR SELL SHARES OF FTIL. 	<ul style="list-style-type: none"> DID NOT BUY SHARES OF FTIL. HOWEVER, SOLD 15,000 SHARES OF FTIL (AT BSE AND NSE). 	<ul style="list-style-type: none"> DID NOT BUY OR SELL SHARES OF FTIL.

TABLE VIII – C – 2		
DATE	NO. OF SHARES SOLD	AMOUNT (IN ₹)
18.01.2013	(NSE) 10,000	1,15,02,805
	(BSE) 5,000	57,47,586
TOTAL	15,000	1,72,50,391

IV. Shri Prakash Shah –

- a. Promoter of FTIL.
- b. Father of Jignesh P. Shah and Manjay P. Shah, Directors and Promoters of FTIL.

- c. During the *UPSI* period, Jignesh P. Shah was Chairman and Managing Director of FTIL and Manjay Shah was the Whole-Time Director.
- d. Jignesh P. Shah was Non-Executive Director in NSEL during the period when NSEL's Circular dated July 31, 2013, was issued and continued in that capacity till December 22, 2014.

TABLE VIII – D – 1		
PRE-UPSI PERIOD	UPSI PERIOD	POST-UPSI PERIOD
<ul style="list-style-type: none"> ▪ DID NOT BUY OR SELL SHARES OF FTIL. 	<ul style="list-style-type: none"> ▪ DID NOT BUY SHARES OF FTIL. ▪ HOWEVER, SOLD 10,000 SHARES OF FTIL (AT BSE). 	<ul style="list-style-type: none"> ▪ DID NOT BUY OR SELL SHARES OF FTIL.

TABLE VIII – D – 2		
DATE	NO. OF SHARES SOLD	AMOUNT (IN ₹)
22.08.2012	1,000	8,52,525
08.10.2012	9,000	88,54,373
TOTAL	10,000	97,06,898

V. Shri Hariharan Vaidyalingam –

- a. Employee of FTIL from January 1, 2001 to June 20, 2011.
- b. Non-Executive Non-Independent Director (Nominated by FTIL) of NSEL from May 18, 2005 to December 20, 2011.
- c. On February 6, 2012, FMC was made '*designated agency*' by DCA to regulate the terms of the Notification dated June 5, 2007. As noted in the chronology of events, paired contracts were being run on NSEL since September 2009 and default had started in 2011-12. Shri Hariharan Vaidyalingam was a Director during the aforesaid period.
- d. Since, FTIL was the holding company of NSEL, it is reasonably expected that Directors, etc. of FTIL and NSEL had access to *UPSI* which was emanated from NSEL. It is therefore, reasonably expected that Shri Hariharan Vaidyalingam had access to the aforesaid *UPSI*.

TABLE VIII – E – 1		
PRE-UPSI PERIOD	UPSI PERIOD	POST-UPSI PERIOD
<ul style="list-style-type: none"> ▪ DID NOT BUY OR SELL SHARES OF FTIL. 	<ul style="list-style-type: none"> ▪ DID NOT BUY SHARES OF FTIL. ▪ HOWEVER, SOLD 3000 SHARES OF FTIL (AT BSE). 	<ul style="list-style-type: none"> ▪ DID NOT BUY OR SELL SHARES OF FTIL.

TABLE VIII – E – 2		
DATE	NO. OF SHARES SOLD	AMOUNT (IN ₹)
16.11.2012	3000	33,92,214

VI. Shri V. Arvindkumar Iyengar –

- a. Employee of FTIL from April 1, 2001 to March 2009 and subsequently from October 2011 to August 2013.
- b. In the intervening period i.e. from April 2009 to September 2011, was transferred to Ticket Plant Infovending Limited, a wholly owned subsidiary of FTIL.
- c. Senior Vice—President and Head of Technology Department of FTIL during the *UPSI* period.

TABLE VIII – F – 1		
PRE–UPSI PERIOD	UPSI PERIOD	POST–UPSI PERIOD
<ul style="list-style-type: none"> ▪ DID NOT BUY OR SELL SHARES OF FTIL. 	<ul style="list-style-type: none"> ▪ DID NOT BUY SHARES OF FTIL. ▪ HOWEVER, SOLD 2100 SHARES OF FTIL (AT NSE). 	<ul style="list-style-type: none"> ▪ DID NOT BUY OR SELL SHARES OF FTIL.

TABLE VIII – F – 2		
DATE	NO. OF SHARES SOLD	AMOUNT (IN ₹)
05.11.2012	1000	10,48,016
06.11.2012	400	4,16,551
07.11.2012	200	2,11,330
08.11.2012	200	2,14,130
09.11.2012	300	3,28,565
TOTAL	2100	22,18,592

VII. Smt. Dhanashri Iyengar –

- a. Wife of Shri V. Arvindkumar Iyengar.

TABLE VIII – G – 1		
PRE–UPSI PERIOD	UPSI PERIOD	POST–UPSI PERIOD
<ul style="list-style-type: none"> ▪ BOUGHT 500 SHARES OF FTIL. ▪ SOLD 200 SHARES OF FTIL. 	<ul style="list-style-type: none"> ▪ BOUGHT 100 SHARES OF FTIL. ▪ SOLD 2200 SHARES OF FTIL (1900 AT NSE AND 300 AT BSE). 	<ul style="list-style-type: none"> ▪ DID NOT BUY OR SELL SHARES OF FTIL.

TABLE VIII – G – 2		
DATE	NO. OF SHARES SOLD	AMOUNT (IN ₹)
02.11.2012 (NSE)	500	5,15,325
05.11.2012 (NSE)	500	5,25,325
06.11.2012 (NSE)	200	2,08,403
07.11.2012 (NSE)	500	5,28,825
08.11.2012 (BSE)	300	3,21,002
08.11.2012 (NSE)	200	2,15,385
TOTAL	2200	23,14,265

VIII. Shri Bharat Kanaiyalal Sheth –

- a. Brother of Ravi K. Sheth, Director of FTIL during the *UPSI* period.
- b. Ravi K. Sheth continued to be a Director in FTIL till February 21, 2014 i.e. after the announcement of suspension of trading by NSEL on July 31, 2013.

TABLE VIII – H – 1		
PRE–UPSI PERIOD	UPSI PERIOD	POST–UPSI PERIOD
<ul style="list-style-type: none"> ▪ DID NOT BUY OR SELL SHARES OF FTIL. 	<ul style="list-style-type: none"> ▪ DID NOT BUY SHARES OF FTIL. ▪ HOWEVER, SOLD 6000 SHARES OF FTIL (1,153 SHARES AT BSE AND 4,847 SHARES AT NSE). 	<ul style="list-style-type: none"> ▪ DID NOT BUY OR SELL SHARES OF FTIL.

TABLE VIII – H – 2		
DATE	NO. OF SHARES SOLD	AMOUNT (IN ₹)
09.11.2012 (BSE)	500	5,45,295
09.11.2012 (NSE)	1,500	16,45,116
12.11.2012 (NSE)	1,000	11,48,000
13.11.2012 (NSE)	500	6,05,000
20.11.2012 (NSE)	1,000	11,52,190
13.11.2012 (BSE)	500	6,05,000
06.02.2013 (NSE)	847	9,29,045
06.02.2013 (BSE)	153	1,67,841
TOTAL	6,000	67,97,487

- vi. In the Investigation Report, the Investigating Authority *inter alia* concluded –
 - a. The *UPSI* came into existence on April 27, 2012 i.e. issuance of SCN by DCA, to NSEL.
 - b. The *UPSI* remained unpublished till July 31, 2013 i.e. date of issuance of NSEL’s Circular.
 - c. Shri Shreekant Javalgekar; Smt. Asha Shreekant Javalgekar; Shri Manish P. Shah; Shri Prakash Shah; Shri Hariharan Vaidyalingam; Shri V. Arvindkumar Iyengar; Smt. Dhanashri Iyengar and Shri Bharat Kanaiyalal Sheth, were ‘*insiders*’ as per Regulation 2(e) read with Regulations 2(c) and 2(h) of the Insider Trading Regulations, 1992.
 - d. As ‘*insiders*’, the aforementioned entities had/were reasonably expected to have had access to the *UPSI*.
 - e. The relatively substantial sale of FTIL shares by the aforementioned entities during the period from August 22, 2012 to March 8, 2013, was when in possession of *UPSI*.
 - f. The aforementioned entities therefore, engaged in insider trading which is prohibited under the Insider Trading Regulations, 1992 read with the SEBI (Prohibition of Insider Trading) Regulations, 2015 (“**Insider Trading Regulations, 2015**”).

E. Loss averted by '*insiders*' on trades in the scrip of FTIL –

- i. The following table brings out the loss averted in the scrip of FTIL by the '*insiders*' at sr. no. 12–13; 15–18 and 20–21, by virtue of insider trading –

TABLE VII						
NAME	NO OF SHARES SOLD (X)	TOTAL SALE VALUE (₹) (Y)	AVERAGE PRICE (₹) (A) = (Y)/(X)	AVG. CLOSING PRICE ON 1.08.2013 (₹) (Z)	NOTIONAL SALE VALUE AS ON 1.08.2013 (₹) (B)=(X)*(Z)	LOSS AVERTED (₹) (Y)-(B)
SHREEKANT JAVALGEKAR	9,000	81,34,277	904	191.70	17,25,300	64,08,977
ASHA SHREEKANT JAVALGEKAR	465	3,87,552	833	191.70	89,141	2,98,412
MANISH P. SHAH	15,000	1,72,50,391	1,150	191.70	28,75,500	1,43,74,891
PRAKASH SHAH	10,000	97,06,898	971	191.70	19,17,000	77,89,898
HARIHARAN VAIDYALINGAM	3,000	33,92,214	1,131	191.70	5,75,100	28,17,114
V. ARVINDKUMAR IYENGAR	2,100	22,18,592	1,056	191.70	4,02,570	18,16,022
DHANASHRI IYENGAR	2,200	23,14,265	1,052	191.70	4,21,740	18,92,525
BHARAT KANAIYALAL SHETH	6,000	67,97,487	1,133	191.70	11,50,200	56,47,287
**As the scrip of FTIL was trading at both NSE and BSE during the Investigation Period, average closing price on August 1, 2013 was taken for computation of Notional sale value on August 1, 2013. The closing price of scrip on August 1, 2013 at NSE was ₹191.65 and at BSE was ₹191.75. Therefore, the average closing price of scrip on August 1, 2013 was ₹191.70.						

Consideration of Issues and Findings –

- 2.1 I have considered the Investigation Report alongwith all relevant material annexed therein.
- 2.2 In addition to the legal provisions reproduced in the preceding paragraphs, the contravention of which have been alleged in the Investigation Report, the following may be noted –

INSIDER TRADING REGULATIONS 1992	
REGULATION 4	ANY INSIDER WHO DEALS IN SECURITIES IN CONTRAVENTION OF THE PROVISIONS OF REGULATION 3 ... SHALL BE GUILTY OF INSIDER TRADING [SEE PAGE 13 FOR REGULATION 3].
INSIDER TRADING REGULATIONS, 2015	
REGULATION 12(2)(a)	THE PREVIOUS OPERATION OF THE PIT REGULATIONS, 1992 OR ANYTHING DULY DONE OR SUFFERED THEREUNDER, ANY RIGHT, PRIVILEGE, OBLIGATION OR LIABILITY ACQUIRED, ACCRUED OR INCURRED UNDER THE REPEALED REGULATIONS, ANY PENALTY, FORFEITURE OR PUNISHMENT INCURRED IN RESPECT OF ANY OFFENCE COMMITTED AGAINST THE REPEALED REGULATIONS, OR ANY INVESTIGATION, LEGAL PROCEEDING OR REMEDY IN RESPECT OF ANY SUCH RIGHT, PRIVILEGE, OBLIGATION, LIABILITY, PENALTY, FORFEITURE OR PUNISHMENT AS AFORESAID, SHALL REMAIN UNAFFECTED AS IF THE REPEALED REGULATIONS HAD NEVER BEEN REPEALED.
REGULATION 12(2)(b)	ANYTHING DONE OR ANY ACTION TAKEN OR PURPORTED TO HAVE BEEN DONE OR TAKEN INCLUDING ANY ADJUDICATION, ENQUIRY OR INVESTIGATION COMMENCED OR SHOW CAUSE NOTICE ISSUED UNDER THE REPEALED PROVISIONS OF INSIDER TRADING REGULATIONS, 1992, PRIOR TO SUCH REPEAL, SHALL BE DEEMED TO HAVE BEEN DONE OR TAKEN UNDER THE CORRESPONDING PROVISIONS OF INSIDER TRADING REGULATIONS, 2015.
SEBI ACT, 1992	
SECTION 12A(d)	NO PERSON SHALL DIRECTLY OR INDIRECTLY— d) ENGAGE IN INSIDER TRADING;

- 2.3 **Implication of the SCN dated April 27, 2012 i.e. suspension of contracts and deferral of settlements and subsequent payment defaults by Members of NSEL alongwith loss of reputation of Promoters/Management of FTIL – Whether UPSI in respect of the shares of FTIL?**

- 2.3.1 From the chronology of events leading to the issuance by NSEL, of the Circular dated July 31, 2013 (Table III at pages 3–6), the following is noted –
- The issuance of the SCN dated April 27, 2012, by DCA, triggered a chain of events in respect of NSEL and its holding company i.e. FTIL.
 - NSEL's press release dated October 3, 2012, was issued to cover up the irregularities in its functioning and to mislead the public.
 - The discontinuation of irregularities in the functioning of NSEL i.e. cessation of short selling by its Members, pairing of contracts and settlement of contracts beyond 11 days, was imminent.

- d. The discontinuation of irregularities would in turn result in impending payment defaults by Members of NSEL and lead to the loss of reputation of the Promoters/Management of FTIL.
- e. Prior to the aforesaid SCN, the irregularities in the functioning of NSEL were not in the knowledge of the concerned regulatory authority and no concrete action had yet been taken until the issuance of the aforesaid SCN, by DCA to NSEL.

2.3.2 In this context, we may refer to the observations of Hon'ble SAT in the matter of *Rajiv B. Gandhi & Others vs. SEBI* (Order dated May 9, 2008), –

“UPSI has been defined in the regulations to mean any information which relates to any of the matters referred to in sub clauses (i) to (viii) of Regulation 2(k) and is not generally known or published by the company for general information but which, if published or known, is likely to materially affect the price of the securities of the company in the market. In other words, any information which is not known but, if known could either way affect the price of the scrip of the company would be UPSI.”

2.3.3 The implication of the SCN dated April 27, 2012 (issued by DCA to NSEL) i.e. suspension of contracts and deferral of settlements and subsequent payment defaults by Members of NSEL and loss of reputation of Promoters/Management of FTIL, was *UPSI*. The *UPSI* was directly related to its holding company i.e. FTIL.

2.3.4 Upon its publication, with the issuance of NSEL's Circular dated July 31, 2013, a material impact on the share price of FTIL (the price of the scrip decreased substantially on August 1, 2013 and August 2, 2013) was observed –

TABLE IV							
	DATE	OPENING PRICE	HIGHEST TRADED PRICE	LOWEST TRADED PRICE	CLOSING PRICE	SHARES TRADED	DIFFERENCE IN SHARE PRICE (%)
BSE	31.07.2013	₹547.00	₹559.00	₹514.10	₹541.55	94,707	*-66.76%
	01.08.2013	₹487.40	₹487.40	₹180.35	₹191.75	62,54,247	
	02.08.2013	₹173.00	₹178.85	₹105.50	₹151.25	64,80,729	*-80.52%
NSE	31.07.2013	₹544.00	₹559.90	₹513.95	₹539.85	6,18,451	*-66.66%
	01.08.2013	₹485.90	₹485.90	₹180.00	₹191.65	2,66,79,527	
	02.08.2013	₹173.30	₹175.40	₹105.45	₹147.50	2,26,14,644	*-80.47%
*The difference in share price is calculated as a percentage of the difference between the closing price on July 31, 2013 and the lowest traded price on (a) August 1, 2013 and (b) August 2, 2013.							

2.3.5 Upon a consideration of the aforementioned paragraphs, I find myself in agreement with the observations contained in the Investigation Report as regards the *UPSI* in respect of the shares of FTIL. The implication

of the SCN dated April 27, 2012 (issued by DCA to NSEL) i.e. suspension of contracts and deferral of settlements and subsequent payment defaults by Members of NSEL and loss of reputation of Promoters/Management of FTIL, was *prima facie UPSI* in respect of the shares of FTIL.

2.4.1 Issues –

- a. Whether Shri Shreekant Javalgekar; Smt. Asha Shreekant Javalgekar; Shri Manish P. Shah; Shri Prakash Shah; Shri Hariharan Vaidyalingam; Shri V. Arvindkumar Iyengar; Smt. Dhanashri Iyengar and Shri Bharat Kanaiyalal Sheth, were '*insiders*' as per Regulation 2(e) read with Regulation 2(c) and Regulation 2(h) of the Insider Trading Regulations, 1992?
- b. Whether the trades executed by the aforesaid '*insiders*' during the Investigation Period were done when in possession of *UPSI* in violation of the prohibition contained in Regulation 3(i) of the Insider Trading Regulations, 1992?
- c. Consequently, by dealing in securities in contravention of Regulation 3(i) of the Insider Trading Regulations, 1992, whether the '*insiders*' were guilty of insider trading under Regulation 4 of the said Regulations and resultantly, Section 12A(d) of the SEBI Act?
- d. By indulging in insider trading, whether the '*insiders*' averted any potential loss?

2.4.2 As per Regulation 3(i) of the Insider Trading Regulations, 1992, an '*insider*' is prohibited from dealing in securities of a listed company when in possession of *UPSI*.

2.4.3 Regulation 4 of the said Regulations states that any '*insider*' who deals in securities in contravention of the provisions of Regulation 3 shall be guilty of insider trading.

2.4.4 From the Investigation Report, the following is noted in respect of certain entities who traded in the scrip of FTIL during the Investigation Period/*UPSI* period –

i. Shri Shreekant Javalgekar and Smt. Asha Shreekant Javalgekar –

- Shri Shreekant Javalgekar served in a managerial capacity in FTIL, NSEL and MCX. During the *UPSI* period, he was the Non-Executive Director in NSEL and therefore, was an '*insider*' in accordance with the Insider Trading Regulations, 1992.
- As an '*insider*', he would have been aware of all material developments in NSEL including the SCN dated April 27, 2012 and NSEL's Circular dated July 31, 2013. In other words, it is reasonably expected that Shri Shreekant Javalgekar would have had

access to *UPSI* in respect of securities FTIL. Therefore, he was in possession of *UPSI* during the Investigation Period/*UPSI* period.

- Smt. Asha Shreekant Javalgekar qualified as an '*insider*' under the Insider Trading Regulations, 1992, on account of being an '*immediate relative*' of Shri Shreekant Javalgekar. Since her husband, Shri Shreekant Javalgekar was the Non-Executive Director in NSEL during the *UPSI* period, it can be reasonably expected that she would have received or had access to *UPSI* in respect of securities FTIL.
- Shri Shreekant Javalgekar sold 9000 shares of FTIL (for ₹81,34,277) during the Investigation Period/*UPSI* period, when in possession of *UPSI*.
- Similarly, during the Investigation Period/*UPSI* period and when in possession of *UPSI*, Smt. Asha Shreekant Javalgekar sold 465 shares (for ₹3,87,552) of FTIL.
- The aforesaid trades in FTIL of Shri Shreekant Javalgekar and Smt. Asha Shreekant Javalgekar, when in possession of *UPSI*, were in violation of the prohibition contained in Regulation 3(i) of the Insider Trading Regulations, 1992.
- As a result of the aforesaid, Shri Shreekant Javalgekar and Smt. Asha Shreekant Javalgekar are guilty of insider trading in the scrip of FTIL as per Regulation 4 of the Insider Trading Regulations, 1992.
- By engaging in insider trading, the aforementioned entities also violated Section 12A(d) of the SEBI Act.
- By indulging in insider trading, Shri Shreekant Javalgekar and Smt. Asha Shreekant Javalgekar averted potential loss in the scrip of FTIL amounting to **₹64,08,977** and **₹2,98,412**, respectively.

ii. **Shri Manish P. Shah –**

- Shri Manish P. Shah is the Promoter of FTIL. His brothers, viz. Shri Jignesh P. Shah and Shri Manjay P. Shah, were Promoters of FTIL and also its Directors during the *UPSI* period. Shri Jignesh P. Shah was also the Non-Executive Director in NSEL during the *UPSI* period and continued in that capacity till December 22, 2014.
- Shri Manish P. Shah therefore, qualified as an '*insider*' under the Insider Trading Regulations, 1992, on account of being the brother of Shri Jignesh P. Shah and Shri Manjay P. Shah. He would have received or had access to *UPSI* in respect of securities FTIL.

- As an '*insider*', he would have been aware of all material developments in NSEL including the SCN dated April 27, 2012 and NSEL's Circular dated July 31, 2013, and therefore, he was in possession of *UPSI* during the Investigation Period/*UPSI* period.
- Shri Manish P. Shah sold 15,000 shares of FTIL (for ₹1,72,50,391) during the Investigation Period/*UPSI* period, when in possession of *UPSI*.
- The aforesaid trade in FTIL of Shri Manish P. Shah, when in possession of *UPSI*, was in violation of the prohibition contained in Regulation 3(i) of the Insider Trading Regulations, 1992.
- As a result of the aforesaid, Shri Manish P. Shah is guilty of insider trading in the scrip of FTIL as per Regulation 4 of the Insider Trading Regulations, 1992.
- By engaging in insider trading, the aforementioned entity also violated Section 12A(d) of the SEBI Act.
- By indulging in insider trading, Shri Manish P. Shah averted potential loss in the scrip of FTIL amounting to ₹1,43,74,891.

iii. **Shri Prakash Shah –**

- Shri Prakash Shah is a Promoter of FTIL. His sons, viz. Shri Jignesh P. Shah and Shri Manjay P. Shah, were Promoters of FTIL and also its Directors during the *UPSI* period. Shri Jignesh P. Shah was also the Non-Executive Director in NSEL during the *UPSI* period and continued in that capacity till December 22, 2014.
- Shri Prakash Shah therefore, qualified as an '*insider*' under the Insider Trading Regulations, 1992, on account of being the father of Shri Jignesh P. Shah and Shri Manjay P. Shah. He would have received or had access to *UPSI* in respect of securities FTIL.
- As an '*insider*', he would have been aware of all material developments in NSEL including the SCN dated April 27, 2012 and NSEL's Circular dated July 31, 2013, and therefore, he was in possession of *UPSI* during the Investigation Period/*UPSI* period.
- Shri Prakash Shah sold 10,000 shares of FTIL (for ₹97,06,898) during the Investigation Period/*UPSI* period, when in possession of *UPSI*.
- The aforesaid trade in FTIL of Shri Prakash Shah, when in possession of *UPSI*, was in violation of the prohibition contained in Regulation 3(i) of the Insider Trading Regulations, 1992.
- As a result of the aforesaid, Shri Prakash Shah is guilty of insider trading in the scrip of FTIL as per Regulation 4 of the Insider Trading Regulations, 1992.

- By engaging in insider trading, the aforementioned entity also violated Section 12A(d) of the SEBI Act.
- By indulging in insider trading, Shri Prakash Shah averted potential loss in the scrip of FTIL amounting to **₹77,89,898**.

iv. **Shri Hariharan Vaidyalingam –**

- Shri Hariharan Vaidyalingam was an employee of FTIL from January 1, 2001 to June 20, 2011.
- He was also the Non-Executive Non-Independent Director (Nominated by FTIL) of NSEL from May 18, 2005 to December 20, 2011. As noted in the chronology of events (Table III at pages 3–6), paired contracts were being run on NSEL since September 2009 and default had started in 2011–12. Shri Hariharan Vaidyalingam was a Director during the aforesaid period.
- Shri Hariharan Vaidyalingam therefore, qualified as an ‘insider’ under the Insider Trading Regulations, 1992.
- Since, FTIL was the holding company of NSEL, it is reasonably expected that Directors, etc. of FTIL and NSEL had access to *UPSI* which was emanated from NSEL. It is therefore, reasonably expected that Shri Hariharan Vaidyalingam had access to the aforesaid *UPSI* in respect of securities FTIL.
- As an ‘insider’, he would have been aware of all material developments in NSEL including the SCN dated April 27, 2012 and NSEL’s Circular dated July 31, 2013, and therefore, he was in possession of *UPSI* during the Investigation Period/*UPSI* period.
- Shri Hariharan Vaidyalingam sold 3000 shares of FTIL (for ₹33,92,214) during the Investigation Period/*UPSI* period, when in possession of *UPSI*.
- The aforesaid trade in FTIL of Shri Hariharan Vaidyalingam, when in possession of *UPSI*, was in violation of the prohibition contained in Regulation 3(i) of the Insider Trading Regulations, 1992.
- As a result of the aforesaid, Shri Hariharan Vaidyalingam is guilty of insider trading in the scrip of FTIL as per Regulation 4 of the Insider Trading Regulations, 1992.
- By engaging in insider trading, the aforementioned entity also violated Section 12A(d) of the SEBI Act.
- By indulging in insider trading, Shri Hariharan Vaidyalingam averted potential loss in the scrip of FTIL amounting to **₹28,17,114**.

v. **Shri V. Arvindkumar Iyengar –**

- Shri V. Arvindkumar Iyengar was an employee of FTIL from April 1, 2001 to March 2009 and subsequently from October 2011 to August 2013. He was a Senior Vice–President and Head of Technology Department of FTIL during the *UPSI* period.
- Shri V. Arvindkumar Iyengar therefore, qualified as an '*insider*' under the Insider Trading Regulations, 1992.
- Since, FTIL was the holding company of NSEL, it is reasonably expected that Directors, Officers, etc. of FTIL and NSEL had access to *UPSI* which was emanated from NSEL. It is therefore, reasonably expected that Shri V. Arvindkumar Iyengar had access to the aforesaid *UPSI* in respect of securities FTIL.
- As an '*insider*', he would have been aware of all material developments in NSEL including the SCN dated April 27, 2012 and NSEL's Circular dated July 31, 2013, and therefore, he was in possession of *UPSI* during the Investigation Period/*UPSI* period.
- Shri V. Arvindkumar Iyengar sold 2100 shares of FTIL (for ₹22,18,592) during the Investigation Period/*UPSI* period, when in possession of *UPSI*.
- The aforesaid trade in FTIL of Shri V. Arvindkumar Iyengar, when in possession of *UPSI*, was in violation of the prohibition contained in Regulation 3(i) of the Insider Trading Regulations, 1992.
- As a result of the aforesaid, Shri V. Arvindkumar Iyengar is guilty of insider trading in the scrip of FTIL as per Regulation 4 of the Insider Trading Regulations, 1992.
- By engaging in insider trading, the aforementioned entity also violated Section 12A(d) of the SEBI Act.
- By indulging in insider trading, Shri V. Arvindkumar Iyengar averted potential loss in the scrip of FTIL amounting to **₹18,16,022**.

vi. **Smt. Dhanashri Iyengar –**

- Smt. Dhanashri Iyengar is the wife of Shri V. Arvindkumar Iyengar.
- Smt. Dhanashri Iyengar therefore, qualified as an '*insider*' under the Insider Trading Regulations, 1992, on account of being an '*immediate relative*' of Shri V. Arvindkumar Iyengar.
- Since, her husband, Shri V. Arvindkumar Iyengar was a Senior Vice–President and Head of Technology Department of FTIL during the *UPSI* period, it can be reasonably

expected that she would have received or had access to *UPSI* in respect of securities FTIL.

- As an '*insider*', she would have been aware of all material developments in NSEL including the SCN dated April 27, 2012 and NSEL's Circular dated July 31, 2013, and therefore, she was in possession of *UPSI* during the Investigation Period/*UPSI* period.
- Smt. Dhanashri Iyengar sold 2200 shares of FTIL (for ₹23,14,265) during the Investigation Period/*UPSI* period, when in possession of *UPSI*.
- The aforesaid trade in FTIL of Smt. Dhanashri Iyengar, when in possession of *UPSI*, was in violation of the prohibition contained in Regulation 3(i) of the Insider Trading Regulations, 1992.
- As a result of the aforesaid, Smt. Dhanashri Iyengar is guilty of insider trading in the scrip of FTIL as per Regulation 4 of the Insider Trading Regulations, 1992.
- By engaging in insider trading, the aforementioned entity also violated Section 12A(d) of the SEBI Act.
- By indulging in insider trading, Smt. Dhanashri Iyengar averted potential loss in the scrip of FTIL amounting to ₹18,92,525.

vii. **Shri Bharat Kanaiyalal Sheth –**

- **Shri Bharat Kanaiyalal Sheth** is the brother of Shri Ravi K. Sheth, Director of FTIL during the *UPSI* period. Shri Ravi K. Sheth continued to be a Director in FTIL till February 21, 2014.
- Shri Bharat Kanaiyalal Sheth therefore, qualified as an '*insider*' under the Insider Trading Regulations, 1992, on account of being an '*immediate relative*' of Shri Ravi K. Sheth.
- Since, his brother, Shri Ravi K. Sheth was the Director of FTIL during the *UPSI* period, it can be reasonably expected that he would have received or had access to *UPSI* in respect of securities FTIL
- As an '*insider*', he would have been aware of all material developments in NSEL including the SCN dated April 27, 2012 and NSEL's Circular dated July 31, 2013, and therefore, he was in possession of *UPSI* during the Investigation Period/*UPSI* period.
- Shri Bharat Kanaiyalal Sheth sold 6000 shares of FTIL (for ₹67,97,487) during the Investigation Period/*UPSI* period, when in possession of *UPSI*.

- The aforesaid trade in FTIL of Shri Bharat Kanaiyalal Sheth, when in possession of *UPSI*, was in violation of the prohibition contained in Regulation 3(i) of the Insider Trading Regulations, 1992.
- As a result of the aforesaid, Shri Bharat Kanaiyalal Sheth is guilty of insider trading in the scrip of FTIL as per Regulation 4 of the Insider Trading Regulations, 1992.
- By engaging in insider trading, the aforementioned entity also violated Section 12A(d) of the SEBI Act.
- By indulging in insider trading, Shri Bharat Kanaiyalal Sheth averted potential loss in the scrip of FTIL amounting to **₹56,47,287**.

2.4.5 Upon a consideration of the preceding paragraph, I find as under –

- a. Shri Shreekant Javalgekar; Smt. Asha Shreekant Javalgekar; Shri Manish P. Shah; Shri Prakash Shah; Shri Hariharan Vaidyalingam; Shri V. Arvindkumar Iyengar; Smt. Dhanashri Iyengar and Shri Bharat Kanaiyalal Sheth, were *prima facie* ‘insiders’ as per Regulation 2(e) read with Regulation 2(c)/Regulation 2(h) of the Insider Trading Regulations, 1992.
- b. The aforementioned entities *prima facie* traded in the scrip of FTIL when in possession of *UPSI* and therefore, are *prima facie* guilty of insider trading thereby violating Regulation 3(i) and Regulation 4 of the Insider Trading Regulations, 1992; Section 12A(d) of the SEBI Act.
- c. On account of *prima facie* insider trading, the aforementioned entities were able to avoid any potential loss in the scrip of FTIL.

Conclusion –

- 3.1 A basic premise that underlines the integrity of securities market is that persons connected with such market conform to the standards of transparency, good governance and ethical behaviour prescribed in securities laws and do not resort to fraudulent and deceptive activities like insider trading. Such activities are detrimental to the interests of the investors as well as the securities market. No person can be allowed to enrich himself/herself by way of wrongful or ill-gotten gains or avoidance of potential loss made on account of such activity. SEBI has been entrusted with the important mandate of protecting investors and safeguarding the integrity of the securities market. In this regard, necessary powers have been conferred upon SEBI under the securities laws. The Insider Trading Regulations have put in place a framework for prohibition of insider trading in securities. The prohibitions provided in the Regulations ensure a level-playing field in the securities market and safeguard the interest of investors and integrity of securities market. I am of the view that the object and spirit of the Insider

Trading Regulations would get defeated if the alleged violators of the said Regulations are not made to face the consequences. It therefore, becomes necessary for SEBI to take steps for impounding and retaining the loss averted by the persons mentioned at paragraph 2.4.5(a) on account of insider trading in the scrip of FTIL. As an interim measure, an *Ad-Interim Ex-Parte* Order for *inter alia* impounding the loss averted by the persons mentioned at paragraph 2.4.5(a), needs to be issued.

Order –

4.1 In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11(1), 11(4) and 11B of the SEBI Act, issue the following directions –

- A. During the Investigation period/*UPSI* period i.e. April 27, 2012–July 31, 2013, the following persons wrongfully averted loss on account of insider trading in the scrip of FTIL. As the loss averted by the aforementioned persons were achieved during the period from April 27, 2012 to July 31, 2013, it becomes reasonable and necessary to levy an interest at the rate of 12% simple interest per annum, as under –

	NAME	PAN	LOSS AVERTED (₹)	INTEREST @12%P.A. (₹)	TOTAL (₹)
1.	SHREEKANT JAVALGEKAR	AARPJ9648L	64,08,977	30,76,309	94,85,286
2.	ASHA SHREEKANT JAVALGEKAR	ABRPJ2888H	2,98,412	1,43,238	4,41,650
3.	MANISH P. SHAH	AMXPS9294F	1,43,74,891	68,99,948	2,12,74,839
4.	PRAKASH SHAH	AOUPS4514H	77,89,898	37,39,151	1,15,29,049
5.	HARIHARAN VAIDYALINGAM	AABPV4103E	28,17,114	13,52,215	41,69,329
6.	V. ARVINDKUMAR IYENGAR	AADPI3727M	18,16,022	8,71,691	26,87,713
7.	DHANASHRI IYENGAR	AEQPK1802C	18,92,525	9,08,412	28,00,937
8.	BHARAT KANAIYALAL SHETH	AAQPS2482L	56,47,287	27,10,698	83,57,985

- B. In light of the findings contained in this Order, I hereby impound the total loss averted by the persons at paragraph 4.1(A).
- C. The persons at paragraph 4.1(A) are directed not to dispose of or alienate any of their assets/properties/securities, till such time the individual amount of loss averted is credited to an Escrow Account [**“Escrow Account in Compliance with SEBI Order dated August 1, 2017 – A/c (in the name of the respective person)”**] created specifically for the purpose in a Nationalized Bank. The Escrow Account(s) shall create a lien in favour of SEBI and the monies kept therein shall not be released without permission from SEBI. On production of proof by the persons at paragraph 4.1(A)

that the individual amount of loss averted has been deposited in the Escrow Account, SEBI shall communicate to the Banks and Depositories to defreeze their respective accounts.

- D. The persons at paragraph 4.1(A) are directed to individually provide, within 7 days of this Order, a full inventory of all their assets and properties and details of all their bank accounts, demat accounts and holdings of shares/securities, if held in physical form and details of companies in which they hold substantial or controlling interest.
- E. Banks are directed that no debits shall be made, without permission of SEBI, in respect of the bank accounts held by the persons at paragraph 4.1(A), except for the purposes of transfer of funds to the Escrow Account. Further, the Depositories are also directed that no debit shall be made, without permission of SEBI, in respect of the demat accounts held by the aforesaid persons. However, credits, if any, into the accounts maybe allowed. Banks and the Depositories are directed to ensure that all the aforesaid directions are strictly enforced. Further, debits may also be allowed for amounts available in the account in excess of the amount to be impounded. Banks are allowed to debit the accounts for the purpose of complying with this Order.
- F. The above directions shall come into force with immediate effect and shall be in force till further Orders.
- G. The *prima facie* observations/findings contained in this Order are made on the basis of Investigation conducted by SEBI in the matter. Accordingly, the persons at paragraph 4.1(A) are advised to show cause as to why suitable directions (including the following) under Sections 11(1), 11(4) and 11B of the SEBI Act and Regulation 11 of the Insider Trading Regulations, 1992 read with Regulation 12 of the Insider Trading Regulations, 2015, should not be taken/imposed against them for the alleged violations of Regulation 3(i) and Regulation 4 of the Insider Trading Regulations, 1992 and also Section 12A(d) of the SEBI Act –
 - i. Directing them to disgorge an amount equivalent to the total loss averted on account of insider trading in the scrip of FTIL.
- H. The persons at paragraph 4.1(A) may file their replies to SEBI within 21 days from the date of receipt of this Order. They may also indicate in their replies whether they wish to avail an opportunity of personal hearing in the matter.

- I. This Order is without prejudice to the right of SEBI to take any other action that may be initiated against the persons/entities covered under this Order, in accordance with law.
- J. This Order shall be served on all Recognized Stock Exchanges, Depositories and Banks to ensure necessary compliance.

Place: Mumbai
Date: August 2, 2017

S. RAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA