(2020) 12 SEBI CK 0108

In the Securities Appellate Tribunal Mumbai

Case No : Miscellaneous Application No.303, 359, 480 Of 2020, Appeal No. 289, 349 Of 2020

Pawan Kumar Garg And Others — APPELLANT

Vs

Securities And Exchange Board Of India — RESPONDENT

Date of Decision : 18-12-2020

Acts Referred:

Citation : (2020) 12 SEBI CK 0108

Hon'ble Judges : Tarun Agarwala, Presiding Officer;M. T. Joshi, J

Bench : Division Bench

Advocate : Prakash Shah, Rushin Kapadia, Pratham Masurekar, Anubhav Ghosh, Zerick Dastur, Sneha Sheth, Archana Uppuluri, Kunal Kothary, Tanvi Gaitonde, Nikhil Chandaria, Shraddha Agrawal, Rishabh Shah, Rinku Valanju, Pratham Masurekar, Anubhav Ghosh, Etc

Judgement

Tarun Agarwala, Presiding Officer

1. Two separate appeals have been filed disposing of the complaint of the appellants on the SCORES platform by separate orders. The issue involved

is the same and therefore both the appeals are being decided together.

2. In Appeal No. 349 of 2020 the appellant has challenged the order dated May 28, 2020 whereby the appellantâ??s complaint was disposed of on

the SCORES platform. An exemption application has been filed seeking exemption from filing a certified copy of the order. For the reasons stated

therein the exemption application is allowed and the appellant is exempted from filing a certified copy of the order. There is a delay in filing the appeal

and accordingly an application for condonation of delay has been filed. For the reasons stated therein the delay in filing the appeal is condoned. The

application is allowed.

3. The appellant Pawan Kumar Garg contended that respondent no. 2, Multi Commodity Exchange of India Limited (â??MCXâ?for short) issued a

circular for commencement of future trading in crude oil. A contract was launched on October 22, 2019 on future trading in crude oil for April 2020

contract, the expiry of which was April 20, 2020.

4. The appellant Pawan Kumar Garg is an investor and executes trades on the platform of MCX, respondent no. 2 through its broker respondent no.

4. On April 17, 2020 the appellant bought crude oil futures contract on respondent no. 2 platform through its broker respondent no. 4 and paid margin

money of Rs. 12,22,470/-. The rules of the future contract which are relevant for the purpose of the present appeal is, that the contract was required

to be settled in cash and not on delivery. The contract expired on April 20, 2020 and there was a ledger debit of Rs. 43,00,000/- which the appellant

was required to pay on the settlement price of negative Rs. 2884/-. According to the appellant the loss in this contract occurred on account of negative

pricing. The allegation is, that no steps were taken by MCX to deal with the negative pricing and that there was no provision for trading at negative

price on the MCX platform.

5. The appellant accordingly made a complaint on the SCORES platform in respect of fixing of negative price for crude oil by respondent nos. 2 and 3,

alleging systematic failure including collapse of the entire margin and risk mechanism.

It was also alleged in the complaint that respondent no. 2 did not explain the possibility of the price of crude oil becoming zero or negative nor updated

its system to handle such a situation even though they had the benefit of the circular dated April 8, 2020 and April 15, 2020. It was also alleged that

there was no provision for settling trades at negative prices.

6. The appellant Chandra Shekhar Reddy has filed appeal no. 289 of 2020. There is a delay in filing the appeal. Accordingly, the application for

condonation of delay has been filed. For the reasons stated therein the delay in filing the appeal is condoned. The application is allowed.

7. The appellant Chandra Shekhar Reddy also bought crude oil futures contract on the MCX platform and incurred a loss of Rs. 10,30,000/- on

account of the settlement price which was in the negative. The allegation in the complaint by the appellant on the SCORES platform was the same, namely, that there was systematic failure including the collapse of the entire margin and risk mechanism and that there was no provision for settling

trades at negative price.

8. Both the complaints were disposed of by respondent no. 1 contending that there was no prohibition in the contract which prohibited negative prices

and that the change in the trading hours were based on request received by market participants due to COVID-19 pandemic and nation lockdown.

9. The learned counsel for the appellants contended that in the absence of any mechanism to prevent negative pricing and in the absence of any steps

being taken by MCX to deal with such negative pricing the debiting of the appellantâ??s ledger account was wholly erroneous and therefore MCX

should be directed to refund the loss suffered by the appellants.

10. Having heard the learned counsel for the appellants at some length, we are of the opinion that the complaint on the SCORES platform are not

meant to settle private financial disputes between two parties. The SCORES platform is not meant to adjudicate disputes of two parties arising out of

a contract. If the appellant is aggrieved by the action of respondent no. 2 and / or respondent no. 3 in allowing negative pricing in which case the

forum for such settlement of disputes is not the SCORES platform but arbitration which can be invoked by the appellant under the agreement. We

have been informed that insofar as the appellant Chandra Shekhar Reddy is concerned such claim was made by the said appellant before the

Grievance Redressal Committee which claim was rejected on June 20, 2020.

11. In view of the aforesaid, we do not find any error in the impugned order passed by respondent no. 1. The appeals fail and are dismissed summarily

with no order as to costs.

1. The present matter was heard through video conference due to Covid-19 pandemic. At this stage it is not possible to sign a copy of this order nor a

certified copy of this order could be issued by the registry. In these circumstances, this order will be digitally signed by the Private Secretary on behalf

of the bench and all concerned parties are directed to act on the digitally signed copy of this order. Parties will act on production of a digitally signed

copy sent by fax and/or email.