BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. Order/GG/BS/2021-22/15311

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

In respect of:

Sanjay Kumar Khetan HUF
(PAN: AAQHS5780P)

In the matter of Dealings in Illiquid Stock Options at the BSE

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted an investigation into the trading activity in illiquid stock options on BSE Limited (hereinafter referred to as "**BSE**") for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as the "**Investigation Period")** after observing large scale reversal of trades in the stock options segment of the BSE.

2. Pursuant to a preliminary examination conducted in the Illiquid Stock Options matter an Interim order was passed by SEBI on August 20, 2015 against 59 entities which were confirmed vide Orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation relating to trading in stock options segment of BSE which was completed in the year 2018. The investigation findings revealed that of all trades executed in the stock options segment of BSE during the Investigation Period, 81.38% of the trades, that is

2,91,643 trades, were trades which involved a reversal of buy and sell positions by the clients and counterparties in a contract. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock options segment during the investigation period. The proceedings initiated against the first set of 59 entities, vide the aforementioned Interim Order were disposed of vide final Order dated April 05, 2018, without any further directions, observing that the Adjudicating Officer shall continue the proceedings in accordance with the SEBI Act, 1992 and SEBI (Procedure for Holding and Imposing Penalties by Adjudicating Officer) Rules, 1995 and pass appropriate order on merits. It was also recorded therein that SEBI has decided to take appropriate action against all 14,720 entities in phases. The captioned proceedings initiated against the Noticee is part of the aforesaid mass action initiated by SEBI against the large number of entities.

3. In the meantime, the Hon'ble Securities Appellate Tribunal (SAT), vide its Order dated October 14, 2019, in the case of *R. S. Ispat Ltd Vs. SEBI*, *inter alia* observed that "*SEBI may consider holding a Lok Adalat or adopting any other alternative dispute resolution process with regard to the Illiquid Stock Options".*

4. Thereafter, a Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided a one-time opportunity for settlement of proceedings in the Illiquid Stock Options matter. The said scheme was kept open from August 01, 2020 till December 31, 2020. Finally, adjudication proceedings were initiated against those entities who had not availed of the opportunity of settlement.

5. It was observed that 13,186 entities had not availed of the opportunity of settlement and therefore Adjudication proceedings were initiated against the entities in a phased manner. In order, to duly expedite the Adjudication proceedings against the entities, SEBI had appointed additional Adjudicating officers to adjudicate against the said entities. However, owing to the huge number of alleged entities, the adjudication proceedings are being conducted in

a phased manner that would require adequate time to complete the proceedings against all entities.

6. It was observed that Sanjay Kumar Khetan HUF (PAN: AAQHS5780P) (hereinafter referred to as the "**Noticee**") was one of the entities, who did not seek settlement under the Settlement Scheme in 2020. The reversal trades allegedly contributed to the generation of artificial volumes, leading to allegations that the Noticee had violated the provisions of Regulations 3(a), (b), (c), (d) and Regulation 4(1) and 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as the "**PFUTP Regulations**").

APPOINTMENT OF ADJUDICATING OFFICER

7. SEBI initiated adjudication proceedings and appointed me, as the Adjudicating Officer under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "**SEBI Act**") read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**SEBI Adjudication Rules**") *vide* order dated November 12, 2021 to inquire into and adjudge under section 15HA of the SEBI Act, with respect to the allegations against the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

8. A show cause notice dated 15.12.2021 (hereinafter referred to as "**SCN**") was served upon the Noticee under rule 4(1) of the SEBI Adjudication Rules to show cause as to why an inquiry should not be initiated against him and why penalty should not be imposed against him under section 15HA of the SEBI Act for the alleged violation of the provisions of regulations 3(a),(b),(c),(d), 4(1) and 4(2)(a) of the PFUTP Regulations.

9. The SCN issued to the Noticee, *inter-alia,* alleged, that the Noticee engaged in 4 non-genuine trades through 2 contracts, on 2 days viz. 23.03.2015 and

24.03.2015, through 2 counterparties viz. Gaylord Mercantile Pvt. Ltd. and Alok Bhargave, which led to generation of artificial volume of 31,750 units. The 4 non-genuine trades executed by the Noticee were reversed on the same day with the same counterparties at a substantial price difference without there being any rationale. The summary of the dealings of the Noticee in the three stock option contracts, in which the Noticee allegedly executed the 4 non-genuine trades during the investigation period is as follows:

Table 1: Summary of dealings of the Noticee in stock options contracts:-

S. No.	Contract Name	Date of transaction	Trade Time (Buy Side)	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Trade Time (Sell Side)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	Total vol. in the contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	GRSM15APR3700.00PEW3	23/03/2015	14:25:57.534561	69	3,875	14:25:52.780282	120	3,875	30,500	100	25.41
2	TCSL15APR2550.00PE	24/03/2015	10:54:58.884974	15	12,000	10:55:11.509743	40	12,000	5,27,000	100	4.55

10. The allegation is that the above trades were non-genuine trades executed by the Noticee in the stock options contract, through two contracts, involving reversal of trades in two days with the same counterparty at a substantial price difference, as shown above in Table-1.

11. The abovementioned contracts which resulted in 2 reversal trades creating artificial volumes is elaborated through an illustration of one of the contracts viz. "GRSM15APR3700.00PEW3" (Serial.no. 1 of the above table), which is as follows:

(a) During the investigation period, in the said contract viz. "GRSM15APR3700.00PEW3" the Noticee on 23/03/2015 has executed 2 trades for total volume of 7,750 units with counterparty, viz. Gaylord Mercantile Pvt. Ltd.

(b) While dealing in the said contract on 23/03/2015, the Noticee at 14:25:52.780282 hrs. executed one sell trade for 3,875 units at the rate of Rs. 120 per unit with counterparty Gaylord Mercantile Pvt. Ltd. Within 5 seconds of the aforementioned sell trade, the Noticee reversed the trade by executing one buy trade at 14:25:57.534561 hrs. for 3,875 units at the rate of Rs. 69 per unit with the same counterparty.

(c) From the above, it is noted that while dealing in aforesaid contract (i.e. GRSM15APR3700.00PEW3) during the investigation period, the Noticee executed a total of 2 trades (1 buy trade and 1 sell trade). This made up to 25.41% of the total market volume for this contract during the investigation period. Likewise, in another contract shown at Table 1 of para 9, the Noticee has executed 1 reversal trade, which constituted 4.55% of market volume.

12. Based on the above, it was alleged that the Noticee by indulging in execution of the aforesaid non-genuine reversal trades, has violated Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of the PFUTP Regulations, text of which is reproduced as under:

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 fraudulent or an unfair trade practice in securities.

(2)Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

………

13. The SCN was issued on 15.12.2021 wherein 14 days' time was granted to Noticee to submit reply to the SCN. The SCN was dispatched by SPAD and is shown as delivered on 21.12.2021 as per tracking details available on www.indiapost.gov.in. Thus, the said SCN was served upon the Noticee in terms of rule 7 of the Adjudication Rules by SPAD.

14. The Noticee submitted his reply to the aforesaid SCN vide email dated 21.02.2022 (hereinafter referred to as the "Reply of the Noticee"). The relevant extract from the Reply of the Noticee is verbatim reproduced below:

(a) *It appears there is certain data, documents and information available with SEBI in connection with the matter, but which has not been provided with the SCN. In order for Noticee to properly understand the basis of the allegations against Noticee in the SCN, Noticee would need access* *to all the relevant documents in the possession of SEBI in connection with the matter, based on which the present proceedings have been initiated and the allegations have been made.*

(b) *The SCN contain the words "Illiquid stock option segment of BSE", I request AO to please provide further document which clarify the aforesaid words. SEBI had not issued any public document at that time which classify my trading in specific securities as Illiquid.*

(c) *I would like to state that whatever transaction I have done, those were done through Stock exchange registered broker namely – M/s Concord Vinimay Pvt Ltd having SEBI registration No. BSE F&O INE271431137 and on proper and permitted documentation. I have not done anything which is against the permitted Rules.*

(d) *The SCN mentions the name of counter party, which I don't feel is important because at any point of time and on any day of trading no investor/ trader or even the SEBI registered brokers know about the counter party. By disclosing the name of counter party SEBI is breaking its own law of secrecy of information.*

(e) *Noticee as an investor asked the broker to buy or sell which he did on his behalf on the Exchange platform. He was not in a position to see the screen nor can the broker identify with whom the deal got punched as the details are not shared on the screen by the Exchange. Since, the trading system is anonymous, it will be very naive to draw conclusions that the parties knew each other. Regarding the knowledge about counter party, I would request SEBI with my folding hands to please prove the above allegation. In no book of law, it is mentioned that mere coincidence is considered as base to initiate adjudicating procedure. Hence, the question of any non-genuine trade does not arise at all unless it is proved that such trades were executed by the Noticee in connivance with any counter party.*

(f) *The allegation that Noticee had indulged in trade which resulted in creating artificial volume and were non-genuine are strictly refuted, because these allegations are baseless.*

(g) *The Hon'ble Supreme Court's judgment in the case of SEBI vs Rakhi Trading Pvt. Ltd., that SEBI has to adhere to, is to ensure stringent enforcement and efficacy of cleanliness of the market place, otherwise SEBI will be failing in its duty to promote orderly and healthy growth of the securities market. Inferior supervision might distort the path of securities market development. Thus, SEBI as a regulator have not done your duty and are now blaming investors by trying to impose a penalty for no fault of theirs.*

(h) *The trades were executed very much within the limits provided by the exchange and within the price that was appearing of the underlying asset, otherwise it could not have been executed. As mentioned in the notice, a trader while trading in illiquid options does not know who he/she is trading with, even if it is a broker. The implication that about 14000 people within galaxy of brokers kept trading, know each other seems a little farfetched imagination.*

(i) *Reliance has been made on the judgment of the Hon'ble Supreme Court in the matter of SEBI vs Kishore Ajmera [(2016) 6 SCC 368] wherein, the Apex Court held in para 26 of the judgment that "… According to us, knowledge of who the 2nd party/ client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will* *be too naive to rest the conclusions on the said basis which overlooks a meeting of minds elsewhere". Thus, meeting of minds and knowledge of who the other party is very important which is apparently missing in Noticee's case.*

(j) *The brokers/ trading members have to be qualified before they are permitted to do stock/ derivatives trading on behalf of the clients/investors. Therefore, in normal course of business an investor who trades in stocks/ derivatives, is not aware of the alleged trades to be non-genuine or reversal. SEBI is blaming all the investors for the wrongdoings, mistakes or fault of their own officials and it failed to perform its own work of being a watchdog to exchange.*

(k) *BSE Officials must be and should be held responsible as they did not raise any objections at the relevant period of the transactions. The alleged trades were carried out on the platform of BSE. If the alleged trades were not allowed, then BSE should have prevented / cancelled the alleged trades at the relevant time itself. Therefore, it seems absolutely clear that BSE believed that such alleged trades were permitted.*

(l) *That, it is deduced that penalty provisions under Section 15HA are not to be construed strictly but should only be applied in extreme situations. Noticee's trades do not fit into the definition of fraud since SEBI failed to provide for any factual evidence to prove that Noticee's trade led to artificial increase in trade volume, or manner adopted was fraudulent, hence, such allegations are refuted.*

(m) *Noticee's trades were very infrequent and took place only on two days during the IP and made a negligible contribution to the volume or price of the options of the scrips involved. Noticee had no intention to generate artificial volume and did not create misleading appearance of trading. In support of the same contention, the Noticee placed reliance on the Adjudication Order dated 24.12.2019 passed in the matter of Richa Industries Ltd.*

(n) *Noticee has a meticulous track record of trading in the securities market and except the captioned SCN the Noticee has not received any warning letter prior to the issue of the captioned SCN. She has not received any warning or caution letter from BSE for any of the trades executed by her in option segment during the period of investigation.*

(o) *A higher degree of proof is needed to establish allegation of fraudulent trades. Noticee placed reliance on the decisions of the Hon'ble SAT in the matters of KSL & Industries Ltd vs. SEBI, Vintel Securities Pvt. Ltd. vs. SEBI, Dhvani Darshan Kothari & Anr. vs. SEBI in this regard*

(p) *The Noticee contended that what has been considered in the SCN is only an option with a particular strike price and not the total trading on Option Segment in a particular scrip at the relevant point of time. Thus, the percentages shown in the SCN are misleading and cannot be relied upon.*

(q) *If at all it is held that Noticee violated the impugned provisions of PFUTP Regulations, 2003, then either no or minimum penalty must be imposed. Noticee cited judgment of the Hon'ble Supreme Court in the matter of Bhavesh Pabari vs SEBI and Adjudication Order dated January 20, 2022 in respect of Neha Sethi.*

(r) *It is therefore, requested that the proceedings proposed to be initiated by you may please be dropped and save me from the unnecessary harassment.*

15. Further, vide Hearing Notice No. EAD-6/GG/BS/5233/1/2022 dated 9.02.2022, it was communicated to the Noticee that an opportunity of personal hearing on 22.02.2022 is granted to the Noticee in accordance with rule 4 (3) of the Adjudication Rules. The said Hearing Notice was delivered by SPAD on 14.02.2022.

16. The Noticee appeared for hearing through his Authorized Representative (hereinafter referred to as the **"AR"**), Mr. Pawan Khetan on the scheduled day of hearing. The AR during the hearing made his submissions reiterating the facts brought out in his reply dated February 21, 2022. The AR further, *inter-alia,* submitted that the trading was done through computerized trading mechanism of the stock exchange (BSE). The AR relied upon the Adjudication order dated January 20, 2022 passed in the case of Neha Sethi in the matter of dealing in illiquid Stock Options at BSE and sought that the proceedings initiated may be dropped.

CONSIDERATION OF ISSUES

17. The issue that arises for consideration is whether the trading in illiquid stock options done by the Noticee during the Investigation Period was in violation of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations? If yes, whether the Noticee is liable for monetary penalty under section 15HA of the SEBI Act and what should be the quantum?

18. I note that SCN dated 15.12.2021 alleged that the Noticee contributed to the generation of artificial volumes by entering reversal trades thereby violated the provisions of Regulations 3(a), (b), (c), (d) and Regulation 4(1) and 4(2) (a) of the SEBI (PFUTP) Regulations, 2003.

Summary of the Noticees' trades contract-wise is extracted hereunder for analysis (Ref. Annexure-B of the SCN)

Table 2: Summary of dealings in contract GRSM15APR3700.00PEW3

S. No.	**Date of transaction**	**Name of the client**	**Name of the counter party client**	**Trade Time (in hrs)**	**Order Time of CP i.e. Gaylord**	**Order time of Noticee i.e. Sanjay Kumar Khetan HUF**	**Trade Rate (Rs.)**	**Trade Volume (no. of**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**
1	23/03/2015	GAYLORD MERCANTILE PVT LTD	SANJAY KUMAR KHETAN HUF	14:25:52.780282	14:25:52.732304	14:25:52.780282	120	3875
2	23/03/2015	SANJAY KUMAR KHETAN HUF	GAYLORD MERCANTILE PVT LTD	14:25:57.534561	14:25:57.534561	14:25:57.480564	69	3875

19. I note from the trade log that the trades executed by the Noticee in the aforesaid contract were reversed within a short span of time with the same counterparty. To illustrate, the Noticee on 23/03/2015 at 14:25:52.780282 (Order time of the Noticee: 14:25:52.780282 and order time of the counterparty: 14:25:52.732304) executed one sell trade with counterparty Gaylord Mercantile Pvt. Ltd. for 3875 units at Rs. 120 per unit.

20. Thereafter, within a few seconds, the Noticee reversed the trade by executing buy trade. The Noticee at 14:25:57.534561 (Order time of the Noticee: 14:25:57.480564 and order time of the Counterparty:14:25:57.534561) executed one buy trade with counterparty Gaylord Mercantile Pvt. Ltd for 3875 units at Rs. 69 per unit and the difference in time is a few micro seconds.

21. I note that while dealing in the said contract during the investigation period, the Noticee executed reversal trades with the same counterparty. The Noticee reversed the trade with same counterparty on the same day and garnered a profit of Rs. 1,97,625/-. The circumstances surrounding the trades point towards a prior understanding between the two parties to the trades, indicating the trades were

not bona fide. Thus, the Noticee, through his dealing in the said contract, generated artificial volume in the contract.

22. Similar synchronization and reversal of trades were observed in the second contract which are demonstrated hereunder

Table 3: Summary of dealings in contract TCSL15APR2550.00PE

S. No.	Date of transaction	Name of the client	Name of the counter party client	Trade Time (in hrs)	Order Time of Noticee i.e. Sanjay Kumar Khetan HUF	Order Time of Alok Bhargave	Trade Rate (Rs.)	Trade Volume (no. of
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	24/03/2015	SANJAY KUMAR KHETAN HUF	ALOK BHARGAVE	10:54:58.884974	10:54:58.884974	10:54:58.808961	15	12000
2	24/03/2015	ALOK BHARGAVE	SANJAY KUMAR KHETAN HUF	10:55:11.509743	10:55:11.387734	10:55:11.509743	40	12000

23. I note from the trade log that the trades executed by the Noticee in the aforesaid contract were reversed within a short span of time with the same counterparty. To illustrate, the Noticee on 24/03/2015 at 10:54:58.884974 (Order time of the Noticee: 10:54:58.884974 and order time of the counterparty: 10:54:58.808961) executed one buy trade with counterparty Alok Bhargave for 12,000 units at Rs.15 per unit.

24. Thereafter, within a few seconds, the Noticee reversed the trade by executing sell trade. The Noticee at 10:55:11.509743 (Order time of the Noticee: 10:55:11.387734 and order time of the Counterparty: 10:55:11.509743) executed one sell trade with counterparty Alok Bhargave for 12,000 units at Rs. 40 per unit.

25. I note that while dealing in the said contract during the investigation period, the Noticee executed reversal trades with the same counterparty, on the same day

and garnered a profit of Rs. 3,00,000/-. The circumstances surrounding the trades point towards a prior understanding between the two parties to the trades, indicating the trades were not bona fide. Thus, the Noticee, through his dealing in the said contract, generated artificial volume in the contract.

26. The Noticee in his reply dated February 21, 2022 submitted that he has traded through stock exchange registered broker namely M/s Concord Vinimay Pvt.Ltd. Since the trading system is anonymous, it will be very naïve to draw conclusion that the parties knew each other. Further, the Noticee also submitted that question of any non-genuine trade does not arise at all unless it is proved that such trades were executed by the Noticee in connivance with any counter party. The Noticee refuted the allegation of indulging in trade which resulted in creating artificial volume and were non-genuine. The Noticee also placed reliance on the Hon'ble Supreme Court judgment in the case of Rakhi Trading Pvt. Ltd. Vs. SEBI and Kishore Ajmera Vs. SEBI.

27. The Noticee also stated in his reply that BSE officials must be and should be held responsible as they did not raise any objections at the relevant period of the transactions. The alleged trades were carried out on the platform of BSE. If the alleged trades were not allowed, then BSE should have prevented/cancelled the alleged trades at the relevant time itself. In my view these arguments are an after-thought and are advanced to deflect the issue from the main charge.

28. I note from the trading pattern of the Noticee and the manner of placing buy and sell orders in a synchronized manner within seconds of each other, the reversal of the trades within a short time on the same day indicate that the trades executed by the Noticee were not genuine trades. Both the parties to the trades constituted 25.41% of the market volume in one contract and 4.55% in another contract and being non-genuine trades, created an appearance of artificial trading volumes and misleading impression of trading in respective contracts. The Noticee made profits to the tune of Rs. 4,97,625/-. By engaging in such trades, the Noticee violated provisions of Regulation 3(a), (b), (c) and (d) and Regulation 4(2)(a) of PFUTP Regulations, 2003 which states that dealing in

securities will be deemed to be a fraudulent and unfair trade practice if it involves "indulging in an act which creates false or misleading appearance of trading in the securities market.

29. In the context of artificial trades, it is pertinent to rely on the judgment of the Hon'ble Supreme Court in the matter of Rakhi Trading (SEBI Vs. Rakhi Trading-CANo.1969/2011, Order dated February 8, 2018)

"1. Fairness, integrity and transparency are the hallmarks of the stock market in India".

"35. Nobody intentionally trades for loss. An intentional trading for loss per se, is not a genuine dealing in securities. The platform of the stock exchange has been used for a non-genuine trade. Trading is always with the aim to make profits. But if one party consistently make loss and that too in pre-planned and rapid reverse trades, it is not genuine; it is an unfair trade practice."

"38. Their Lordships have considered similar transactions in the same segment, "The repeated reversals and predetermined arrangement to book profits and losses respectively, made it clear that the parties were not trading in the normal sense and ordinary course. Resultantly, there has clearly been a restriction on the free and fair operation of market forces in the instant case."

"41. The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed the price, nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity and transparency of the stock market."

"38. The smooth operation of the securities market and its healthy growth and development depends upon large extent on the quality and integrity of the market. Unfair trade practices affect the integrity and efficiency of the securities market and the confidence of the investors. Prevention of market abuse and preservation of market integrity are the hallmark of securities law …" (Paragraph No.1, 35, 38 and 41 of the part of the judgment authored by His Lordship Mr. Justice Kurian Joseph).

For this, the Hon'ble Judge also relied on the apex court observations in N.Narayanan Vs. Adjudicating Officer, Securities and Exchange Board of India(2013) 12 SCC 152 wherein it *was inter alia observed: "Market abuse" impairs economic growth and erodes investor's confidence."*

"42. Where certain unscrupulous elements are trying to manipulate the market to serve their own interest, it becomes imperative on the part of SEBI to intervene and to curb further mischief and to take necessary action to maintain public confidence in the integrity of the securities market…" (Paragraph No.42 of the part of the judgment authored by Her Ladyship Ms. Justice R. Bhanumathi).

30. Finally, to answer the question as to whether these trades fall within the ambit of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations, I would like to rely on the following extract of the judgment of the Hon'ble Supreme Court in the matter of **Rakhi Trading:**

"40. *Regulation 3(a) expressly prohibits buying, selling or otherwise dealing in securities in a fraudulent manner. Under Regulation 4(2) dealing in securities shall be deemed to be fraudulent if the trader indulges in an act which creates a false or misleading appearance of trading in the securities market. It is a deeming provision. Such trading also involves an act amounting to manipulation of the price of the security in the sense that the price has been artificially and apparently prefixed. The price does not at all reflect the value of the underlying asset. It is also a transaction in securities entered into without any intention of performing it and without any intention of effecting a change of ownership of such securities, ownership being understood in the limited sense of the rights of the contract." (per His Lordship Mr.Justice Kurian Joseph's findings in paragraph No. 40)*

31. The Hon'ble Appellate Tribunal has summarized the circumstances identified by the Apex court in **Rakhi Trading Judgment** in the case of **Global Earth Properties and Developers Pvt. Ltd. Vs Securities and Exchange Board of India (Appeal No.212 of 2020 decided on September 14, 2020).** In para 14 of the said order, the Hon'ble SAT enlisted the following circumstances:

*"**14 d.** An intentional trading for loss per se, is not a genuine dealing in securities. Trading is always with the aim to make profits. But if one party consistently makes loss and that too in preplanned and rapid reverse trades, it is not genuine and the same is an unfair trade practice.*
e. *….In synchronised and reverse trades, there is no genuine change of rights in the contract. "*

32. Further in paragraph No. 20 of the said order in **Global Earth (supra),** the Hon'ble Tribunal held as below:

*"**20.** From the aforesaid cumulative analysis of the reversed transactions with the counter party, quantity, time and significant variation of the price clearly indicates that the trades were non-genuine and had only misleading appearance of trading in the securities market without intending to transfer the beneficial ownership. One finds it to be naïve to presume that the perception of the two counter parties to a trade changed within few seconds/minutes and positions were interchanged and the contracts were changed where one party made profit and the other party ended up making losses every time without prior meeting of mind. It is not a mere coincidence that the Appellants could match the trades with the counter party with whom he had undertaken the first leg of respective trade. In our opinion, the trades were non-genuine trades and even though direct evidence is not available in the instant case but in the peculiar facts and circumstances of the present case there is an irresistible inference that can be drawn that there was meeting of minds between the Appellants and the counter parties, and collusion with a view to trade at a predetermined price."*

33. In this context, I note from section 15HA of SEBI Act 1992 provides that, if any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher. In view of the specific mandate contained in Section 15 HA and bearing in mind the factors laid down in Section 15 J of the SEBI Act, 1992, I am of the view that a penalty of Rupees Five Lakh ought to be imposed.

ORDER

34. In exercise of powers conferred upon me under section 15-I (2) of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby impose a penalty of Rs 5,00,000/- (Rupees Five Lakhs only) upon the Noticee i.e., **Sanjay Kumar Khetan HUF (PAN: AAQHS5780P)** under section 15HA of the SEBI Act for violation of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations.

35. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or through online payment facility available on the SEBI website **www.sebi.gov.in** on the following path by clicking on the payment link.

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

In case further assistance would be required in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

36. The Noticee shall forward the said demand draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-I, SEBI, in the format given in table below:

Case name	
Name of payee	
Date of payment	
Amount paid	
Transaction no	
Bank details in which payment is made	
Payment is made for	Penalty

37. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: March 07, 2022 **GEETHA G.**

Place: Mumbai **ADJUDICATING OFFICER**