BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/VS/AJ/2022-23/16005

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 –

Dhanvat Rai Shah HUF, [PAN: AABHD8042C] having address at – 361 A, Elgin Court, 5th Floor, Kolkata, West Bengal - 700020

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

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BACKGROUND OF THE CASE

1. The Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") observed large scale reversal of trades in stock options segment of BSE Limited (hereinafter referred to as "**BSE**"). SEBI observed that such large scale reversal of trades in stock options lead to creation of artificial volume at BSE. In view of the same, SEBI conducted an investigation into the trading activities of certain entities in illiquid stock options at BSE for the period April 1, 2014 to September 30, 2015 (hereinafter referred to as "**Investigation Period**").

2. Pursuant to investigations, it was observed that a total of 2,91,744 trades comprising substantial 81.41% of all the trades executed in Stock Options Segment by various clients/entities at BSE during the investigation period were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract on the same day. The reversal trades involved

squaring off transactions, but with significant difference in the sell value and buy value of the transactions. The aforesaid reversal trades allegedly resulted into generation of artificial volumes in the Stock Options Segment at BSE. In view of the large scale reversal of trades that were observed in the illiquid Stock Options Segment at BSE, it is alleged that these trades were non-genuine in nature and have resulted in the creation of artificial volumes in the stock options segment at BSE.

3. It was observed that Dhanvat Rai Shah HUF [PAN: AAHD8042C] (hereinafter referred to as the "**Noticee**") was one of the various entities who indulged in execution of reversal trades in stock options segment of BSE during the investigation period. It was observed that the Noticee had entered into reversal trades with his counterparty which involved squaring-off transaction with significant difference in sell value and buy value of the transaction. Therefore, it is alleged that the Noticee had executed the reversal trades which were non-genuine in nature and has created false or misleading appearance of trading in terms of creation of artificial volume in the Stock Options segment at BSE. In view of same, it is alleged that the Noticee has violated the provision of Regulations 3(a),(b),(c),(d) and Regulation 4(1), 4(2)(a) SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as "**PFUTP Regulations, 2003**").

APPOINTMENT OF ADJUDICATING OFFICER

4. SEBI, after being satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violations as mentioned above, inter-alia, in respect of the Noticee, initiated adjudication proceedings and appointed the undersigned as Adjudicating Officer (hereinafter referred to as, "**AO**") under Section 19 read with Section 15-I of the SEBI Act, 1992 (hereinafter referred to as, "**SEBI Act**") read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter be referred to as the "**Adjudication Rules**") to inquire into, and adjudge under section 15 HA of the

SEBI Act, the alleged violations of the aforesaid provisions of the PFUTP Regulations, 2003, by the Noticee. The appointment of the AO in the instant matter was communicated vide order dated June 28, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice (hereinafter referred to as "**SCN**") bearing reference number IVD/ID16/VS/PK/17812/1/2021 dated August 04, 2021 was issued to the Noticee in terms of Rule 4 (1) of the Adjudication Rules, to show-cause as to why an inquiry should not be held and penalty not be imposed against the Noticee under section 15 HA of the SEBI Act, for alleged violation of PFUTP Regulations, 2003.

6. The allegations levelled against the Noticee in the SCN are summarized as under:
    a) The Noticee was one of the entities which indulged in reversal trades which allegedly created false and misleading appearance of trading, generating artificial volumes in the Stock Options Segment of BSE during the Investigation Period.
    b) The Noticee is alleged to have engaged in 1 such reversal trade in 1 unique contract, which led to generation of alleged artificial volume of 48000 units, on July 31, 2015.
    c) The trades entered by the Noticee were reversed on the same day with same counterparties at a substantial price difference without any basis for significant change in the contract price which indicates that these trades are artificial and are non-genuine in nature.
    d) A summary of dealings of Noticee in 1 Stock Option contract in which Noticee allegedly executed non genuine reversal trades during the Investigation Period, provided in the SCN is as follows-

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% 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	TATP15AUG85.00PE	10.2	24000	16	24000	100	50

e) By indulging in execution of aforesaid non-genuine reversal trades, the Noticee was alleged to have violated Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of the PFUTP Regulations, 2003.

7. The aforesaid SCN was issued through Speed Post Acknowledgement Due (hereinafter referred to as "**SPAD**") to the Noticee and served to the Noticee on August 11, 2021 as per the tracking details obtained from the India Post website.

8. It is observed that Noticee has not replied to the aforesaid SCN dated August 04, 2021. Subsequently, vide first reminder letter dated October 28, 2021, the Noticee was advised to submit a reply to the SCN latest by November 17, 2021. The same was delivered via SPAD on November 03, 2021 as per the tracking details obtained from the India Post website. Vide second /final reminder letter dated November 29, 2021, the Noticee was once again advised to submit a reply to the SCN latest by December 08, 2021. The same was delivered via SPAD on December 03, 2021, as per the tracking details obtained from the India Post website.

9. An opportunity of hearing on January 18, 2022 was granted to the Noticee vide Notice of Hearing dated December 10, 2021. The said Notice of Hearing was delivered via SPAD on December 16, 2021 as per the tracking details obtained from the India Post website. However, the Noticee failed to appear for the

scheduled hearing. A final opportunity for hearing was given to the Noticee vide letter dated March 30, 2022 granting a hearing on April 08, 2022, which was delivered via SPAD on April 07, 2022, as per the tracking details obtained from the India Post website. However, the Noticee has neither submitted any response to the SCN till date nor availed the opportunity of personal hearing granted to it.

10. Considering the above, I am of the view that principles of natural justice have been duly complied with, as SCN and hearing Notice were duly served upon the Noticee and sufficient opportunity was also granted to the Noticee to reply to the SCN and appear for hearing.

11. It is observed that the Noticee has neither filed any reply to the SCN nor has availed the opportunity of personal hearing despite service of notices upon it. In the facts and circumstances of this case, I am of the view that the Noticee has nothing to submit in terms of Rule 4(7) of the Adjudication Rules. The matter can be proceeded ex-parte on the basis of material available on record.

12. In this regard, it is pertinent to note that the Hon'ble Securities Appellate Tribunal (SAT) in the matter of **Classic Credit Ltd. vs. SEBI** (Appeal No. 68 of 2003 decided on December 08, 2006) has, inter alia, observed that, *"......the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them".*

13. Further, the Hon'ble SAT in the matter of **Sanjay Kumar Tayal & Others vs. SEBI** (Appeal No. 68 of 2013 decided on February 11, 2014), has also, inter alia, observed that *"....appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices..."*

14. Additionally, the same position was reiterated by the Hon'ble SAT in the matter of **Dave Harihar Kirtibhai vs SEBI** (Appeal No. 181 of 214 dated December 19, 2014), wherein the Hon'ble SAT observed that *"...further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal..."*

15. In view of the absence of response of the Noticee to the SCN and Hearing Notice and the above observations made by the Hon'ble SAT, I find no reason to take a different view and accordingly, I deem it appropriate to proceed against the Noticee ex parte, based on the material available on record.

16. While deciding the case, I also cannot lose sight of settled position of law that the charge should be established with valid reasons and in accordance with law. I, therefore, deem it necessary to examine the charge based upon the trades of the Noticee and the supporting material as provided in the SCN.

CONSIDERATION OF ISSUES AND FINDINGS

17. On perusal of the material available on record and giving regard to the facts and circumstances of the case, I record my findings hereunder:

18. The issues that arise for consideration in the instant matter are:

Issue No. 1 **Whether reversal trades in illiquid Stock options carried out by the Noticee during the Investigation Period were in violation of regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of the PFUTP Regulations, 2003?**

Issue No. 2 **If yes, whether Noticee is liable for imposition of monetary penalty under Section 15HA of SEBI Act?**

Issue No. 3 **If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?**

19. Before moving forward, it is pertinent to refer to the relevant provision of the PFUTP Regulations, 2003 which are alleged to have been violated. The said provisions are reproduced hereunder:

> *"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"

Issue No. I : Whether reversal trades in illiquid Stock options carried out by the Noticee during the Investigation Period were in violation of regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of the PFUTP Regulations, 2003?

20. I now proceed to consider the matter on merits. I note that the allegation against the Noticee is that, while dealing in the stock option contracts at BSE during the investigation period, the Noticee had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock option contracts at BSE. I note that reversal trades are considered to be those trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non-genuine trades as they are not executed in the normal course of trading, lack basic trading rationale, lead to false or misleading appearance of trading in terms of generation of artificial volumes and hence are deceptive & manipulative. Artificial volume is considered to be the volume (no. of units) reversed in both legs of said reversal trades while keeping out the volume, if any, which is not reversed.

21. I shall now proceed to deal with the transactions executed by the Noticee in the alleged non-genuine trades. The allegation that the Noticee carried out reversal trades is directly supported by evidence from the integrated trade log records

in Annexures B and C of the SCN. Noticee is seen to have indulged in 1 reversal trade in 1 contract on July 31, 2015.

22. I note from the integrated trade log of the Noticee that it had traded in one unique contract in the stock options segment of BSE during the investigation period. The Noticee had executed two non-genuine trades in this one contract. I further note that the aforesaid trades of the Noticee had resulted in the creation of artificial volume of a total of 48000 units in the said contract. A summary of the non-genuine trades of the Noticee is as follows:

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% 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	TATP15AUG85.00PE	10.2	24000	16	24000	100	50

23. I note that the Noticee executed a total of two trades (1 buy trade and 1 sell trade) while dealing in the above said contract during the Investigation Period. This generated an artificial volume of 48000 units which made up 50% of total market volume in the said contract during the period.

24. To illustrate, on July 31, 2015, the Noticee executed a buy trade for 24000 units at rate of Rs. 10.2 per unit at 13:56:55:95 hrs with counterparty viz., Anjushree Realtech LLP of the contract named "TATP15AUG85.00PE". Thereafter, on the same day, at 13:56:59:09 hrs Noticee executed a sell trade, for 24000 units at 16.00 per unit in the same contract with the same counterparty. The aforesaid

reversal trades were executed within few seconds of each other, generating artificial volumes to the extent of 48000 units in the said contract.

25. I also note from the Annexures to SCN that the buy and sell orders in the aforesaid trades were placed within fraction of second of each other. I also note that there is wide variation in the prices of 2 legs of the reversal trades i.e. Rs. 10.2 per unit at 13:56:55:95 hrs and then Rs. 16.00 at 13:56:59:09 hrs, without there being any justification for the wide variation in prices within few seconds.

26. From the available record, I note that the Noticee had executed the trades and subsequent reversal of trades as alleged in the SCN. In this regard, it is noted that the Noticee was given details of its trades in the BSE options segment and the details of the trades, which are alleged to be reversed and manipulative. The material provided to the Noticee is sufficient to level allegation of non-genuine trades on the Noticee. Further, I find it relevant to refer to the decision of the Hon'ble Supreme Court in the matter of ***Securities and Exchange Board of India v. Kishore R. Ajmera*** *[(2016) 6 SCC 368: AIR 2016 SC 1079] wherein, the Supreme Court has held, "...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 naïve to rest the conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned...."*

27. The Hon'ble Supreme Court, has further held that, "...*in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to gathered from various circumstances like that volume of trade effected; the period of persistence in trading in a particular*

scrip; the particulars of buy and sell orders, namely the volume thereof; the proximity of time between the two and such relevant factors…". Placing reliance of the observation of the Hon'ble Supreme Court in the aforementioned matter I am of the view that manner of placement of the orders in both legs signify that the orders were entered in a premeditated manner and were not genuine in any manner.

28. At this juncture, I also find it relevant to refer to the decision of the Supreme Court in the matter of ***Securities and Exchange Board of India v. Rakhi Trading Private Limited*** (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 dated February 08, 2018) wherein, the Hon'ble Supreme Court while cumulatively analyzing the reversal transactions held that, *"Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities".* The Court further stated that *"……quantity, time and significant variation of prices, without major variation in the underlying price of the securities clearly indicate that Respondent's trades are not genuine and hand only misleading appearance of trading in the securities market…..".*

29. Applying the ratio of the Supreme Court in the matter of ***Rakhi Trading*** *(supra)* and ***Kishore R. Ajmera*** *(supra)*, I am of the view that execution of trades in an illiquid market with such precision in order placement indicates a prior meeting of mind with a view to execute the reversal trades at a pre-determined price. The Noticee has not replied to explain the rationale for the trading as mentioned above wherein he has taken a position at a particular price and squared it up at significant price difference variation without any substantial variation in the price

of the underlying. Since, the option contracts were undertaken in illiquid contracts (as the strike price was far away from the market price of underlying), there was no trading in the said contracts and hence no price discovery. The only reason for the wide variation in prices of the same contracts within seconds was pre-determination of the prices by both the parties at the time of execution of trades. Thus, the nature of trading as brought out above clearly indicates an element of prior meeting of minds and therefore, a collusion to carry out trades at pre-determined prices. It is not possible to comprehend the reason for which the Noticee would enter into an option contracts with a strike price very far away from the current market price of the underlying except for the fact that he wanted to execute non-genuine trades.

30. I further note that the Supreme Court in the matter of ***Rakhi Trading*** (*supra*), has held that, "*Regulation 2(1)(c) defines fraud. Under Regulation 2(1)(c)(2) a suggestion as to a fact which is not true while he does not believe it to be true is fraud. Under Regulation 2(1)(c)(7), a deceptive behavior of one depriving another of informed consent or full participation is fraud. And Under Regulation 2(1)(c)(8), a false statement without any reasonable ground for believing it to be true is also fraud. In a reverse dealing in securities, with predetermined arrangement to book loss or gain between pre-arranged parties, all these vices are attracted.*" I am of the considered view that the scheme, plan, device and artifice employed by the Noticee in this case of executing reversal trades in illiquid stock options contracts at irrational, unrealistic and unreasonable prices, tantamount to fraud on the securities market in as much as it involves non-genuine/manipulative transactions in securities and misuse of the securities market. The non-genuine and deceptive transactions of the Noticee are *prima facie* covered under the definition of "fraud" and the dealings of the Noticee as discussed above were "fraudulent", as defined under regulation 2(1)(c) of the PFUTP Regulations , 2003 and prohibited under the provisions of regulations 3(a), (b), (c) and (d), 4(1) and 4(2)(a) of the PFUTP Regulations, 2003, thereof.

31. Considering the synchronized manner of placing buy and sell orders and reversing trades within a short span of time with widely varying prices of the two legs of trade in the same contract without any basis for such wide variation, I find that the reversal trades executed by the Noticee were non-genuine in nature and created a misleading appearance of trading in the securities market. I am of the view that by engaging in such trades, the Noticee has violated the provisions of regulation 4(2)(a) of the PFUTP Regulations, 2003 which states that dealing in securities will be deemed to be a fraudulent or unfair trade practice if it involves "*indulging in an act which creates false or misleading appearance of trading in the securities market*".

32. I once again find it relevant to place reliance on the decision of the Supreme Court in ***Rakhi Trading*** (*supra*) wherein, the Supreme Court while deciding a case involving execution of reversal trades in index options, observed that "*the traders thus having engaged in a fraudulent and unfair trade practice while dealing in securities are hence liable to be proceeded against for violation of Regulations 3(a), 4(1) and 4(2) (a) of the PFUTP Regulations.*"

33. Further I note from the foregoing findings, that the trading pattern of the Noticee in terms of volume of reversal trades, proximity of buy/sell and subsequent reversal evidences the indulgence, clearly demonstrates the manipulative practice by the Noticee by using the stock exchange platform to carry out non-genuine trades with the aim to execute such trades for various manipulative purposes.

34. I note that the Hon'ble Supreme Court in the matter of **SEBI vs. Rakhi Trading Private Ltd.** (supra), also held that –"*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 makes loss and that too in pre-planned and rapid reverse trades, it is not genuine; it is an unfair trade practice*". "*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."

35. Further, the Hon'ble SAT in its judgment dated September 14, 2020 in the matter of ***Global Earth Properties and Developers Pvt Ltd*** relied upon the aforesaid judgment of Hon'ble Supreme Court and held that, *"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."*

36. Therefore, from the foregoing paragraphs and observations/finding and considering the manner of placing buy and sell orders in a synchronised manner within seconds of each other, reversal of the trades within a short time on the same day, and wide variation in prices of the trades in the same contract in a short time without any basis for such wide variation, I find that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in respective contracts.

37. I note that Hon'ble SAT in the matter of Radha Malani vs SEBI (Appeal No. 698 of 2021) vide Order dated November 24, 2021 has upheld the Adjudication order dated September 06, 2021 wherein the case facts are similar i.e., one reversal trade in one contract.

38. I find that the Noticee by engaging in non-genuine transactions which created a misleading impression of trading in respective contracts, dealt in the stock options contracts in a fraudulent manner in violation of Regulation 3(a) and 4(1)

of the PFUTP Regulations, 2003. Further, I find it relevant to refer to the decision of the Hon'ble Supreme Court in the matter of *Securities and Exchange Board of India* v. *Shri Ram Mutual Fund* [(2006) 68 SCL 216(SC) decided on May 23, 2006, held that – *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant…."*

Issue No. II : If yes, whether the violation, on the part of the Noticee would attract monetary penalty under section 15HA of the SEBI Act?

AND

Issue No. III : If the answer to Issue No. II is in affirmative, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

I find it appropriate to deal with Issue No. II and III together in the following paragraphs.

39. As it has been established that the Noticee violated provisions of Regulations 3(a), 4(1) and 4(2) (a) of the PFUTP Regulations, 2003; hence I am of the view that the same warrants imposition of monetary penalty upon the Noticee under Section 15 HA of the SEBI Act text of which is produced as under:

Penalty for fraudulent and unfair trade practices

15HA. 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

40. While determining the quantum of penalty under Section 15HA of the SEBI Act, it is important to consider the factors relevantly as stipulated in Section 15J of the SEBI Act which reads as under:

Factors to be taken into account by the adjudicating officer

15J. While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

b) the amount of loss caused to an investor or group of investors as a result of the default;

c) the repetitive nature of the default.

Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section

41. As established above, the trades by the Noticee were non genuine in nature and created a misleading appearance of trading. I note that the trading was in illiquid stock option contracts where there was negligible participation by the public. Investigation has shown amount of profit / loss of the counterparties to the trades as a result of the non-genuine trades. However, considering that the violation by the Noticee is creation of artificial trading volumes by trading between two counterparties and wider market is not involved in the trades, the trades are such that one of the counterparty books a profit while the other counterparty books a loss. Hence, it would be appropriate to consider the impact of these transactions between the two counterparties in totality. When the impact of artificial volumes created by the two counterparties is seen as a whole, it is not possible from material available on record to quantify the amount of disproportionate gain or unfair advantage resulting from the artificial trades

between the counterparties or the consequent loss caused to investors as a result of the default.

42. The Noticee has contributed to artificial volume in 1 contract on 1 day during the Investigation Period. Therefore, taking into account the facts and circumstances of this matter, and the proportion of trading by the Noticee as compared to the total volume of reversal trades in the market during the Investigation Period, I am of the view that imposition of minimum penalty as prescribed under Section 15HA of the SEBI Act would be commensurate for the present matter.

ORDER

43. After taking into consideration all the facts and circumstances of the case, the material available on records, the factors mentioned in Section 15J of the SEBI Act, 1992 and in exercise of powers conferred upon me under Section 15I (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 Lakh only) upon the Noticee, i.e. Dhanvat Rai Shah HUF, [PAN: AABHD8042C], under section 15HA of the SEBI Act, for violation of Regulations 3(a),(b),(c),(d) and Regulation 4(1), 4(2)(a) SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003.

44. I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee.

45. 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 favour 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

46. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in

47. The Noticee shall forward the aforesaid Demand Draft or the details / confirmation of penalty so paid to The Division Chief, Enforcement Department -1, Division of Regulatory Action –3 (EFD1-DRA3) SEBI, SEBI Bhavan, Plot No.C4-A,'G' Block, Bandra Kurla Complex (BKC), Bandra (East), Mumbai–400051 and also send an email to tad@sebi.gov.in with the following detail:
    - Name of the case / matter
    - Name and PAN of the entity (Noticee)
    - Date of Payment
    - Amount Paid
    - Purpose of Payment – Payment of penalty under AO proceedings
    - Bank Name and Account Number
    - Transaction Number

48. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

49. In terms of Rule 6 of the Adjudication Rules, a copy of this Adjudication Order is being sent to the Noticee and also to Securities and Exchange Board of India.

DATE: April 13, 2022 **VIKAS SUKHWAL**

PLACE: MUMBAI **ADJUDICATING OFFICER**