BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. SL/NR/2021-22/15788

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

In respect of:
Pushpa Devi Soni
PAN: ALAPS7198E

In the matter of dealings in Illiquid Stock Options at BSE

FACTS OF THE CASE

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

2. The investigation revealed that during the Investigation Period, a total of 2,91,643 trades comprising 81.38% of all the trades executed in the BSE Stock Options Segment were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. It was observed that Pushpa Devi Soni (hereinafter be referred to as, the "***Noticee***") was one such client whose reversal trades involved squaring off open positions with a significant difference without any basis for such change in the contract price. The aforesaid reversal trades allegedly resulted into generation of artificial volumes, leading to allegations that the Noticee had violated the provisions of Regulation 3(a), (b), (c), (d) and Regulation 4(1), 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter be referred to as, the "***SEBI PFUTP Regulations***").

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI initiated adjudication proceedings and appointed the undersigned as the Adjudicating Officer vide order dated July 2, 2021 under Section 19 read with Sub-section (1) of Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter be referred to as, the "***SEBI Act***") and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter be referred to as, the "***SEBI Adjudication Rules***") to inquire into and adjudge under Section 15HA of the SEBI Act, against the Noticee for the alleged violation of the aforesaid provisions of SEBI (PFUTP) Regulations. The appointment of the AO was communicated vide order dated July 6, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice dated November 30, 2021 (hereinafter be referred to as, the "***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 held and penalty be not imposed against her under Section 15HA of the SEBI Act for the alleged violation of the provisions of Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) of the SEBI (PFUTP) Regulations.

5. The allegations levelled against the Noticee in the SCN are summarized as below:
   a) That 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 Stock Options segment of the BSE during the Investigation Period.
   b) That the Noticee engaged in 2 instances in 1 unique contract which led to generation of artificial volume in this unique contract.
   c) The trades entered by the Noticee were reversed on the same day with the same counterparty 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 the Noticee in the 1 Stock Options contract in which the Noticee executed non-genuine reversal trades during the Investigation Period are as under:

Table 1: Summary of trading of the Noticee in Illiquid Stock Options on BSE

Sl. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	% of Non-genuine trades of the Noticee in the contract to Total trades in the contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	JSPL15JUL100.00CEW1	0.05	30000	4.1	30000	11.11	8.88

e) By indulging in execution of aforesaid non-genuine reversal trades, the Noticee has violated Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) of the SEBI (PFUTP) Regulations, the provisions of which are reproduced as under:

*"**SEBI (Prohibition of Fraudulent and Unfair Trading Practices Related to Securities Markets) Regulations, 2003***

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 thereunder;

(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 or 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;

….."

6. I note that the SCN was duly delivered to the Noticee on December 6, 2021. On behalf of the Noticee, the Authorized Representative vide letter dated December 20, 2021 submitted the reply, which is summarized hereunder:

a) *It is also pertinent to mention herein that my client is a layman in the stock market and therefore, she does his transactions/ trade in the share market through her brokers Mr. Manish Dalmia, Mr. Bhagat Singh and Mr. Jagdish Agarwal being the officer and in-charge of the day to day affairs of M/ s Bahubali Forex Pvt. Ltd. (herein after referred to as "broker") having their place of business at 156, Cotton Street, 3rd Floor, Kolkata-700007. Furthermore, the said M/s Bahubali Forex Pvt. Ltd is a registered BSE broker/member having SEBI Regn. No. INZ00006833.*

b) *That sometime in the year 2014, the broker of my client represented to her that Securities and Exchange Board of India (herein after referred to as SEBI) on 02.06.2011 had issued a circular on "LIQUIDITY ENHANCEMENT SCHEME FOR ILLIQUID SECURITIES IN EQUITY DERVATIVES SEGMENT" being no. CIR/DNPD/5/2011. That pursuant to the said circular being no. CIR/DNPD/5/2011 and few other circulars issued by SEBI in the year 2013 and 2014, the broker further represented to my client that Bombay Stock Exchange Limited (Herein after referred to as "BSE") has issued a circular requesting its registered brokers/members to start soliciting investors to invest and trade in illiquid securities. The said broker further represented to my client that the Bombay Stock Exchange has assured all its registered brokers that if the investors trade in illiquid securities, then the investors may earn high profits.*

c) *That on July 2, 2015, the broker of my client informed her that he did intraday trading in stock options wherein my client earned a net profit of Rs.*

1,21,337.65. It is pertinent to mention in this regard that all the trades in stock option were executed and ratified through the BSE portal. Moreover, at no point of time was my client was made aware who is the counter party to the said intraday trading as the said information is neither made available on the BSE portal nor the same was informed to my client by his broker. Furthermore, the name of the counterparty is also not revealed to my client in the contract note provided to my client by her broker. That as per the abovementioned SEBI guidelines as well, it was the duty of the BSE to have a continuous surveillance system in place, which kept an eye on every transaction on real time basis and also to inform/ alert bonafide investors on a real time basis of any fraudulent and/ or arm at length transaction being done on the BSE portal. However, no such alert or caution of any fraudulent and non-genuine transaction/trade being done on behalf of my client was sent to my client by BSE and on the contrary, the BSE and my client's broker had charged upon my client commission for executing such trade in stock option via the BSE portal.

d) *That after doing the abovementioned trade in stock option, my client earned a net profit of Rs.1,21,337 .65 /-and the said sum was paid to my client by his broker after deducting its necessary commissions and charges. It is pertinent to mention herein that the said transaction has been revealed by my client in his income tax return as well as and he has paid all the necessary tax levied on the profit that she had earned. Thereafter, my client chose to refrain from doing trade in stock option as he did not see any upside and/ or benefit in doing the same.*

e) *That for the last 5 years my client did not receive any advice or caution letter from either the BSE or SEBI intimating my client that the trade in stock option done on behalf of my client by his broker via the BSE portal were fraudulent, abnormal, non-genuine or contrary to law.*

f) *Furthermore, it is also clear from various circulars issued by MCX-SX, NSE and USE that it was always the duty of the registered trading member /broker, in the present case the M/s Bahubali Forex Pvt. Ltd, to not carry out transactions that are prohibited by SEBI and if at all such prohibited transactions were being carried out by the registered trading member/ broker of particular stock exchange, in the present case BSE, then the said registered trading member/broker and the particular stock exchange are to be held liable/ responsible for carrying out such prohibited transaction. Hence, it is BSE and various Brokers· who are to be liable/ responsible to pay the penalty (if any) imposed upon my client by SEBI for carrying out* *trade reversals in stock options segment of BSE. during the said period. My client being a victim of fraud cannot in any way be held liable for the wrongdoing committed by BSE and my client's broker.*

g) *My client states that she never executed any trade in stock option by herself and it was my client's broker being M/ s Bahubali Forex Pvt. Ltd, who used to execute the trades in stock option on behalf of my client. But on the contrary, the neither BSE nor my client's broker informed my client that the trade in stock option done on behalf of my client via the BSE portal through a BSE registered broker were fraudulent, abnormal, non-genuine or contrary to law and instead both BSE and my client's broker charged my client commission for executing such trade in stock option via the BSE portal. Thus, by no stretch of imagination can it be stated that my client allegedly executed reversal trades as there is no way she can be aware who is the counter party on the other side purchasing and selling and if any reversal trade has been done in the name of my client, then it is my client's broker being M/s Bahubali Forex Pvt. Ltd has done the same by defrauding my client into believing that genuine trades are being done in her name.*

h) *However, in this case the purported trades involve only 60,000 units, purportedly being only 8.88% of the total market volume. Thus, a small transaction involving only 8.88% of the total market volume, is in no way capable of creating false volume in BSE or distorting the equilibrium in the market or cause any loss or prejudice to investors at large. Therefore, to conclude on the basis of the same that my client had indulged in unfair trade practice is completely erroneous.*

i) *There is no iota of evidence against my client to show that she was involved in fraudulent and unfair trade practice in as much as there is no proof of any nexus, directly or indirectly, with the counter party and their broker in the present matter and SEBI has not even alleged this. Moreover, my client was never aware who is the counter party to the said trading as the said information was neither made available on the BSE portal nor was informed to my client his broker through the contact note given to him. Thus, there is complete disconnect, disjoint and divide between my client and the counter party and her broker. In the absence of any linkage between my client and them, treating the said transaction as objectionable is farfetched a far cry and retrograde.*

7. In the interest of natural justice and in terms of Rule 4(3) of SEBI Adjudication Rules, the Noticee was granted an opportunity of personal hearing on March 16, 2022, which was communicated to the Noticee's Authorized Representative at his

Email ID: dudhwewala_amar@yahoo.com on March 9, 2022 sent through digitally signed email, in terms of the provisions of Rule 7 1(b) of SEBI Adjudication Rules. I note that the notice of hearing sent to the Noticee's Authorized Representative did not bounce. In view of the prevailing circumstances owing to Covid-19 pandemic, the hearing was scheduled through video conferencing on Webex platform and the link for joining the hearing was sent to the Noticee's Authorized Representative Email ID: dudhwewala_amar@yahoo.com on March 15, 2022. It is pertinent to note that the reply dated December 20, 2021 was received from the Authorized Representative through Email also from Email ID: dudhwewala_amar@yahoo.com. I note that on the scheduled date of hearing i.e., March 16, 2022 neither the Noticee appeared for the hearing nor submitted any reply in this regard.

8. The Hon'ble SAT has again in the matter of Sanjay Kumar Tayal & Others vs SEBI (Appeal 68 of 2013 decided on February 11, 2014), inter-alia, observed that – *"………………As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, 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 levelled against them in the show cause notices……………..".*

9. In view of the above, I am of the opinion that the SCN and Notice of hearing have been duly served on the Noticee, but the Noticee even though submitted her reply, failed to avail the opportunity of hearing. Therefore, I am convinced that the principles of natural justice have been duly followed in the matter, as enough opportunities were provided to the Noticee. Therefore, I am inclined to decide the matter based on the facts/material available, while taking into consideration the reply submitted by the Noticee.

CONSIDERATION OF ISSUES AND FINDINGS

10. After perusal of the material available on record, I have the following issues for consideration viz.,

Issue No. I 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) and 4(1) & 4(2)(a) of the SEBI (PFUTP) Regulations?

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?

Issue No. III If so, what quantum of monetary penalty should be imposed on the Noticee?

Issue No. I **Whether the trading in illiquid Stock Options done by the Noticee during the Investigation Period were in violation of Regulations 3(a), (b), (c), (d) and 4(1) & 4(2)(a) of the SEBI (PFUTP) Regulations?**

11. As stated in preceding paragraphs, the position/ trades entered into by the Noticee were squared up within a short span. The striking feature of the trades of the Noticee was that all the positions/ trades were squared with the same counterparty with whom Noticee had originally traded/ created position. The squaring up of the position/ trade was at the substantial variation of price from the original position/ trade. Thus, it was alleged that the Noticee had indulged in reversal trades. The said allegation was supported with evidence from the trade log containing records of all trades and reversal trades carried out by the Noticee in the Stock Options segment of the BSE during the Investigation Period and was also provided to the Noticee along with the SCN.

12. I note that reversal trades have been considered as those trades in which an entity reverse its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversals trades are non-genuine trades as they are not executed in normal course of trading, lacks basic trading rationale, and lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were deceptive and 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.

13. I note from the trade log of the Noticee that the Noticee had traded in 1 unique contract in the Stock Options segment of BSE during the Investigation Period. The summary of dealings of the Noticee in the 1 Stock Options contract in which the Noticee alleged to have executed non-genuine reversal trades during the Investigation Period is as under: -

Sl. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	% of Non-genuine trades of the Noticee in the contract to Total trades in the contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	JSPL15JUL100.00CEW1	0.05	30000	4.1	30000	11.11	8.88

14. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in one contract viz., "JSPL15JUL100.00CEW1" during the Investigation Period as follows:

(a) On July 2, 2015, the Noticee sold 30,000 units of the aforesaid contract at 13:50:06 to Judicious Finvest Pvt., Ltd., at an average price of ₹4.10.

(b) On the same day the Noticee reversed her position by buying 30,000 units to the same counterparty at 14:43:10 at an average price of ₹0.05.

(c) From the above, it is noted that while dealing in aforementioned contract during the Investigation Period, the Noticee executed total 2 trades (1 buy trade and 1 sell trade). This constituted 8.88% of the total market volume in the said contract and thereby the Noticee allegedly generated artificial volume of 60,000 units.

15. From the reply of the Noticee, I note that the Noticee has claimed that the aforesaid trades were carried out by her Stockbroker without her authorization. Further, it is pertinent to note that while the Noticee acknowledged receipt of profit from the aforementioned trades, but chooses to disown the trades carried out in her trading account, only after the instant proceedings were initiated. For the sake of assumption, if the trades were carried out by the Stockbroker without her confirmation / intimation, there is no such record submitted by the Noticee to justify

that she has approached the Stock Exchange / SEBI alleging unauthorized trading by the Stock Broker. Therefore, the claim made by the Noticee that the aforementioned trades were carried out by her Stock Broker is only an afterthought, which lacks any substance.

16. Further, the Noticee in her reply, has contended that the transactions were carried out by her on an anonymous platform provided by the BSE. The Noticee has also contended that there is nothing in SCN to show that she has violated any law and that intraday reversal was legal. I have considered the aforementioned contentions of the Noticee. In this regard, it may be noted that the Noticee was given details of her 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 artificial volume creation 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….*"

17. 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 be 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 on the observation of the Hon'ble Supreme Court in the aforementioned matter, I cannot accept the submission of the Noticee that transactions were genuine on account of them

being carried out on an anonymous platform of the exchange wherein, the Noticee had no knowledge of the counterparty. The 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.

18. 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….*".

19. Applying the ratio of the Supreme Court in the matter of ***Kishore R. Ajmera*** (*supra*) and ***Rakhi Trading*** (*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 failed in explaining the rationale for the trading as mentioned in the aforementioned table, wherein she has taken a position at a particular price and squared it up at significant price difference without any substantial variation in the price of underlying. Since, the option contracts were done in illiquid contracts (as the strike price was far away from the market price of underlying), there was no trading in the said contract and hence no price discovery. The only reason for the wide variation in prices of the same contract, within minutes and some, even seconds, was pre-determination in the prices by both counterparties when

executing the 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 contract with a strike price very far away from the current market price of the underlying except for the fact that it wanted to execute non-genuine trades.

20. 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 behaviour 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 herein above were "fraudulent", as defined under regulation 2(1)(c) of the SEBI (PFUTP) Regulations, 2003 and prohibited under the provisions of Regulations 3(a), (b), (c) and (d) and 4(1) and 4(2)(a) SEBI (PFUTP) Regulations, thereof.

21. Considering the synchronized manner of placing buy and sell orders within minutes of each other, reversing of the trades within a short 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 an impression of genuine trading volumes in respective contracts. I am of the view that by engaging in such trades, the Noticee has violated provisions of Regulation 4(2)(a) of the PFUTP Regulations, 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*".

22. 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 upon a case involving execution of reversal trades in index options, observed, "*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*."

23. Further, I place reliance on the decision of the Hon'ble Securities Appellate Tribunal in the matter of Global Earth Properties Vs. SEBI wherein the Hon'ble Tribunal, inter alia, held that:

    "12. .....The reversal of trades executed by the Appellant cannot be called a normal trading transaction in as much as these trades were reversed within a short span ranging from a few seconds to a few minutes with the same counter parties. By no stretch of imagination, it can be held to be a mere coincidence that the Appellants trades matched consistently with the same counter parties unless there was a meeting of minds with a view to trade at a predetermined time. Such kind of transaction, in our opinion, is a manipulative device and is also synchronized trading."

24. Further, the above stance was also reiterated by the Hon'ble Securities Appellate Tribunal in the matter of Shruti Daga Vs. SEBI wherein the SCN issued with similar set of facts as that of in the present matter. In this said case, the Hon'ble SAT dismissed the appeal stating that controversy involved in the said case is squarely covered by the decision of the Hon'ble Tribunal in the matter of Global Earth Properties Vs. SEBI.

25. In line with the aforesaid judgements of Hon'ble SAT and Hon'ble Supreme Court, 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 of the Noticee engaging in such non-genuine transactions, which created a misleading impression of trading in respective contract while dealing in Stock Options contracts in a fraudulent manner. Therefore, I am of the considered view that the aforesaid act of the Noticee is in clear violation of the provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2) (a) of the SEBI (PFUTP) Regulations.

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?**

&

Issue No. III **If so, what quantum of monetary penalty should be imposed on the Noticee?**

26. Since violation of Regulation 3(a), (b), (c), (d), 4(1) and 4(2) (a) of the SEBI (PFUTP) Regulations by the Noticee is established, I am of the view that the same warrants imposition of monetary penalty upon the Noticee under Section 15HA of the SEBI Act, text of which is produced as under:

> ***SEBI Act -*** "***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.*"

27. While determining the quantum of penalty under Section 15HA of the SEBI Act, the following factors stipulated in Section 15J of the SEBI Act, have to be given due regard:

> 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.

28. As established in the preceding paragraphs, the trades carried out by the Noticee were non-genuine in nature and created a misleading appearance of trading. As brought out earlier, such trades were carried out by the Noticee in illiquid stock options 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 such 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 the 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.

ORDER

29. After taking into consideration all the facts and circumstances of the case, 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 ₹5,00,000/- (Rupees Five Lakhs only) upon the Noticee i.e., Pushpa Devi Soni under Section 15HA of the SEBI Act for violation of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the SEBI (PFUTP) Regulations.

30. The said penalty imposed on the Noticee, as mentioned above, is commensurate with the violation committed by the Noticee and acts as a deterrent factor for the Noticee and others in protecting the interest of investors.

31. The Noticee shall remit / pay the said amount of penalty within 45 days from the date 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

32. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-III, SEBI, in the format as 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

33. A copy of this Adjudication Order is being sent to the Noticee and to SEBI in terms of Rule 6 of the SEBI Adjudication Rules.

Date: March 31, 2022

Place: Mumbai

SIDDHESH LOTLIKAR

ADJUDICATING OFFICER