BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. : Order/GR/AE/2019-20/4170]

ORDER UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995, IN THE ADJUDICATION PROCEEDINGS INITIATED AGAINST EMRALD COMMERCIAL LIMITED [PAN: AAACE5795P] IN THE MATTER OF ITS DEALINGS IN ILLIQUID STOCK OPTIONS AT THE BOMBAY STOCK EXCHANGE LIMITED.

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) observed large scale reversal of trades in the Stock Options segment of Bombay Stock Exchange (hereinafter referred to as **'BSE'**) leading to creation of artificial volume. In this regard, SEBI conducted an investigation into the trading activity in the illiquid Stock Options Segment at BSE for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as **'Investigation Period'**).

2. It was observed during the course of investigation that a total of 2,91,643 trades comprising 81.38% of all the trades executed in the Stock Options Segment 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. It was also observed that the aforesaid trades resulted into creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in Stock Options segment of BSE during the investigation period.

3. 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. It was observed that Emrald Commercial Limited (hereinafter referred to as **'Noticee'**) was one of the various entities which indulged in execution of the non-genuine trades in the Stock Options Segment at BSE during the above referred investigation period. It was observed that Noticee had entered into reversal trades with its counterparties which involved squaring off transactions with significant difference in sell value and buy value of the transactions.

4. Therefore, it is alleged that Noticee had executed the reversal trades which were non-genuine in nature and had created false or misleading appearance of trading in terms of creation of artificial volume in the Stock Options segment at BSE and therefore, it is alleged that Noticee has violated the provisions of Regulations 3(a), (b), (c), (d) and Regulation 4(1), 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**'). In view of the above, adjudication proceedings have been initiated against the Noticee under the provisions of section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**').

APPOINTMENT OF ADJUDICATING OFFICER

5. Initially, Shri Biju. S, Chief General Manager was appointed as the Adjudicating Officer (**AO**) by SEBI, in the matter to inquire into and adjudge under Section 15HA of the SEBI Act, the aforesaid violations alleged to have been committed by the Noticee. Subsequently, Shri Satya Ranjan Prasad, Chief General Manager was appointed as AO in the matter in the place of Shri Biju S. Pursuant to the transfer of Shri Satya Ranjan Prasad, the undersigned has been appointed as the AO in the matter by SEBI and the same was communicated to the undersigned vide communique dated May 22, 2019. These proceedings are

therefore been carried forward where they had been left off by the previous AO, and an opportunity of personal hearing was granted as detailed hereinafter.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

6. Show Cause Notice dated August 30, 2018 (hereinafter referred to as **"SCN"**) was issued by the erstwhile AO to the Noticee in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**SEBI Adjudication Rules**") read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be initiated and penalty be not imposed under Section 15HA of the SEBI Act, on the Noticee for the alleged violation of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations.

7. Aforesaid SCN was sent through Speed Post AD at the address of the Noticee available on record, and the same was delivered. Vide letter dated October 22, 2018, the Noticee inter alia requested for inspection of documents. In this regard, vide letter dated June 10, 2019, it was communicated to the Noticee that all the relied upon information and records to substantiate the allegations in respect of the Noticee have already been provided to the Noticee in the SCN. The Noticee was also granted an opportunity of personal hearing before the undersigned on June 26, 2019.

8. Subsequently, vide its letter dated June 16, 2019 the Noticee submitted its reply to the SCN. Key submissions of the Noticee from the above reply are reproduced below :

*"**Preliminary Objections***

6. We respectfully submit that SEBI has not provided any evidence or proof to show that our trades were fraudulent. None of the ingredients of the said PFTUP Regulations are attracted in the present case essentially because:

i. The trades were executed on the floor of the exchange with due compliance with all the rules and regulations of the exchanges;

ii. *At no point of time was there any warning or any observation from the regulators about the stock options& underlying scrips executed by us;*
iii. *The observations regarding the stock options being illiquid is incorrect;*
iv. *Even assuming the stocks were illiquid, then any small quantity or volumes would look significant as there are no active traders in the stock;*
v. *The trades in question were in the normal course of business and there is nothing amiss in the trades executed by us;*
vi. *For the transaction to be termed fraudulent, as per the definition of 'fraud', there has to be an "inducement" and SEBI has not even alleged inducement;*
vii. *None of the trades are deceptive in nature or have any impact on the investors or their investment decision which is a sine qua non of "fraud'.*
viii. *There is no nexus, directly or indirectly with the counter party and any of their brokers;*
ix. *Show Cause Notice is erroneous in as much as it is only a belated coercive use of power / action in terms of which power is sought to be used against 3-4 years back settled trades on the basis of wrong interpretation of power deemed to have been existed with SEBI under PFUTP Regulations.*
x. *The Show Cause Notice does not specify and consider facts matrix of our dealings in stock options segment of BSE. It does not stale the reasons, rational, cause of action, locus and invoking of jurisdiction after over 3 years from the dates of settled transactions. The Show Cause Notice is therefore arbitrary.*
xi. *The Show Cause Notice fails to appreciate that when SEBI itself has not discharged its obligations of quick investigation, seeking explanation of the parties at that time, declaring trades in stock options as illegal at the relevant time, subjecting to us to adjudication proceeding belatedly in unfair, unreasonable and absurd.*

Inspection of documents and Investigation report not granted

7. *We humbly submit that, upon reading of the Show Cause Notice, it is evident that there are various documents and data that are referred to and relied upon by SEBI in the captioned proceedings as there is a disconnect in the charging provision and the allegation / observation mentioned in the Notice. We therefore requested for an opportunity of inspection of documents so that this disconnect be fixed. In fact, serious allegation is made against us that we have committed **"fraud"** in securities market without even providing the investigation report or any cogent evidence in this regard.*
8. *In view thereof, by our letter dated October 22, 20l8 ("Letter") we had requested the Ld. Adjudicating Office to produce and provide us the entire records and papers in possession of SEBl in the matter and to grant us an opportunity of inspection of the same, to enable us to understand the allegations against us and to effectively respond to the Show Cause notice. However, by SEBI's letter dated June 10, 2019*

our legitimate request for inspection of documents has not been acceded to and we have been called upon to file our reply.

9. *We submit that in the interest of natural justice and in order to enable us to comprehensively defend ourselves, SEBI ought to have provided us the details and information sought by our letter. In the absence of the same, we are to holistically represent ourselves. Be that as it may. We hereby submit our explanations and clarifications with the limited data/information on retrieved by us and made available to us in the subsequent paragraphs. We crave leave to fi le further submissions after we are provided with additional information as sought by us during the course of captioned proceedings.*

Submissions on dealing in 'illiquid' option segment of BSE

10. *With respect to observation that we have dealt in stock options contracts which are illiquid in nature, we submit that if we observe the underlying scrips in which we traded it can be established that these scrips are highly liquid in nature i.e. frequently traded in market. We traded in contracts of underlying scrips such as Axis, Biocon, Cairn, CESC, DRRL, Kotak Bank, Yes Bank, Voltas, etc. In fact, we submit with humility that underlying stock of most of aforesaid contracts consists of companies which make up index of the Bombay Stock Exchange. Thus, to allege that we deliberately traded in only those options which were illiquid in nature is unfair.*
11. *Apparently, SEBl has held that we have transacted in 'illiquid options' on the basis that our trades were in far-off strike prices and therefore very few entities were trading in such strike rates. However, in that case, it may also be concluded that said trades could have had no effect on other investors or market at large and that such illiquidity would be reason for volatility and alleged 'reversal' transactions since variations in option price would be dramatic if the chosen strike price is thinly traded.*
12. *We submit that BSE and SEBI have themselves allowed and permitted trading in options for 'far months' with a strike price which are at large variance to current market price. The fact that such parameters are laid down is clearly indicative of fact that options will always be 'in the money' and 'out of money' and since regulators have themselves permitted trading in same, no adverse inference be drawn against us in this regard.*
13. *It is pertinent to mention that stock exchanges regularly come out with list of illiquid scrips in cash segment. However, no such list is issued by exchanges or regulator for dealing in stock options contracts. Thus, to fasten the responsibility or allege a single individual entity that it traded in illiquid option is unwarranted and unfair.*
14. *We submit with humility that derivative market is 'zero-sum game' and thus in each and every case one party will inevitably make profit and counterparty will make loss. In capital market neither BSE nor SEBI can guarantee profit or loss to any individual/entity. In derivative trading, traders often make profit or loss*

over a period of time since the market does not always behave as per their prediction/expectation. Thus, profit and loss is concomitant to trading in derivative segment. The mere fact that we suffered losses while dealing in option segment cannot be a ground to rope us into present proceedings.

Our trades did not depress.the price/volume of underlying shares in cash segment

15. *We submit that we dealt in option segment in ordinary course of trading. It can be observed from the Show Cause Notice that in most cases our trades were low percentage of market. Going by the logic of SEBI if these were illiquid stock options, then any trade and transaction would look significant. Addit ionally, we traded on around 6 days out of one and half year of the investigation period. Thus, it erroneous to allege that our trades created artificial volume on BSE.*
16. *We submit that there was no major movement in price of underlying scrip which itself proves that our trades had no impact on market. Thus, our transactions neither distorted the equilibrium in market nor caused any loss or prejudice to investors at large.*
17. *With demurer, we submit that any kind of alleged fictitious/ manipulative trade in cash segment. It may create distorted impression in minds of investors that price of scrip is rising/falling who may invest/divest from said scrip. However, in case of option segment there is no such effect since each contract expires at end of contract period and for every party who makes profit there is counter party who makes a Joss. There is no question of transfer of beneficial ownership in option segment since at end of settlement cycle only net loss/profit is adjusted. Therefore, in our humble opinion, allegation of creation of 'artificial' or 'reversal' ·trade is of no consequence in option segment of exchange.*

No relationship with the counterparties or their broking entities

18. *We did not act in concert or in collusion with anyone and nor were we part of any group or connected with anyone for the purpose of influencing price or for any manipulative activity as alleged or otherwise. It is an admitted position that there is no connection whatsoever between us and counter parties.*
19. *On analysis of the transactions provided to us with the Show Cause Notice, we understand that the following were the counterparties to the impugned trades:*

Table 2		
Sr. No.	***Name of Counterparty***	***PAN Number of Counterparty***
1	*Amit Jajodia*	*ACXPJ4921E*
2	*B D Suppliers*	*AIDPD4564F*
3	*Charu Makhijani*	*AXQPM4593D*

4	*Global earth Properties And Development private Limited*	*AACCG0708N*
5	*Hori zon Management Pvt Ltd*	*AAACH6736K*
6	*Jagnath Tie Up Pvt Ltd*	*AA BCJ9245Q*
7	*Jyotshna Shantilal Ghatalia*	*AKIPG8968P*
8	*Kusum Traders*	*ATJPG2443H*
9	*N M Impex Private Limited*	*AABCN0541M*
10	*Neha Chetan Ghatalia*	*AHIPG4246K*
11	*Nisha Shantilal Ghatalia*	*AKIPG8941Q*
12	*Pumarth Infrastructure Private Limited*	*AACCM0901H*
13	*Pushpa Golechha*	*AIDPG3952E*
14	*Rajat Power & Steel Pvt Ltd*	*AAECR0521J*
15	*Raj ratan Smelter Ltd*	*AA DCR8689N*
16	*Sandip Agarwal*	*ADKPA8180C*
17	*Shri Chaturbhuj Real Estates Private Limited*	*AAJCSJ726M*
18	*Twenty First Century (India) Ltd*	*AAACT4735A*
19	*Vjeta Braking India Private Limited*	*AACCV6700F*

20. *We state and assert that we have no 'connection' or 'relation' with any of counterparties to my trade as mentioned in Table 2 hereinabove. Our trading in stock option segment was independent of any other entities dealing in the same and based on our limited understanding of capital market.*
21. *All our transactions have been carried out on the floor of stock exchange. Undisputedly, in case of screen-based trading, the automated system itself matches orders on a price-time priority basis and hence it is not possible for anybody to have access over identity of counter party. Since counter party identity is not displayed; one can never have any choice with whom it wants to deal or not to deal.*
22. *Be the case as it may, we slate and assert that at no point of time were we aware of counterparty with which our transactions got matched since all our transactions were executed through the normal screen-based trading system of stock exchange where matching is done by automated on-line trading module.*
23. *Further, we had dealt in stock option segment through a SEBI registered intermediary viz Giriraj Stock Broking Pvt Ltd. From the data provided by SEBI, it can be observed that the counterparties were dealing with different broking entities :*

Table 3		
Sr. No.	**Name of Counterparty to impunged trades**	**Trading member of Counterparty to impunged trades**
1	Amit Jajodia	Giriraj Stock Broking Pvt Ltd
2	B D Suppliers	Giriraj Stock Broking Pvt Ltd
3	Charu Makhijani	R.K.Stock Holding Pvt.Ltd.
4	Global earth Properties And Development private Limited	Concord Vinimay Pvt. Ltd.
5	Hori zon Management Pvt Ltd	Concord Vinimay Pvt. Ltd.
6	Jagnath Tie Up Pvt Ltd	Concord Vinimay Pvt. Ltd.
7	Jyotshna Shantilal Ghatalia	Mousumi Deb Roy
8	Kusum Traders	Giriraj Stock Broking Pvt Ltd
9	N M Impex Private Limited	Ns Broking Pvt Ltd
10	Neha Chetan Ghatalia	Mousumi Deb Roy
11	Nisha Shantilal Ghatalia	Mousumi Deb Roy
12	Pumarth Infrastructure Private Limited	Geometry Vanijya Pvt. Ltd.
13	Pushpa Golechha	Kayan Securities Pvt. Ltd.
14	Rajat Power & Steel Pvt Ltd	Concord Vinimay Pvt. Ltd.
15	Rajratan Smelter Ltd	Geometry Vanijya Pvt. Ltd.
16	Sandip Agarwal	Concord Vinimay Pvt. Ltd.
17	Shri Chaturbhuj Real Estates Private Limited	Concord Vinimay Pvt. Ltd.
18	Twenty First Century (India) Ltd	Concord Vinimay Pvt. Ltd.
19	Vijeta Broking India Private Limited	Vijeta Broking India Private Limited

24. *We state, declare and assert that we had no prior meeting of minds with aforesaid broking entities as well as their clients, nor any contemporaneous knowledge about any alleged wrongdoing. We are not guilty of conduct which is contumacious or dishonest or acted in conscious disregard of law.*
25. *We would like to draw your kind attention to the matter of **Jagruti Securities** (2008 **SCC** online **SAT** 184) and **S.P.J Stockbroker Pvt Ltd** (2013 **SCC** Online **SAT** 67) wherein it was held that such alleged trades cannot be treated as illegal per se unless there is some cogent connection between the*

counterparties or there is "mischievous meeting of minds amongst certain parties". We submit that such element is completely absent in the present case.

26. *Additionally, we would like to draw your kind attention to Order dated May 18. 2012 passed by the Hon'ble Securities Appellate Tribunal in matter of **Sanjay Agrawal vs. SEBI** wherein it was held that in order to establish an allegation of reversal trade between parties a cogent evidence or connection between the parties needs to be established. In our humble submission, in the present case, no such connection is established in Show Cause Notice since none exist.*
27. *We would like to further submit that all our trades in option segment were within prudential norms of exchange and as per procedures and guidelines as prescribed by regulator (BSE). At the relevant time, none of our trades were questioned by the brokers who are SEBI registered intermediaries and frontline gate-keepers of stock exchange. Had I been alerted by the broker or stock exchange we would have taken prompt and immediate corrective measures, if any, at that point in time only.*
28. *Further, no cautionary warning, advisory, communication or alarm was raised by BSE at any point of time. There was nothing in the public domain that there is anything amiss in the matter. In fact, with a fool proof and state of art surveillance system BSE could have annulled the trades at that point in time only in case it considered that the trades were fraudulent. However, this was not the case, which means that the trades executed by us were genuine and fair.*
29. *It is pertinent to mention that it is only recently that BSE, vide Notice No. 20160308-33 dated March 08, 2016, announced that it has introduced measure for prevention of reversal trades in Equity Derivative Segment w.e.f from March 14. 2016. Thus, in case of potential reversal trade, second leg (latest leg) of a reversal trade shall automatically be cancelled by exchange in an on-line real time basis on trading system. We submit that merely because on-line preventive measure and check & balance did not exist with the regulator at the relevant point of time to avoid inadvertent reversal trades no adverse inference be drawn against us in this regard.*

<u>No role attributed to us in Show Cause Notice</u>

30. *We submit that there is no reason for any allegation that we have violated the provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 Regulations or the SEBI Act. We humbly submit that besides recording common generic allegations against us, not a single instance or observation on our specific role in alleged reversal is delineated in the Show Cause Notice. Such an approach, in our humble submission is bad in law. In this regard, we would like to draw your kind attention to case of **Commissioner of Central Excise, Bangalore vs M/s***

Brindavati Beverages (P) Ltd. and Ors *[Civil Appeal 3417 of 2002] decided on June 15, 2007: wherein Hon'ble Supreme Court observed as under:*

"... 9. We find that in the show cause notice there was nothing specific as to the role of the respondents, if any. The arrangements as alleged have not been shown to be within the knowledge or at the behest or with the connivance of the respondents. Independent arrangements were entered into by the respondents with the franchise holder. On a perusal of the show cause notice the stand of the respondents clearly gets established.

10. There is no allegation of the respondents being parties to any arrangement. In any event, no material in that regard was placed on record. The show cause notice is the foundation on which the department has to build up its case. If the allegations in the show cause notice are not specific and are on the contrary vague, lack details and/or unintelligible that is sufficient to hold that the notice was not given proper <u>*opportunity to meet the allegations indicated in the show cause notice. In the instant case, what the appellant has tried to highlight is the alleged connection between the various concerns. That is not sufficient to proceed against the respondents unless it is shown that they were parties to the arrangements, if any...*</u> *"*

<u>Summary</u>

31. *In summary, with regard to our dealings in stock options on BSE, we would like to clarify as under:*

i. *We acted as bonafide trader and have transacted in stock option segment in normal course of our business activity and our trading in the same was very much within our own financial and risk bearing capacity.*
ii. *We submit that in any business activity in stock market, one can either make profit or loss. We humbly submit that at the relevant time we had no idea of any profit or loss in said transactions and we traded in option segment taking into account our 'risk and reward' parameters.*
iii. *We are not connected to counterparties of our transactions in option segment and neither do we have any relation with promoters/directors/key management person of underlying scrips in cash segment.*
iv. *We believe there has been no grievance by any investor, broker, stock exchange or any other agency concerned with respect to our dealing in the option segment of BSE Ltd.*
v. *SEBI has discontinued proceedings against the brokers and intermediaries against whom similar allegations of dealing in illiquid stock options while executing trades on behalf of clients have been levelled. We humbly submit that the same recourse ought to be adopted on an individual entity like us.*

vi. *Speaking for ourselves, we state that we had followed and complied with all the procedures and requirements of capital market while dealing through SEBI registered intermediary. All the pre-trade, trade and post trade activities were carried out on the trading, clearing and settlement system of stock exchange which itself has sophisticated on-line surveillance software and systems in place.*

Prayer

32. *Based on our aforesaid submissions, it is apparent that we were not involved in any 'modus operandi' or manipulations while dealing in option segment of BSE. There is enough material on record to suggest that no further enquiry is required in the matter. It is, therefore, humbly requested that the Show Cause Notice dated August 30, 20l8 be dropped without imposing any monetary penalty on us.*
33. *We humbly request the Ld. Adjudicating Officer that a lenient view be taken in the matter and we be discharged from captioned proceedings."*

9. On June 26, 2019, a personal hearing was conducted in respect of the Noticee wherein the authorized representative (**AR**) of the Noticee appeared for the hearing and reiterated the submissions made by the Noticee vide its reply dated June 16, 2019 and further submitted that there were no additional submissions to be placed on record.

ISSUES FOR CONSIDERATION AND FINDINGS

10. I have taken into consideration the facts and circumstances of the case, the material on record, the reply submitted by the Noticee, and also the submissions made by the AR on behalf of the Noticee during the course of personal hearing.The issues that arise for consideration in the present case are:

    1) Whether the Noticee violated the provisions of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations?

    2) Whether the Noticee is liable for imposition of monetary penalty under Section 15HA of the SEBI Act?

3) If yes, then what should be the quantum of monetary penalty?

11. It is pertinent to mention here the relevant provisions of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations, allegedly violated by the Noticee:-

Regulation 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."*

Regulation 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;"*

12. Before considering the issues which are to be examined in the instant adjudication proceedings, it is necessary to address the preliminary objection raised by the Noticee is that the SCN is erroneous and is a belated coercive use of power / action in terms of which power is sought to be used against 3-4 years back settled trades. The Noticee has further submitted that subjecting them to adjudication proceeding belatedly is unfair, unreasonable and absurd. In respect of the aforesaid contention of the Noticee for delay in initiating the current proceedings against the Noticee, I find that SEBI initiated the investigation as soon as information regarding *malafide* actions came to its notice. Further, under the SEBI Act there is no limitation on initiation of adjudication proceedings for violation of various provisions of Act and Regulations made thereunder. Delay in initiating the proceedings itself should not be a ground for discharging the Noticee.

13. The other contention of the Noticee is that inspection of documents and investigation report was not provided to it. In this regard, it is noted that all the relevant information and records which have been relied upon in respect of the Noticee were already provided to Noticee along with the SCN. The said SCN inter-alia contains the allegation of execution of non-genuine reversal trades by the Noticee resulting into generation of artificial volume. In order to substantiate the said allegation, illustration of an alleged non genuine trade of Noticee was provided, and additionally tabular details of its contract wise summary of execution of such trades were also given. It is specifically noted that SCN provides relevant narrative on reversal trades being allegedly non genuine in

nature, and further, the SCN provides trade log of all the trades executed by Noticee (along with time of orders) while dealing in F&O segment of BSE during the Investigation Period in form of **Annexure B** to the SCN, trade log of its all the alleged non genuine trades executed by Noticee (along with time of orders) during Investigation Period at BSE in form of **Annexure C** to the SCN, and detailed contract wise summary of its dealing in all the 18 contracts in which it alleged to have executed non genuine trades in the form of **Annexure D** to the SCN. Further liberty was provided to Noticee to respond to the SCN.

14. Further with regards to the above, I refer to the judgment of the Hon'ble Securities Appellate Tribunal (**SAT**), in the case of *Mayrose Capfin Private Limited V/s. Securities and Exchange Board of India* (Appeal No. 20 of 2012) dated 30.03.2012 wherein it was observed that *"The principles of natural justice require that the inquiry officer should make available such document and material to the delinquent on which reliance is being placed in the inquiry. It is not necessary for the inquiry officer to make available all the material that might have been collected during the course of investigation, but, has not been relied upon for proving charge against the delinquent. No prejudice can, therefore, be said to have been caused to the appellant on this count"*.

    In the instant proceedings, I note that the trade and order logs for the alleged non-genuine trades has been provided to the Noticee along with the SCN. Therefore, I note that all the relevant documents relied upon by SEBI have been provided to the Noticee, which were also communicated to the Noticee vide letter dated June 10, 2019. Accordingly, I do not find merit in the above contention of the Noticee.

15. With regards to the current proceedings, I note that the allegations levelled in the SCN are mainly to the effect that the Noticee has created false and misleading

appearance of trading in terms of artificial volumes in the stock options segment of BSE by way of reversal of trades in illiquid stock options and thereby the Noticee violated the provisions of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations.

16. Reversal trades have been considered 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 non-genuine trades as they are not executed in normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence, are deceptive and manipulative. From the facts/material made available, I find that the repeated reversal trades executed by the Noticee, which was observed in the present case, were undertaken with the counterparties of the Noticee with a predetermined arrangement to book profit or losses respectively, and therefore, the parties to the trades were not trading in the normal sense and ordinary course of business. Therefore, it is alleged that the Noticee by indulging in such reversal trades with the counterparties in the illiquid stock option segment at BSE has managed to generate artificial volume in the Stock Options segment at BSE during the investigation period.

17. In this regard, it is pertinently noted that the Noticee had traded in 22 unique contracts in the Stock Options segment of BSE during the above mentioned investigation period. Out of the 22 contracts, it is observed that Noticee had executed 63 non-genuine trades in 18 contracts. I note that the above mentioned trades of the Noticee had resulted in the creation of artificial volume of a total 34,58,000 units and incurring a loss of Rs. 3,25,38,900/- approx.. Further, it is observed that the trades executed by the Noticee were squared up within a short span of time with the same counterparty i.e. trades were reversed within seconds/minutes on many days. Thus, it is observed that Noticee had indulged

in reversal trades with its counterparties in the stock option segment of BSE and the same were non-genuine trades.

18. Noticee had contributed to significant 3% to 100% of the trading volume in these contracts at BSE during the above mentioned investigation period. As noted above, these trades executed by the Noticee were squared up with its counterparties within a short span of time and mostly within few seconds/minutes and with a significant price difference. The non-genuineness of these transactions executed by the Noticee is evident from the fact that there was no commercial basis to suddenly, within a matter of few seconds/minutes, reverse the position of the Noticee with its counterparties with significant price difference when the value of the underlying had not undergone any significant change. The frequent trade reversals in the said case points out to the fact that the parties to the transactions, including the Noticee, did not intend to transfer the beneficial ownership and through these orchestrated transactions, the intention of which was not regular trading, and other investors have been excluded from participating in these trades.

19. Summary of dealings of Noticee in 18 Stock Options contracts in which it allegedly executed non genuine trades during the investigation period, is as follows:

Table – Summary of dealings of Noticee in contracts wherein he executed non genuine trades

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 Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Entity in the contract to Total trades 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	ASPL15APR820.00CEW4	24.00	75000	4.00	75000	100%	50%	100%	50%
2	AXIS15APR600.00CE	11.00	66500	0.50	66500	100%	33%	100%	38%

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 Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Entity in the contract to Total trades 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
3	AXIS15MAR600.00PE	42.79	479000	25.05	479000	100%	16%	100%	22%
4	AXIS15MAR640.00PE	81.00	24000	57.00	24000	100%	4%	100%	3%
5	BIOC15APR430.00PE	11.00	10000	7.00	10000	100%	25%	100%	8%
6	BIOC15APR460.00CE	8.00	60000	2.00	60000	100%	100%	100%	100%
7	CARN15APR210.00CE	19.00	44000	11.00	44000	100%	33%	100%	30%
8	CESC15MAR500.00CE	94.04	332000	62.25	332000	100%	72%	100%	50%
9	DRRL15APR3300.00PEW4	2.50	15000	22.50	15000	100%	33%	100%	31%
10	DRRL15APR3350.00PE	38.00	7625	80.00	7625	100%	7%	100%	5%
11	DRRL15APR3700.00CEW3	4.00	15000	24.00	15000	100%	50%	100%	50%
12	DRRL15APR3700.00CEW4	3.00	10625	33.00	10625	100%	33%	100%	33%
13	HDBK15APR1020.00PEW4	18.00	62500	2.00	62500	100%	50%	100%	50%
14	HDBK15APR990.00CE	50.67	152500	34.62	152500	100%	50%	100%	54%
15	IIBK15APR880.00PEW4	22.00	117500	5.00	117500	100%	33%	100%	75%
16	KOTB15APR1290.00CE	65.00	90750	33.00	90750	100%	100%	100%	100%
17	VOLT15MAR220.00CE	57.26	89000	38.31	89000	100%	13%	98%	10%
18	YESB15APR860.00CE	16.80	80000	1.80	80000	100%	25%	100%	30%

20. From the above table, following is noted as regards to dealings of Noticee in said 18 contracts:

a) In all the above 18 contracts, all the trades executed by Noticee were non-genuine trades.

b) No. of non-genuine trades of Noticee has significantly contributed to the total no. of trades from the market in the above contracts, as a substantial 4% to 100% of the trades happened in the aforementioned contracts were due to alleged non-genuine trades executed by the Noticee.

c) A substantial 98% to 100% of volume generated by the Noticee in said 18 contracts was artificial volume, and further artificial volume generated by the Noticee also contributed to significant 3% to 100% of the total volume from the market in the said 18 contracts.

d) The non-genuine trades executed by Noticee in above contracts had significant differential in buy rates and sell rates considering that the trades were reversed on same day.

21. For the purpose of understanding, the trading pattern of the Noticee in the aforementioned 18 contracts in respect of non-genuine trades and artificial volume created by the Noticee are illustrated through the dealings of the Noticee in one of the contracts viz, **“BIOC15APR460.00CE”** as under:

Trade Date	Client Name	CP Client Name	Trade Time	Trade Rate (Rs.)	Traded Quantity
24/03/2015	CHARU MAKHIJANI	EMRALD COMMERCIAL LIMITED	15:28:33.174537	2	60000
24/03/2015	EMRALD COMMERCIAL LIMITED	CHARU MAKHIJANI	15:28:36.193779	8	60000

(a) During the investigation period, total 2 trades for 1,20,000 units were executed in the said contract on 24/03/2015, wherein Noticee was party to all the said trades.

(b) While dealing in the said contract on 24/03/2015, Noticee at 15:28:33 hrs entered into 1 sell trade with counter party viz, CHARU MAKHIJANI for 60,000 units at rate of Rs. 2 per unit. Thereafter, on the same day, within 3 seconds from the above trade, Noticee, at 15:28:36 hrs entered into 1 buy trade with same counterparty for 60,000 units at rate of Rs. 8 per unit.

(c) From the above, it is noted that while dealing in the said contract during the investigation period, Noticee executed total 2 reversal trades (1 buy trade + 1 sell trade) with same counterparty viz, CHARU MAKHIJANI on the same day and with significant price differential in buy and sell rate.

(d) Thus, Noticee, through its dealing in the contract viz, “BIOC15APR460.00CE” during the investigation period, executed 2 non genuine trades which is 100% of the total trades from the market in the said contract during the investigation period, and thereby, Noticee generated artificial volume of 1,20,000 units which is 100% of the volume traded in the said contract from the market during the investigation period.

22. From the above trading pattern of the Noticee, I note that the Noticee had bought and sold option contracts with the same counter parties and also reversed its trades on the same day, from its earlier buy / sell trades, at substantial price difference. Such pattern of dealings suggests that they were not driven by the market parameters like underlying stock price, volatility, etc.

23. I note that derivative contracts by its very nature derives its value from various factors including underlying price. The transactions of the Noticee as mentioned in above paras demonstrates that option contracts bought / sold were immediately reversed on same day at substantially different price, though there was no corresponding price changes in the underlying stock price. Further, analysis of such trades also indicates that price differentials have been deliberately structured for manipulative purposes as one party to the contract had deliberately foregone profitable proposition at the time of executing trade. Such pattern completely runs contrary to economic rationale of any investor to buy at lesser price and sell at higher price. Any rational investor would never deal in the market to deliberately register loss to facilitate buyer to profit at the time of

entering trades. Had the counterparties for trades of the Noticee been different, intraday squaring of positions would not have been possible as no genuine counter party investor would ever forego profits. The fact that the counterparties are same, corroborates that the trades were not genuine and executed for manipulative purposes.

24. Therefore, I note that the aforesaid trades of the Noticee were non-genuine and have created false or misleading appearance of trading in terms of artificial volume in stock options and therefore manipulative and deceptive in nature.

25. The entity has also contended that the underlying scrips in which they traded are highly liquid in nature. In this regard, it is noted that while the scrips were expectedly liquid in the cash market, the particular options contracts of the said scrips in which the entity has traded are illiquid as the entity itself contributed a significant 3% to 100% of the total volume across market in the said option contracts.

26. From the reply of the Noticee, I note that the Noticee has not disputed execution and subsequent reversal of trades as alleged in the SCN. The Noticee has argued that it traded in stock options on anonymous and electronic trading platform of stock exchange, which is provided by stock exchange, and its orders were matched in normal course. I also note that the Noticee had placed reliance on judgements by Hon'ble SAT in the matter of ***Jagruti Securities*** and ***SPJ Stockbroking*** to substantiate the fact that prior meeting of minds needs to be proved between clients and counterparties. In the present case, the Noticee has repeatedly executed reversal trades with the same counterparties on the same day (63 trades) and with a wide variation in the prices of the said contracts, within a short span of time indicates a prior meeting of mind with a view to execute the reversal trades at a pre-determined price. It is also pertinent to note that the

Noticee and its counterparties placed the buy and sell orders in such a manner that the time difference between the buy and sell order time in all the 63 trades was approximately less than or equal to 1 seconds. Since these trades were done in illiquid option contracts, there was no significant trading in the said contract and hence, there was no price discovery in the strictest terms. Thus, it is observed that Noticee had indulged in reversal trades with its counterparties in the stock options segment of BSE and the same were non-genuine trades.

27. It is not mere coincidence that Noticee could match its trades with the same counterparties with whom it had undertaken first leg of the respective trades. This is the outcome of meeting of minds elsewhere and it was a deliberate attempt to deal in such a fashion. Here I would like to rely on the judgment of the Hon'ble Supreme Court in ***SEBI v Kishore R Ajmera*** (AIR 2016 SC 1079), wherein it was 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 the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive..."

28. The Hon'ble Supreme Court further observed in the same matter that –

"*It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain* *basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.*"

29. The Noticee has stated that its trades have matched with different entities and the counterparties were not related to it. I note that direct evidence is not forthcoming in the present matter as regards to meeting of minds or collusion of the Noticee with other entities. However, I note that the trading behaviour of the Noticee makes it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level. In this context, I deem it appropriate to refer to the Hon'ble SAT order dated July 14, 2006, in the case of ***Ketan Parekh vs. SEBI*** (Appeal no. 2/2004), wherein the Hon'ble SAT has observed that –

"*The nature of transactions executed, the frequency with which such transactions are undertaken, the value of the transactions, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."*

30. Further, I place my reliance on the judgment of Hon'ble Supreme Court in the matter of ***SEBI v Rakhi Trading Private Limited*** *(Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018),* in which the Hon'ble Supreme Court observed 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….."

31. I note that the Noticee also stated that BSE and SEBI have themselves allowed and permitted trading in options for *'far months'* with a strike price which are at large variance to current market price. The submission of the Noticee is factual. However, I note that the price of a stock option is based on several parameters such as price of underlying stock, intrinsic value of option, expected volatility, interest rates, dividends etc. The change in price has to be justifiable based on change in the various underlying parameters. There is no justifiable basis for the wide variation in prices at which the contracts are traded within minutes and some, even seconds, except for an element of pre-determination in the prices by both counterparties when reversing the trades.

32. In this regard, reliance is also placed upon the observations of the Hon'ble Supreme Court in **Rakhi Trading** (Supra), wherein the Apex Court stated at Para 35 and Para 41 of the Order 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*". *"According to SAT, only if there is market impact on account of sham transactions, could there be violation of the PFUTP Regulations. We find it extremely difficult to agree with the proposition. As already noted above, SAT has missed the crucial factors affecting the market integrity, which may be direct or indirect. 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."

33. I note that the Noticee submitted that its transactions neither distorted the equilibrium in market nor caused any loss or prejudice to investors at large. However, I note that the Supreme Court, in ***Rakhi Trading*** (supra) has held that, *"Orchestrated trades are a misuse of the market mechanism. It is playing the market and it affects the market integrity"*. Thus, the submission of the Noticee that its transactions did not distort market equilibrium or caused any loss to investors cannot be accepted.

34. The contentions of the Noticee that there has been no cautionary warning, advisory, communication or alarm was raised by Stock Broker /BSE at any point of time or no grievance by any investor, broker, stock exchange or any other agency concerned with respect to dealing in the option segment of BSE, does not absolve the Noticee from responsibility for carrying out reversal trades which generated artificial volume without change of beneficial ownership. The trading volumes generated by the aforesaid trades of the Noticee were non-genuine and artificial. I note that the law in this regard is well-settled through the decision of the Hon'ble Supreme Court in ***Rakhi Trading*** (supra) and its observation in this regard is reiterated as follows -*"The non-genuineness of these transactions is evident from the fact that there was no commercial basis to suddenly, within a matter of minutes, reverse a transaction when the value of the underlying had not undergone any significant change."*

35. The Noticee has denied the alleged violations of the provisions of Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) of the PFUTP Regulations. The Noticee has

contended that for the transactions to be termed fraudulent as per the definition of fraud, there has to be an "inducement". In this regard, I note 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 mechanism. The non-genuine and deceptive transactions of the Noticee are 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 PFUTP Regulation and prohibited under the provisions of Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) PFUTP Regulations, thereof. In this regard, the observations of the Hon'ble Supreme Court in the case of ***Rakhi Trading*** *(supra)* on whether such reversal of trades as has been detailed above, constitutes "fraud" under PFUTP Regulations, is reproduced herein below:

> *"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. <u>In a synchronised and reverse dealing in securities, with predetermined arrangement to book loss or gain between pre-arranged parties, all these vices are attracted.</u>"*

Further in the same case, it was observed (per B. Banumathi, J. at paragraph no. 36) that:

> *"If the factum of manipulation is established, it will necessarily follow that the investors in the market have been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so widespread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of*

manipulation and the Board cannot be imposed with a burden which is impossible to be discharged."

Therefore, having already established that the trades of the Noticee were fraudulent in nature, it is not necessary to establish if such trades have actually affected / induced any investor(s).

36. Keeping in mind the dicta of the Hon'ble Supreme Court as reproduced above, I see no reason to take a different view in the present case. Therefore, I hold that the Noticee had indulged in execution of reversal trades in Stock Options with same entities on the same day, which are non-genuine in nature and had created false or misleading appearance of trading in terms of artificial volumes.

37. Therefore, I am of firm opinion that the Noticee by indulging in reversal of trades on the stock exchange platform, which are manipulative / unfair / fraudulent / non-genuine, in nature, had created artificial volumes in the contracts and thereby Noticee had violated the provisions of Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

38. At this juncture, reliance is placed upon the Order of the Hon'ble Supreme Court in the matter of ***Chairman, SEBI Vs Shriram Mutual Fund {[2006]5 SCC 361}*** – where the Hon'ble Supreme Court of India 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…..".*

39. I note that the Noticee had submitted that SEBI has discontinued proceedings against the brokers and intermediaries against whom similar allegations of dealing in illiquid stock options on behalf of clients have been levelled. In this regard, I note that the same does not absolve the Noticee with regards to the

violations committed by it, accordingly, I do not find any merit in the aforesaid submission.

40. The aforesaid violation of the provisions of PFUTP Regulations by the Noticee attract monetary penalty under Section 15HA of the SEBI Act, which at the time of the violation committed by the Noticee, *inter-alia* reads as follows:

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.*

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

"15J - Factors to be taken into account while adjudging quantum of penalty

While adjudging quantum of penalty under section 15-I or section 11 or section 11B, the Board or 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 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."*

42. As established above, the trades by the Noticee were non-genuine in nature and created a misleading appearance of trading in illiquid stock option contracts. Investigations have shown amount of profit / loss of the counterparties to the trades as a result of the non-genuine trades. However, I note that the Noticee indulged in creation of artificial volumes by way of reversal of trades in illiquid options contracts, where wider market participation was not involved in the trades, and 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. As observed in the preceding paragraphs the Noticee executed non-genuine trades in 18 contracts, wherein it executed total 63 non-genuine trades, which resulted in artificial volume of total 34,58,000 units. In all these 18 contracts, 100% trades of the Noticee were non-genuine. The number of non-genuine trades of the Noticee had contributed significantly to the total number of trades from the market in the 18 contracts, in the range of 4% to 100%. A substantial 100% of volume generated by the Noticee in 17 out of the said 18 contracts was artificial volume. Further, artificial volume generated by the Noticee also contributed to significant (in the range of 3% to 100%) of the total volume from the market in the said 18 contracts. Non-genuine trades executed by the Noticee in above contracts had significant differential in buy rates and sell rates considering that the trades were reversed on same day.

43. Such persistent trading pattern of the Noticee, which was fraudulent and deceptive, affects the normal price discovery mechanism in the securities market. People who indulge in manipulative, fraudulent and deceptive transaction, or abet the carrying out of such transaction which are fraudulent and deceptive should be suitably penalized for such acts of omissions and commissions.

ORDER

44. After taking into consideration the nature and gravity of the charges established in the preceding paragraphs, factors mentioned under Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, read with Rule 5 of the SEBI Adjudication Rules, I hereby impose a penalty of Rs. 5,00,000/- (Rs. Five Lakh Only) on the Noticee viz. Emrald Commercial Limited in terms of Section 15HA of the SEBI Act, for the violation of the provisions of Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations for indulging in execution of reversal trades in Stock Options with same entities on the same day, thereby creating artificial volume, leading to false and misleading appearance of trading in the illiquid stock options at BSE.

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 website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW.

46. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid to "The Division Chief (Enforcement Department - DRA-I), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.". The Noticee shall also provide the following details while forwarding DD / payment information:
    a) Name and PAN of the Noticee
    b) Name of the case / matter
    c) Purpose of Payment – Payment of penalty under AO proceedings
    d) Bank Name and Account Number
    e) Transaction Number

47. 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 the 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

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

Date : August 29, 2019 **G Ramar**

Place : Mumbai **Adjudicating Officer**