BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/AS/RJ/2024-25/31332]

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

In respect of:

Paritosh Saha HUF

(PAN: AAHHP8946H)

In the matter of dealing in Illiquid Stocks Options at BSE

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**"), observed large scale reversal of trades in the Illiquid Stock Options (hereinafter referred to as "**ISO**") segment of Bombay Stock Exchange (hereinafter referred to as "**BSE**") leading to creation of artificial volume. Reversal trades are the trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty. The said reversal trades are alleged to be non-genuine trades as they lack basic trading rationale and allegedly lead to false or misleading appearance of trading leading to generation of artificial volume. In view of the same, such reversal trades are alleged to be deceptive and manipulative in nature. On account of the same, SEBI conducted an investigation into the trading activities of certain entities in Illiquid Stock Options at BSE for the period April 1, 2014 to September 30, 2015 (hereinafter referred to as "**Investigation Period/IP**").

2. Pursuant to investigation by SEBI, it was observed that during IP, a total of 2,91,744 trades comprising substantial 81.41% of all the trades executed in Stock Options of BSE were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's Stock Options segment during the investigation period. It was observed that Paritosh Saha HUF (PAN AAHHP8946H) (hereinafter referred to as the **"Noticee"**) was one of the various entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. Such trades were alleged to be non-genuine in nature and created a false or misleading appearance of trading in terms of artificial volumes in stock options and therefore were alleged to be manipulative and deceptive in nature. In view of the same, SEBI initiated adjudication proceedings against the Noticee for alleged violation of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI appointed Mr. Deepesh M.U. as Adjudicating Officer in the matter vide communique dated September 27, 2021, under Section 19 read with Section 15-I of SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") to inquire and adjudge under section 15HA of SEBI Act. Pursuant to transfer of cases, the undersigned was appointed as Adjudicating Officer in the matter vide order dated September 06, 2024.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Based on the findings by SEBI, Show Cause Notice dated November 16, 2021 (hereinafter referred to as "**SCN**") was issued to the Noticee under Rule 4(1) of Adjudication Rules to show cause as to why an inquiry should not be held and penalty should not be imposed on it for the alleged violations of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations.

5. It was alleged in the SCN that the Noticee had executed two non genuine trades in one stock options contract creating artificial volume of 26,000 units on March 18, 2015. Summary of dealings of the Noticee in the said options contract, in which the Noticee allegedly executed non-genuine trades during the I.P, is as follows:

Table No. 1

Particulars	**Trade(sell)**	**Reversal trade (buy)**
Contract Name	TCOM15MAR460.00PE	
Trade Date	March 18, 2015	
Noticee's Name	Paritosh Saha HUF	
Counter party's Name	Precel Solutions Private Limited	
Traded Rate (INR)	38	18
Total Traded volume (no. of units)	13,000	13,000
Trade Value (INR)	64,74,000	62,14,000
Premium Trade Value(INR)	4,94,000	2,34,000
Noticee's Total Volume in the contract	26,000	
Artificial volume generated by the Noticee in the contract	26,000	
Total volume generated in the contract during the examination period (no. of units)	2,50,000	
Total volume generated in the contract on the day of noticee's trade (no. of units)	2,50,000	

% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract	100
% of Artificial volume generated by the Noticee in the contract to Total volume in the contract during the examination period	10.40
% of Artificial volume generated by the Noticee in the contract to Total volume in the contract during the day of noticee's trade	10.40

6. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in one contract, viz., "TCOM15MAR460.00PE" during the investigation period, as follows:

    a. During the examination period, 02 (two) trades for 26,000 units were executed by we noticee in the said contract on March 18, 2015 with the same counterparty viz., Precel Solutions Private Limited.

    b. It is observed that the noticee placed a limit order of INR 38.00/- per unit to sell 13,000 units at 10:41:23.042628 hrs, with a gap of only few seconds after the limit order entered by Precel Solutions Private Limited at 10:41:39.931949 hrs to buy the same number of units at exactly the same price. It is seen that both buy and sell orders were placed in a synchronized manner.

    c. Similarly, while reversing the trades on the same day, it is also observed that the noticee placed a limit order of INR 18.00/- per unit to buy 13,000 units at 11:38:37.562684 hrs on March 18, 2015, which got matched with the limit order entered by Precel Solutions Private Limited at 11:38:44.736579 hrs to sell at exactly the same price. It is seen that both buy and sell orders were placed in a synchronized manner.

    d. The Noticee's two trades while dealing in the abovesaid contract during the examination period allegedly generated artificial volume of 26,000

units, which made up 10.40% of total market volume in the said contract during the examination period as well as on the said date i.e. March 18, 2015.

7. The Noticee, vide letter dated December 09, 2021, *inter alia,* submitted the following reply to the SCN:

7.1. According to definition of fraud as provided SEBI Act, in order to any act as fraud it is quintessential that such act should include any one of the acts as mentioned under point no. 1 to 9 of the above list (Regulation 2(c) of PFUTP Regulations). In the present case the noticee has not done any acts specified in the list above. Consequently, the trades done by the noticee cannot be as trades carried out in a fraudulent manner.

7.2. Also, one of the essential ingredient of the definition of fraud as envisaged under the SEBI Act is "to induce another person or his agent to deal in securities". In the present case the noticee has entered into single intraday trade. Such a miniscule level of trading activity cannot induce any person to deal in any security. Also, no material has been brought on record or brought out in the notice which factually states that our trades have in fact induced or were intended to induce any other person to trade in the option contract in question.

7.3. Without any material evidence substantiating the allegation levelled against the noticee, a mere bald statement bereft of any factual foundation is indefensible. In case any such material exists at your end then noticee must be afforded a proper opportunity to rebut the same.

7.4. The only act done by the noticee in regard to the trades as mentioned under Annexure-C to the Show Cause Notice is placing orders on advice of broker which, by no stretch of imagination a fraudulent act or a scheme or device in contravention of the SEBI Act or any of its regulations.

7.5. A general allegation based on some investigation, the findings or methodology of which were never confronted with the noticee is against the principles of natural justice and such a frivolous accusation against the noticee should be dropped.

7.6. Non genuine means something which is not genuine, not real. It bears noting that the gain or loss arising from these contracts was settled by the clearing corporation of BSE, and same was Collected/ paid to respective clients by BSE through respective brokers. BSE had collected transaction charges on these transactions, stamp duty was collected by State government through BSE, SEBI had collected turnover fees and the broker had collected his brokerage. This was done for both ends of the transaction. The volume was recorded by BSE and is part of historical data. Thus, the trading did not have the character of false or misleading appearance of trading and the volume was not artificial and trade genuine, as the trades were acted upon by all the entities involved.

7.7. It is powers of BSE and the Clearing Corporation to cancel non-genuine trades but the same was not done as the trades were found genuine. It has also not been alleged that someone was misled by such trades or that such trades were false or misleading

7.8. The allegations laid down in the Show Cause Notice are clearly erroneous and misguided because of the following reasons

7.8.1. The noticee has made trades on a very miniscule level. The volume of trades of the noticee comprises only about 10.40 % of the total volume of trades in the security. All these circumstances in no manner suggest that the noticee was trying to manipulate prices or was trying to create a false appearance of trading in the security

7.8.2. In the case of Rajesh Kumar vs. SEBI the Hon'ble SAT has held that where there was no finding of any collusion of appellant with other noticees or with seller and the trades executed by the appellant were

a small fraction of the total shares then in such a case no adverse inference could be drawn against the appellant.

7.8.3. *The noticee has only a single sell order and a single but order in the said security. Such a miniscule level of activity as compared to the other securities traded can in no manner generate any level of significant volume as contemplated under Regulation 4 (2)(a) of the PFUTP Regulations.*

7.8.4. *The SCN alleges that since the trades were reversed in the same date they are indicative of artificial and non-genuine trades. It is respectfully submitted that intra-day trading is a very common market phenomenon.*

7.8.5. *Even if for sake of argument it is assumed that trades which are reversed on the same day are non-genuine and are only done to enhance the trading volume in order to mislead the general public then every person who has ever made any intraday trade is subject to penalty under Section 15HA, such an absurd interpretation of law clearly does not holds water should be discouraged.*

7.8.6. *As for the matter of gap of few seconds between the order placed the noticee and the order placed bv the counterparty, it is because the counterparty was consistently observing the market movement of scripts. Such an event is not indicative of any synchronized trading or any other fraudulent act. Also, the SCN does not provides any factual findings regarding any alleged collusion' synchronized trading.*

7.8.7. *In the case of Jyoti Jhavs. SEBI 125 taxmann.com178 Hon'ble SAT has clearly held that placing order in the system in small quantities can be a indication that a trader observing the movement of the scrip could be placing orders in system without any intention to manipulate the market.*

7.8.8. Between the buy order and the sell order of the noticee there was considerable time gap of up to almost 57 Minutes. During the intervening period all market participants were at liberty to trade or place orders for the security in consideration. These set of facts in no manner suggest that such trades were synchronized. The preponderance of probabilities in this case point to genuine trades executed in the normal course of trading.

7.8.9. Essential feature of a reversal trade is 'meeting of mind', meaning both buyer and seller being on the same page to execute a trade at the same time at the same price. Such meeting of mind is possible only if the buyer and seller are known to each other. It is known that trading on Stock Exchanges takes place anonymously and identity of buyer and seller is not known to anyone. As is discernible from the data provided with the Notice, all the orders placed were open orders, meaning for the entire trading universe to see and act upon. Thus the trades ultimately executed by the noticee cannot be called synchronized or reversal and it does not conclude collusion and meeting of mind in any manner.

7.8.10. The noticee is not aware of the identity of the counter party namely Precel Solutions Private Limited, or which city do they belong to or who their broker is. There cannot be collusion or meeting of mind unless the buyer and seller are known to each other. The name has appeared before the noticee for the first time in the Notice. No allegation to the effect that buyer and seller knew each other has been made in the Notice. Thus, the noticee denies that these were reversal trades.

7.8.11. The fact that both legs of the transaction were executed with the same counterparty is a result of mere coincidence. Such an event is very much likely as the Option segment of the BSE by its inherent

nature was illiquid at the time. BSE itself rolled out many incentive schemes for trading in the option market in order to increase the liquidity of the market.

7.8.12. If there are only few participants in the market, it is a very likely that the counterparties to the may be same entities during both the legs of an intra-day transactions.

7.8.13. Thus, it is submitted that on the touchstone of time gap between placements of order and the due to inherent nature of the options market such trades cannot be termed no genuine. Preponderance of probability in this case clearly points to a genuine trade executed in the normal course of trading.

7.8.14. All these circumstances clearly establish that the noticee was merely speculating on the advice of broker and by no stretch of imagination, the noticee has indulged in any manipulative or fraudulent activity by creating artificial volumes in trading in order to dupe or perpetrate a fraud against the market practice.

7.8.15. The security or option in which the noticee has made trades was created by the stock exchange itself. No red flags were raised at the time of making such trades by the exchange or the broker of the noticee. A single isolated intraday trade cannot be treated as a trade done in order to create artificial volume in trading after a period of almost 6 years.

7.8.16. The inordinate delay in issuing Notice has caused prejudice to the Noticee as in the meanwhile valuable rights have accrued upon the Noticee. Thus, the Notice deserves to be withdrawn as issued beyond a reasonable period.

7.8.17. Also, nowhere in the show cause notice it has been mentioned or specified that the noticee was related to the third party as mentioned under the Annexure of the notice. In absence of a specific finding

concluding that there was collusion by the parties involved in the transactions the charges under Regulation 4 cannot be levelled against the noticee. The charge of raising price artificially has to be established and the element of collusion between the buyer and the seller is a sine qua non. We hereby reiterate that in the absence of any finding of collusion between the buyer and the seller the charge of artificially raising the prices or volume of a particular security cannot be sustained. This view has been further substantiated by the Hon'ble SAT in the case of Jagruti Securities Limited vs. SEBI (Appeal No. 102 of 2006 on Oct 7, 2008) and also in the case of Vikas Ganeshmal Bengai vs. Whole Time Member, SEBI (Appeal No. 225 of 2009 decided on Feb 25, 2010).

7.8.18. Also, the case of SEBI vs. Kishore R. Aimera and Rakhi Trading are not applicable because the facts of the present case are materially different. The Hon'ble Supreme Court in its order has stated that if other preconditions for levying the charge under PFUTP are present then the collusion of minds can be presumed but in the present case, since the level of transactions is miniscule, the prices have not been manipulated in any manner whatsoever and such trades have not resulted any sort of inducement of any third party to trade in the said securities therefore the charge of manipulation of the market price or artificial volume which creates an appearance of trading cannot be levelled against the noticee even if collusion is presumed. Also. if the test of preponderance of probabilities is applied then all facts and circumstances suggest that trades made in the ordinary course of trading and penalty as envisaged under section 15HA is not applicable.

7.8.19. In the case of SEBI vs. Kishore M. Ajmera the Hon'ble Apex court has directed that in case direct evidence for an allegation is lacking

then an inference can be made after considering all the facts circumstances surrounding the allegations. In the present case the facts and circumstances clearly point that a single intraday trade made on the advice of broker on a miniscule level is not a fraudulent or manipulative act, intended to induce other market participants to trade or to create a misleading appearance of trading.

7.8.20. In the case of M/S Nishit M Shah HUF vs. SEBI the Hon'ble SAT after considering the case of SEBI vs. Kishore R. Ajmera and other case laws as mentioned above has held as follows: -

7.8.21. Since no direct evidence is forthcoming we have to see the indirect connection which is that the appellant was selling small quantities of scrips. Trading in small quantities in scrips is per se not impermissible held in Ajmera's case (supra). If trading in miniscule amount leads to an increase in the price of the scrips one can presume or infer that the trading is manipulative but such trading cannot happen unilaterally. There must be evidence t? shop collusion between the buyer and the seller. In the instant case there is none. The principle of preponderance of probability cannot be exercised in the absence of any connection between the seller and the buyer…."

8. Thereafter, vide Post SCN Intimation (hereinafter referred to as "**PSI**") dated August 10, 2022, Noticee was informed that SEBI has introduced a Settlement Scheme i.e. SEBI Settlement Scheme, 2022 (hereinafter referred to as "**Settlement Scheme 2022**") in terms of Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as "**Settlement Regulations**"). It was further informed that the Settlement Scheme, 2022 provided a one time opportunity to the entities against whom proceedings had been initiated and appeals against the said proceedings

are pending before any forum or authority. The scheme commenced from August 22, 2022 and closed on November 21, 2022.

9. Pursuant to that, vide public notice dated November 21, 2022, it was advertised/informed that "*Considering the interest of entities in availing the Scheme, the competent authority has extended the period of the Scheme till January 21, 2023*".

10. It was observed that Noticee did not avail the Settlement Scheme 2022, in view of which, the adjudication proceeding against the Noticee was resumed.

11. In the interest of natural justice, vide notice of hearing dated May 02, 2023, Noticee was granted opportunity of being heard on May 09, 2023.

12. In response, Noticee, vide email dated May 08, 2023, *inter alia,* reiterated its earlier submissions and showed its inclination to settle the instant proceedings under the Settlement Scheme.

13. Subsequently, a second PSI dated March 06, 2024, was issued to the Noticee wherein it was informed to the Noticee that SEBI introduced another Settlement Scheme i.e. SEBI Settlement Scheme, 2024 (hereinafter referred to as "**Settlement Scheme 2024**") in terms of Regulation 26 of Settlement Regulations. It was informed that the Settlement Scheme, 2024 provided opportunity to the entities against whom proceedings had been initiated and appeals against the said proceedings are pending before any forum or authority. The scheme commenced from March 11, 2024 to May 10, 2024. The Noticee, vide email dated March 06, 2024, acknowledged the receipt of the said second PSI and informed that they will reply soon. It is observed that as per records no further reply was received.

14. Further, vide Public Notice dated May 08, 2024, the Settlement Scheme 2024 was extended till June 10, 2024 by SEBI.

15. It is observed that Noticee did not avail the Settlement Scheme 2024 and accordingly, the adjudication proceeding against the Noticee was resumed.

16. In the interest of natural justice, vide notice of hearing dated January 01, 2025, Noticee was granted another opportunity of being heard. The hearing was held on January 27, 2025. The authorized representative (hereinafter referred to as "**AR**") of the Noticee reiterated the submissions made by the Noticee vide letter dated December 09, 2021 and email dated May 08, 2023. Further, AR requested for providing all the relied upon documents in the matter. In this regard, AR was informed that all the relied upon and relevant material have already been provided to the Noticee.

CONSIDERATION OF ISSUES AND EVIDENCE

17. I have carefully perused the charges levelled against the Noticee in the SCN, its reply and the material / documents available on record. In the instant matter, the following issues arise for consideration and determination:

I. **Whether the Noticee has violated Regulations 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations?**

II. **Do the violations, if any, on the part of the Noticee attract monetary penalty under section 15HA of SEBI Act?**

III. **If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?**

18. Before proceeding further, I would like to refer to the relevant provisions of the PFUTP Regulations:

Relevant provisions of PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly –

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognised 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 recognised 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 recognised stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

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

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

Issue No. 1: Whether the Noticee has violated provisions of Regulations 3(a), (b), (c), (d) and Regulation 4(1) and 4(2)(a) of PFUTP Regulations?

19. Before proceeding to the merits of the case, it is pertinent to deal with the preliminary contentions with respect to delay raised by Noticee. In this regard, I note that pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, Interim order was passed by SEBI on August 20, 2015 which was confirmed vide Orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation relating to the stock options segment of BSE which was completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock option segment during the investigation period. The proceedings initiated vide the aforementioned Interim Order were disposed of vide Final Order dated April 05, 2018 also considering that appropriate action was initiated against the said 14, 720 entities in a phased manner. During the course of hearing in the case of R. S. Ispat Ltd Vs SEBI, the Hon'ble Securities Appellate Tribunal (SAT), vide its Order dated October 14, 2019, inter alia observed that "SEBI may consider holding a Lok Adalat or adopting any other alternative dispute resolution process with regard to the Illiquid Stock Options".

20. A Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided a one-time opportunity for settlement of proceedings in the Illiquid Stock Options matter. The said scheme was kept open from August 01, 2020 till December 31, 2020. Adjudication proceedings were initiated against those entities who had not availed of the opportunity of settlement. Further, another settlement scheme i.e. **Settlement Scheme 2022** was introduced from August 22, 2022 to November 21, 2022. Finally, third settlement scheme i.e. **Settlement Scheme 2024** was introduced from March 11, 2024 till June 10, 2024.

21. It is further noted that there are no timelines prescribed in the SEBI Act, 1992 for the purpose of identifying trades as non-genuine. In this regard, it is pertinent to

note that, in the matter of **SEBI v. Bhavesh Pabari** (2019) SCC Online SC 294, the Hon'ble Supreme Court of India has, inter alia, held that:

> "*There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."*

22. As can be seen from the narration of facts in the foregoing paragraphs, pursuant to appointment of AO on September 27, 2021, SCN dated November 16, 2021 was issued to the Noticee. First PSI dated August 10, 2022 was issued to Noticee to inform about the second Settlement Scheme 2022. As the Noticee did not avail the settlement scheme, in the interest of natural justice, Noticee was provided opportunities of hearing on May 09, 2023. Subsequently, the Noticee was informed regarding the Settlement Scheme 2024 vide second PSI dated March 06, 2024. As the Noticee had not availed the third settlement scheme, Noticee was provided an opportunity of personal hearing on January 27, 2025. Hence, there has been no delay as alleged by the Noticee.

23. Noticee has contended that the allegations in the present case are vague and generic. Noticee has further stated that the SCN has not specifically provided the violations allegedly committed by the Noticee. Adding on, Noticee has contended that instant proceedings have been initiated against the Noticee without any material evidence substantiating the allegation levelled. Here, I note that the SCN issued to the Noticee clearly indicates the specific non-genuine reversal trades that were entered by the Noticee on the same day with the same counterparty at a substantial price difference without any basis for significant change in the contract prices. Further, I find that the SCN provides all necessary documents in support of the allegations made therein. The SCN issued to the Noticee explicitly provides

the specific nature of the alleged violations in terms of different provisions of the PFUTP Regulations. In this context, I note that the SCN clearly lays out the clear allegations and provides details thereof, including supporting documents. Accordingly, this contention of the Noticee cannot be accepted.

24. I note that it is alleged that the Noticee, while dealing in the stock option contract at BSE during the IP, had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock option contracts at BSE. Reversal trades are considered to be those trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non-genuine trades as they are not executed in the normal course of trading, lack basic trading rationale, lead to false or misleading appearance of trading in terms of generation of artificial volumes and hence, are deceptive and manipulative.

25. From the documents on record, I note that the Noticee was one of the entities who had indulged in creating artificial volume of 26,000 units through two non genuine reversal trades in one stock options contract during IP. The summary of trades is given below:

Table No. 2

Contract name	Avg. buy rate (in Rs.)	Total buy volume (no. of units)	Avg. sell rate (in Rs.)	Total sell volume (no. of units)	% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract	% of Artificial volume generated by the Noticee in the contract to Total volume in the contract
A	B	C	D	E	F	G
TCOM15MAR460.00PE	18	13,000	38	13,000	100	10.40

26. On March 18, 2015, the Noticee, at 10:41:39 hours, entered into a sell trade in a contract named viz, "TCOM15MAR460.00PE" with counterparty, Precel Solutions Private Limited for 13,000 units at Rs. 38 per unit. On the same day, within a few minutes, at 11:38:44 hours, the Noticee entered into a buy trade with the same counterparty, for 13,000 units at Rs. 18 per unit. It is noted that while dealing in the said contract during the IP, the Noticee executed a total of two trades (one buy trade and one sell trade) with the same counterparty viz, Precel Solutions Private Limited on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's two trades while dealing in the aforesaid contract during the investigation period generated artificial volume of 26,000 units, which made up 10.40% of total market volume in the said contract during this period.

27. Noticee has contended that the trades of the Noticee were too minuscule to generate any such misleading appearance, and hence, an inference of fraud or undue trade practices should not be drawn against the Noticee. In this regard, I note that the Noticee executed reversal trades which defy market rationality when looked at along with attending circumstances *in toto*. Further, I find it pertinent to mention that the framework of the extant regulations does not carve out any de minimis rule for any person on the basis of the volume of the transactions. Thus, the contention that the quantity of their trade was too minuscule to warrant any charge of fraud under PFUTP Regulations is misplaced.

28. Noticee has contended that the instant trades were executed on the advice of the broker. In this regard, I note that no material/documents have been adduced by the Noticee in support of its submissions. Even if the said trades were executed on the advice of the broker, it in no manner exonerates the Noticee from the instant violations. Therefore, this contention of the Noticee is bereft of any merit and hence, cannot be accepted.

29. Noticee has further contended that the trades executed were subject to regulatory supervision, and were not questioned at the time of execution, so the impugned trades which were cleared were genuine. In this regard, I note that the obligation to ensure the genuineness of trades lies squarely on the entities executing the trades and the Noticee is bound to comply with PFUTP Regulations, 2003 in letter and spirit while dealing in the securities market. Thus, the contentions of the Noticee are not tenable.

30. Noticee has further stated that in order for any act to qualify as fraud it is quintessential that such an act should include any one of the acts as mentioned under point nos. 1 to 9 of the Regulation 2(c) of the PFUTP Regulations. From perusal of Regulation 2(c) of the PFUTP Regulations, I note that the ambit of the fraud under PFUTP is not limited to the instances provided in point nos. 1 to 9 of the said Regulation 2(c) of the PFUTP Regulations. In this regard, I further note that point nos. 1 to 9 of the PFUTP Regulations merely provide an illustrative list of instances that squarely fall within the ambit of fraud under PFUTP Regulations and can in no manner be said to be exhaustive. Therefore, this contention of the Noticee lacks merit and hence cannot be accepted.

31. Noticee has contended that it was not related to the counterparty and there was no collusion of any kind with the counterparty. Noticee further submitted that due to the anonymous trading system, it is not possible for anybody to have access to the identity of the counter parties. Noticee has stated that it was a matter of absolute coincidence that the trades were matched with the same counterparty. Further, Noticee has submitted that the impugned trades fall within the ambit of intraday trading and merely on the touchstone of time gap between placements of order and the inherent nature of the options market such trades cannot be termed non genuine. Noticee has also highlighted the fact that there was a considerable time gap of up to almost 57 minutes between the buy order and the sell order of the noticee. Moreover, Noticee has stated that no material has been brought on

record or brought out in the notice which factually states that our trades have in fact induced or were intended to induce any other person to trade in the option contract in question.

32. In this regard, I note that the non-genuineness of these transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within a short span of time, the Noticee reversed the position with the same counterparty with significant price difference on the same day. The fact that the transactions in a particular contract were reversed with the same counterparties indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid option contracts, there was negligible trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contract, within a short span of time, is a clear indication that there was pre-determination in the prices by the counterparties while executing the trades. Thus, it is observed that Noticee had indulged in reversal trades with its counterparty in the stock options segment of BSE and the same were non-genuine trades.

33. It is also noted that it is not mere coincidence that the Noticee could match their trades with the same counterparty with whom they had undertaken the first leg of the respective trades. The fact that the transactions in a particular contract were reversed with the same counterparty for the same quantity of units, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. It is further noted that direct evidence is not forthcoming in the present matter as regards to meeting of minds or collusion with other entities inter-alia the counterparties or agents/fronts. However, trading behaviour as noted above make it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level.

34. Here I would like to rely on the following judgement of Hon'ble Supreme Court in **SEBI v. Kishore R Ajmera** (AIR 2016 SC 1079), wherein it was held that:

> "...*According to us, knowledge of who the 2nd party / client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naïve to rest the final conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming...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.*
>
> *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.*"

35. The observations made in the aforesaid judgment of Hon'ble Supreme Court apply with full force to the facts and circumstances of the present case. Therefore, applying the ratio of the above judgments, it is observed that the execution of trades by the Noticee in the illiquid options segment with such precision in terms of order placement, time, price, quantity etc. and also the fact that the transactions were reversed with the same counterparty clearly indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. The only reason for the wide variation in prices of the same contract, within a short span of time, was a clear indication that there was pre-determination in the prices by both the counterparty 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 of the Noticee with its counterparty to carry out the trades at pre - determined prices.

36. It is also relevant to refer to judgement of the Hon'ble Securities Appellate Tribunal in the matter of **Ketan Parekh v. SEBI** (in Appeal No. 2 of 2004; date of decision July 14, 2006):

> *"In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread 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 law can never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4 (a) of the Regulations."*

37. In this regard, reliance is placed on judgment of Hon'ble Supreme Court in the matter in respect of **SEBI v. Rakhi Trading Private Limited,** Civil Appeal Nos.

1969, 3174-3177 and 3180 of 2011, decided on February 8, 2018 on similar factual situations, which, *inter alia,* states 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….."*

38. Therefore, the trading behaviour of the Noticee confirms that such trades were not normal, indicating that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in respective contracts. In view of the above, I find that the allegation of violation of regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) of PFUTP Regulations by the Noticee stands established.

Issue No. 2: Do the violations, if any, on the part of the Noticee attract monetary penalty under section 15HA of SEBI Act?

39. Considering the findings that the Noticee as mentioned above has executed non-genuine trades resulting in the creation of artificial volume, thereby violating the provisions of Regulation 3(a), (b), (c) & (d) & Regulation 4(1) and 4(2)(a) of the PFUTP Regulations and in terms of the judgement of Hon'ble Supreme Court of India in the matter of **SEBI v. Shriram Mutual Fund** [2006] 68 SCL 216 (SC) decided on May 23, 2006, wherein it was 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. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.", I am convinced that it is a fit case for imposition of monetary penalty under the provisions of Section 15 HA of SEBI Act which reads as under:

"Penalty for Fraudulent and Unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher."

Issue No. 3: If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?

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

Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 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.]

41. As established above, the trades by the Noticee were non-genuine in nature and created a misleading appearance of trading in the aforesaid contract. I note that when the impact of artificial volume created by the two counterparties is seen as a whole, it is not possible, from the material 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. Further, the material available on record does not demonstrate any repetitive default on the part of the Noticee. However, considering that the two non-genuine trades entered by the Noticee in one contract led to creation of artificial trading volumes which had the effect of distorting the market mechanism in the Illiquid Stock Options segment of BSE, I find that the aforesaid violations were detrimental to the integrity of securities market and therefore, the quantum of penalty must be commensurate with the serious nature of the aforesaid violations.

ORDER

42. In view of the above, after considering all the facts and circumstances of the case and the factors mentioned in the provisions of Section 15J of the SEBI Act, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, conclude that the proceedings against the Noticee stands established in terms of the provisions of the SEBI Act. Hence, in view of the charges established under the provisions of the SEBI Act, I, hereby impose monetary penalty of **Rs. 5,00,000/- (Rupees Five Lakh only**) on the

Noticee (Paritosh Saha HUF) under section 15HA of SEBI Act for the violation of Regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) of PFUTP Regulations. I am of the view that the said penalty is commensurate with the violations committed by Noticee.

43. The Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order in either of the way, such as by following the path at SEBI website www.sebi.gov.in:
ENFORCEMENT >Orders >Orders of AO> PAYNOW;

44. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon*, inter alia*, by attachment and sale of movable and immovable properties of Noticee.

45. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to SEBI.

Place: Mumbai **ASHA SHETTY**

Date: March 27, 2025 **ADJUDICATING OFFICER**