BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: AO/SBM/EAD-1/11/2019)

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

In respect of:

Ashok Investors Trust Limited

PAN: AACCA5450B

A - 2 Wing, 201, Kailash Complex,
LBS Marg, Bhandup West,
Mumbai-400078

31, K.B Sarani,
Mall Enclave Block-A, 2nd Floor
Kolkata-700080

In the matter of

Dealing in illiquid stock options at BSE

FACTS OF THE CASE

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. 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 and manipulative in nature.

3. It was observed that M/s Ashok Investors Trust Ltd.(hereinafter referred to as "**Noticee**") was one of the various entities which indulged in the execution of the non-genuine trades in the Stock Options Segment at BSE during the above referred investigation period. It was observed that the 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. Therefore, it is alleged that Noticee had executed the reversal trades which were non-genuine in nature and have created a 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 Regulations 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 observations, adjudication proceedings have been initiated against the Noticee under the provisions of section 15 HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**).

APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned was appointed as the Adjudicating Officer, vide Order dated May 29, 2018 under Section 19 read with Section 15-I of the SEBI

Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under the provisions of section 15HA of the SEBI Act for the aforementioned alleged violation of the provisions of law by the Noticee.

SHOW CAUSE NOTICE, HEARING AND REPLY

5. Show Cause Notice ref. SEBI/HO/EAD/25304/2018 dated August 27, 2018 (hereinafter referred to as '**SCN'**) was issued to the Noticee in terms of Rule 4 of the Adjudication Rules requiring the Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed on the Noticee under the provisions of section 15HA of the SEBI Act.

6. The SCN issued to the Noticee, *inter alia*, mentioned the following-:

   i. *It is observed from the trade log of the Noticee that it had traded in 27 unique contracts in the Stock Options segment of BSE during the relevant period, in which it has allegedly entered into non genuine trades in all 27 contracts wherein it executed a total of 157 trades all of which were allegedly non genuine trades. In view of this, it is alleged that the abovementioned trades of the Noticee had resulted into creation of artificial volume of total 84,62,000 units in the given 27 contracts. It is further alleged that the Noticee, by executing non genuine trades during the relevant period, registered a negative close out difference of Rs. 2,11,87,650.*

   ii. *Further, Summary of dealings of Noticee in 27 Stock Options contracts in which it had allegedly executed non genuine trades during the relevant period is as follows:*

   Table 2 – Summary of dealings of Noticee in contracts wherein it executed non genuine trades

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume	Avg. Sell Rate (Rs.)	Total Sell Volume	% of Non Genuine trades of Noticee in	% of Non Genuine trades of Noticee in	% of Artificial Volume generated by	% of Artificial Volume generated

			(no. of units)		(no. of units)	the contract to Noticee's Total trades in the Contract	the contract to Total trades in the Contract	Noticee in the contract to Noticee's Total Volume in the Contract	by Noticee in the contract to Total Volume in the Contract
1	ADPW15JUN20.00CE	8.15	128000	4.65	128000	100%	100%	100%	100%
2	ADPW15JUN44.00PEW1	5.00	196000	3.29	196000	100%	100%	100%	100%
3	AMTK15FEB150.00CE	19.61	150000	9.40	150000	100%	61%	100%	43%
4	AMTK15FEB150.00CEW3	14.75	110000	8.60	110000	100%	70%	100%	68%
5	ANBK15JUN60.00CE	13.22	212000	7.13	212000	100%	33%	100%	24%
6	ANBK15JUN75.00CEW1	6.00	224000	3.33	224000	100%	100%	100%	100%
7	ANBK15JUN85.00PE	11.50	100000	9.00	100000	100%	100%	100%	100%
8	APLT15FEB170.00CE	16.86	102000	7.80	102000	100%	50%	100%	50%
9	BHEL15FEB250.00CE	16.65	156000	7.30	156000	100%	100%	100%	100%
10	CANB15FEB410.00CEW1	36.20	102000	26.40	102000	100%	100%	100%	100%
11	CANB15FEB420.00CEW1	24.88	145000	17.86	145000	100%	100%	100%	100%
12	DABU15FEB230.00CEW1	30.72	100000	16.00	100000	100%	50%	100%	50%
13	DISH15FEB100.00PEW1	27.00	100000	18.18	100000	100%	100%	100%	100%
14	DISH15JUN95.00CEW1	8.40	136000	4.00	136000	100%	13%	100%	42%
15	DLFL15FEB190.00PEW1	20.19	150000	10.20	150000	100%	100%	100%	100%
16	DLFL15JUN110.00CEW1	10.50	66000	5.50	66000	100%	100%	100%	100%
17	HXTL15FEB210.00CEW1	26.04	100000	17.00	100000	100%	100%	100%	100%
18	IBRL15JUN45.00CE	10.20	228000	5.40	228000	100%	20%	100%	45%
19	IFCI15JUN24.00CEW1	7.50	120000	3.40	120000	100%	8%	100%	20%
20	IFCI15JUN36.00PE	9.20	280000	5.60	280000	100%	50%	100%	59%
21	IOBL15JUN36.00CEW1	9.00	108000	5.30	108000	100%	33%	100%	38%
22	JPPW15JUL2.00CEW4	5.10	380000	3.10	380000	100%	100%	100%	100%
23	PTCI15JUN60.00CEW1	12.00	112000	7.20	112000	100%	50%	100%	68%
24	SAIL15JUN60.00CEW1	8.50	112000	5.70	112000	100%	17%	100%	16%
25	SYND15JUN105.00CEW1	15.63	38000	8.00	38000	100%	100%	100%	100%
26	UNIT15JUN10.00CEW1	5.23	234000	3.55	234000	100%	67%	100%	41%
27	UNIT15JUN18.00PEW1	4.54	342000	2.53	342000	100%	50%	100%	53%

iii. From the above table, the following may be observed regarding the dealings of the Noticee:

- *Noticee has allegedly executed non genuine trades in 27 contracts, wherein in all these contracts all the trades that had been executed by the Noticee were allegedly non- genuine trades.*
- *Number of trades of Noticee, which are alleged to be non-genuine, have contributed significantly when compared with the total number*

of trades from the market in the above contracts. The alleged non genuine trades of the Noticee ranged from 8% to 100% of the total trades that had happened in the aforementioned contracts.

- *The whole volume of 84,62,000 units generated by the Noticee in all of the above contracts due to its alleged non genuine trades was artificial volume, and further, this alleged artificial volume, generated by the Noticee, also contributed significantly to the extent of 16% to 100% of the total volume in said contracts in the market.*
- *These alleged 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. The Noticee has allegedly engaged in the non-genuine transactions in the option segment of BSE for the purpose creating false appearance of trading.*

iv. *For the sake of clarity on non-genuine trades and artificial volume, a contract viz, "DISH15FEB100.00PEW1" in which Noticee has also traded during the Investigation period, is shown below covering all trades that are executed by the Noticee in the said contract during Investigation period:*

Table 1 -Details of Non-genuine trades in the contract "DISH15FEB100.00PEW1" by the Noticee

Sl.	Date	Buyer	Seller	Buy Order Time	Sell Order Time	Trade Time	Trade Rate (Rs.)	Trade Quantity
1	03/02/2015	Ashok Investors Trust Limited	N M Impex Private Limited	14:03:02.883179	14:03:01.988784	14:03:02.883179	27	100000
2	03/02/2015	N M Impex Private Limited	Ashok Investors Trust Limited	14:04:23.792355	14:04:23.387147	14:04:23.792355	25.1	4000
3	03/02/2015	N M Impex Private Limited	Ashok Investors Trust Limited	14:04:30.593119	14:04:30.288759	14:04:30.593119	23.4	4000
4	03/02/2015	N M Impex Private Limited	Ashok Investors Trust Limited	14:04:36.393950	14:04:36.087759	14:04:36.393950	21.1	4000
5	03/02/2015	N M Impex Private Limited	Ashok Investors Trust Limited	14:04:41.692741	14:04:41.487656	14:04:41.692741	18.6	4000

6	03/02/2015	N M Impex Private Limited	Ashok Investors Trust Limited	14:06:19. 116069	14:06:19. 349942	14:06:19. 349942	17.2	16000
7	03/02/2015	N M Impex Private Limited	Ashok Investors Trust Limited	14:06:41. 817744	14:06:41. 951114	14:06:41. 951114	17.25	12000
8	03/02/2015	N M Impex Private Limited	Ashok Investors Trust Limited	14:07:04. 818704	14:07:04. 451531	14:07:04. 818704	18	16000
9	03/02/2015	N M Impex Private Limited	Ashok Investors Trust Limited	14:07:24. 019898	14:07:24. 554056	14:07:24. 554056	17.25	16000
10	03/02/2015	N M Impex Private Limited	Ashok Investors Trust Limited	14:08:00. 622738	14:08:00. 855819	14:08:00. 855819	17.45	24000
		Total						**2,00,000**

- *It is observed from the trade log that the Noticee had executed total 10 trades during Investigation period in the contract "DISH15FEB100.00PEW1" and in all these instances trading happened only on February 03, 2015.*
- *It is further observed that the Noticee, at 14:03:02 hrs placed a buy order for 1,00,000 units of put option of contract "DISH15FEB100.00PEW1" at a price of Rs. 27. This buy order of the Noticee got matched with the sell order of another entity named N M Impex Private Limited, which itself had placed a sell order for 1,00,000 units in the same contract at 14:03:01 hrs i.e. just few milliseconds before the buy order placed by the Noticee.*
- *Thereafter, the Noticee, from 14:04:23 hrs to 14:08:00 hrs, placed 9 sell orders for a total of 1,00,000 units of put option of contract "DISH15FEB100.00PEW1" at a price range of Rs. 17.45 to Rs. 25.10. These sell orders of the Noticee got matched with the 9 buy orders of N M Impex Private Limited, which itself had placed 9 buy orders for 1,00,000 units in the same contract from 14:04:23 hrs to 14:08:00 i.e. within few milliseconds of the sell orders placed by the Noticee. Thus the buy order placed by the Noticee at Rs. 27 was reversed with the same counterparty at a range of Rs. 17.45 to Rs. 25.10, within few minutes.*

- *From the above, it is seen that total no. of non-genuine trades that were executed in contract "DISH15FEB100.00PEW1" by the Noticee were 10 (as listed in table 1 above), and total artificial volume generated through such non genuine trades was 2,00,000.*

7. The SCN issued to the Noticee was duly served on the Noticee and the same is evident from the postal records. However, the Noticee did not submit any reply to the SCN. Thereafter, vide letter dated January 10, 2019, the Noticee was advised to submit its reply to the SCN on or before January 22, 2019. Further, in the interest of natural justice, Noticee was also provided with an opportunity of personal hearing in the matter on January 29, 2019. I note from the postal records that the letter dated January 10, 2019 was duly served on the Noticee. However, I note that the Noticee has not only failed to submit its reply to the SCN but also failed to appear for the personal hearing on the stipulated date i.e. January 29, 2019. In this context, I would like to place reliance on the Order dated February 11, 2014 passed by the Hon'ble Securities Appellate Tribunal (SAT) in the matter of Sanjay Kumar Tayal and Ors. vs SEBI (Appeal No 68 of 2013), wherein SAT had observed that *"........................... As rightly contended by Mr. Rustomjee, the learned senior counsel for respondents, appellants have neither filed any reply to the show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted the charges leveled against them in the show cause notices ......"*

   In view of the above reasons, I am compelled to proceed further in the matter on the basis of material/facts available on record.

<u>CONSIDERATION OF ISSUES AND FINDINGS:</u>

8. I have taken into consideration the facts and circumstances of the case and the material available on record. The allegation against the Noticee is that, while dealing in the Stock Option contracts at BSE during the Investigation period, the Noticee has executed several reversal trades in the

aforementioned stock options contracts which were non-genuine trades and the same has resulted in the generation of artificial volume in Stock Option contracts at BSE. In view of the same, it is alleged that Noticee has violated the provisions of Regulations 3(a), (b), (c), (d) and Regulation 4(1), 4(2)(a) of PFUTP Regulations and, therefore, is liable for penalty under the provisions of section 15HA of the SEBI Act.

9. Before moving forward, the relevant provisions of law allegedly violated by the Noticee and as mentioned in the SCN are reproduced below:--

PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

10. Reversal trades are considered as those trades in which an entity reverse its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be 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 volumes, hence these trades are deceptive and manipulative. From the facts/material made available on record, 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 its 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.

11. In this regard, it is pertinently noted upon examination of the trade log of the Noticee that it had traded in 27 unique contracts in the Stock Options segment of BSE during the above mentioned investigation period. Out of the 27 contracts, it is observed that Noticee had executed 157 non-genuine/reversal trades in these 27 contracts. I note that the abovementioned trades of the Noticee had resulted in the creation of artificial volume of a total of 84,62,000 units in the given 27 contracts and the said trades have also resulted in a negative close out difference of approximately Rs. 2,11,87,650/- in the books of the Noticee. 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.

12. I also observe from the extracts of the trade log, which was also provided to the Noticee along with the SCN that the Noticee was a party to the 157 non–genuine trades that were executed in the 27 contracts and in as many as thirteen (13) contracts, Noticee had contributed to 100% of the trading volume in these contracts which was recorded at BSE during the above mentioned investigation period. Further, it is observed that most of these trades were squared up by the Noticee 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, Noticee reverse the position 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, other investors have been excluded from participating in these trades. As already mentioned above, there was very little time gap between the buy and sell orders placed by the Noticee and its counterparties in different trades. The time gap between both the trades ranged from few seconds to minutes, but always on the same day. Given the fact that the Stock Option contracts were illiquid in nature at BSE and also in view of the observations made above, I am convinced that Noticee has entered into reversal/non-genuine trades with its counter parties and in the process also generated artificial volume in the otherwise illiquid stock option contracts at BSE.

13. To illustrate, it is observed that the Noticee had executed a total of 10 trades during the Investigation period in the contract "DISH15FEB100.00PEW1" and specifically on February 03, 2015. It is further observed that the Noticee, at 14:03:02 hrs placed a buy order for 1,00,000 units of put option of contract "DISH15FEB100.00PEW1" at a price of Rs. 27. This buy order of the Noticee got matched with the sell order of another entity namely N M Impex Private Limited, which itself had placed a sell order for 1,00,000 units in the same contract at 14:03:01 hrs i.e. just few milliseconds before the buy order was placed by the Noticee. This resulted in trade with total traded quantity of 1,00,000 units at a price of Rs. 27.

14. Thereafter, on the same day, around one minute later, Noticee placed total 9 sell orders for a total of 1,00,000 units of "DISH15FEB100.00PEW1". It is observed that these sell orders for total 1,00,000 units of the put option of contract "DISH15FEB100.00PEW1" got matched with the respective 9 buy orders placed by same counterparty i.e. N M Impex Private Limited for a total of 1,00,000 units. This resulted in 9 trade with total trade quantity of 1,00,000 units at a price range of Rs. 17.20 to Rs. 25.10. Thus, in the above manner, the Noticee executed a total of 10 trades in the contract "DISH15FEB100.00PEW1" and generated artificial volume of 2,00,000 units in the above said contract through such non-genuine and reversal trades.

15. Considering the precision at which the reversal transactions had taken place, the quantity, price and time and sale, parties being persistent in a large number of such trade transactions with huge price variations, I am of the view that it will be too naïve to hold that these 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 w.r.t the transactions entered into by the Noticee with its counterparties and such synchronized trading is clearly violative of the transparent norms of trading in the securities market. In view of the above

observations, I hold that all the 157 trades executed by the Noticee in the 27 Stock Option Contracts were synchronized trades which were reversed within a small time gap with prior meeting of mind. Needless to mention the fact that these transactions were manipulative/deceptive device with a view to create a desired loss and/or profit in the books of the parties to the transactions and in the process, artificial volumes were also generated in such contracts.

16. At this juncture, it is pertinent to refer to the decision of the Hon'ble Supreme Court of India in the matter of *Securities and Exchange Board of India v. Rakhi Trading Private Limited* (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 dated February 08, 2018) wherein, the Hon'ble Supreme Court while cumulatively analyzing the reversal transactions held that, "*From the facts before us, it is clear that the traders in question did not intend to transfer beneficial ownership and therefore these trades are non-genuine. Rather than allowing the market forces to operate in their natural course, the traders repeatedly carried out the impugned transactions which deprived other market players from full participation. The repeated reversals and predetermined arrangement to book profits and losses respectively, made it clear that the parties were not trading in the normal sense and ordinary course. Resultantly, there has clearly been a restriction on the free and fair operation of the market forces in the instant case"*

17. In the same matter, Hon'ble Supreme Court further observed that- "……..*quantity, time and significant variation of prices, without major variation in the underlying price of the securities clearly indicate that Respondent's trades are not genuine and had only misleading appearance of trading in the securities market…………...*".

18. In this context, I also find it relevant to refer to the decision of Hon'ble Supreme Court in the matter of *Securities and Exchange Board of India v. Kishore R Ajmera {(2016)} 6 SCC 368 : AIR 2016 SC 1079} wherein, the Hon'ble Supreme Court has held*, " ….. *According to us, knowledge of who*

the 2nd party/client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naïve to rest the 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. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned…..”

19. In the same matter, the Hon'ble SC, has further held that, "…. *In the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of trade effected; the period of persistence in trading in a particular scrip; the particulars of buy and sell orders, namely the volume thereof; the proximity of time between the two and such relevant factors….”*

20. The observations made in the aforesaid judgments of Hon'ble SC apply with full force to the facts and circumstances of the present case. Therefore, applying the ratio of the above judgments, I am of the view 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 consistently with the same counterparties indicates a prior meeting of mind with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid option contracts (as the strike price was far away from the market price of the underlying), there was no trading in the said contract and hence, there was no price discovery. The only reason for the wide variation in prices of the same contract, within seconds/minutes was a clear indication that there was pre-determination in the prices by both the counterparties when executing the trades. Thus, the nature of trading, as

brought out above, clearly indicates an element of prior meeting of minds and therefore, a collusion of the Noticee with its counterparties to carry out the trades at pre-determined prices. It is not possible to comprehend the reason for which the Noticee would enter into an option contract with a strike price very far away from the current market price of the underlying except for the fact that it wanted to execute non-genuine trades. Further, I also find that Noticee had taken a loss of Rs 2.11 crores into its books as a result of such reversal trades in such contracts.

21. Rather than allowing the market forces to operate in their natural course, the Noticee repeatedly carried out the impugned transactions with its counterparties which deprived other market players from full participation. The repeated reversals and predetermined arrangement to book profits and losses respectively, made it clear that the parties were not trading in the normal sense and ordinary course. Resultantly, there has clearly been a restriction on the free and fair operation of market forces in the instant case.

22. Such trading also involves an act amounting to manipulation of the price of the security in the sense that the price has been artificially and apparently prefixed. The price does not at all reflect the value of the underlying asset. It is also a transaction without any intention of performing it and without any intention of effecting a change of ownership of such securities, ownership being understood in the limited sense of the rights in the contract. By synchronization and repeated reversal trades, as has been carried out by the Noticee 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.

23. Therefore, from the foregoing paragraphs and the observations/findings contained therein, I hold that the Noticee has violated the provisions of Regulations 3(a), 4(1) and 4(2)(a) of the PFUTP Regulations.

24. In view of the above, I conclude that the Noticee is liable for monetary penalty under the provisions of section 15HA of the 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.*

25. In this regard, the provisions of Section 15J of the SEBI Act and Rule 5 of the Adjudication Rules require that while adjudging the quantum of penalty, 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.

26. Clearly, from the above observations, the Noticee was instrumental in the creation of artificial volume in the illiquid stock option contracts at BSE during the investigation period by executing reversal / non-genuine transactions in the illiquid stock options segment at BSE. The Noticee has entered into 157 non-genuine transactions in 27 stock option contracts with its counterparties which clearly demonstrates the repetitive nature of the default on its part. Further in 13 such contracts, Noticee also contributed to the entire volume that was recorded in these contracts at BSE. It is not possible from the material available on record to quantify the amount of loss caused to genuine investors as a result of the reversal trades/ non-genuine trades executed by the Noticee with its counterparties. From the

manner in which Noticee executed the above mentioned transactions, the Noticee has clearly violated the statutory provisions of law. In this context, reliance is placed upon the order of the Hon'ble Supreme Court of India in the matter of Chairman, SEBI Vs Shriram Mutual Fund { [2006]5 SCC 361 } – wherein 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*…………...."

ORDER

27. Having considered all the facts and circumstances of the case, the material available on record and the factors mentioned in the preceding paragraphs, 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, hereby impose a penalty of Rs 8,00,000/- (Rupees Eight Lakh only) on the Noticee viz. M/s Ashok Investors Trust Limited under the provisions of section 15HA of the SEBI Act for the violation of Regulation 3(a), 4(1) and 4(2) (a) of the PFUTP Regulations.

28. The Noticee shall remit / pay the said amount of penalty within 45 days of the 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 e-payment facility into the Bank Account, the details of which are given below:-

Account No. for remittance of penalties levied by Adjudication Officer	
Bank Name	State Bank of India
Branch	Bandra-Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No	31465271959

29. The Noticee shall forward the said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief of Division of Regulatory Action-1, Enforcement Department-1 (EFD1-DRA1) of SEBI. The format for forwarding details / confirmation of the e-payments made to SEBI shall be in the form as provided at Annexure A of Press Release No. 131/2016 dated August 09, 2016 shown at the SEBI Website which is mentioned as under:

1. Case Name:	
2. Name of Payee:	
3. Date of payment:	
4. Amount Paid:	
5.Transaction No:	
6. Bank Details in which payment is made:	
7. Payment is made for: (like penalties /disgorgement/recovery/Settlement amount and legal charges along with order details)	

30. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee viz. M/s Ashok Investors Trust Limited and also to Securities and Exchange Board of India.

Place: Mumbai
Date: March 29, 2019

SURESH B MENON
ADJUDICATING OFFICER