BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER Ref No.: Order/AP/VS/2019-20/6894]

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

In respect of:

Gold View Financial Services Limited
(PAN No.: AABCG9762D)
5, Shree Charan Sarani, Bally,
Howrah, West Bengal - 711201

In the matter of dealing in Illiquid Stock Options at BSE

1. Securities and Exchange Board of India ('SEBI') observed large scale reversal of trades in the Stock Options Segment of the BSE Limited (hereinafter be referred to as 'BSE') and, pursuant to this, it conducted investigation into the trading activities of certain entities in illiquid Stock Options at the BSE for the period April 01, 2014 to September 30, 2015 (hereinafter be referred to as 'the Investigation Period'). Investigation revealed that during the Investigation Period, a total of 2,91,643 trades (comprising 81.38% of all the trades executed in the Stock Options Segment of BSE) involved reversal of buy and sell positions by the clients and counterparties in a contract.

2. The reversal trades are considered non genuine trades if it involves an entity reversing its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. In this regard, artificial volume is considered as the volume (no. of units) reversed in non-genuine trades, comprising both original volume and reversed volume while keeping out the volume which is not reversed. These alleged non genuine 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. It was further noted that said alleged non genuine trades were not restricted to any specific contract or between any specific set of entities. Gold View Financial Services Limited (hereinafter referred to as 'the Noticee') was one of the several entities which were indulged in execution of such alleged non-genuine trades.

3. It was observed from the trade log that the Noticee had executed 102 non-genuine trades in 37 unique contracts which allegedly led to creation of artificial volume of total 1,41,24,316 units. It is further observed that the Noticee, by executing non genuine trades during the relevant period, registered a

negative close out difference of ₹2,93,11,678/- approx. The trades entered by the Noticee were reversed on the same day within a very short span of time with same counterparty at a substantial price difference without any basis for significant change in the contract price which indicates that these trades are artificial and are non-genuine in nature. The summary of dealings of Noticee in such 37 Stock Options contracts is as follows:

Table 1 – Summary of dealings of the Noticee in contracts wherein he executed non- genuine trades

S. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee 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	ADPW15MAR55.00CEW2	2.30	488000	0.25	488000	100%	17%	100%	17%
2	ADPW15MAY36.00CEW2	5.02	344000	3.54	344000	100%	50%	100%	71%
3	AMBC15MAR260.00CE	8.50	182000	3.00	182000	100%	33%	100%	27%
4	ARVI15MAR280.00PE	2.80	230000	0.20	230000	100%	12%	100%	18%
5	ARVI15MAR290.00PE	4.95	129000	0.30	129000	100%	15%	100%	26%
6	ARVI15MAR330.00PE	34.00	125000	22.00	125000	100%	33%	100%	49%
7	BAJT15APR1950.00PE	28.80	192250	2.80	192250	100%	18%	100%	39%
8	CANB15MAR400.00PE	9.50	255000	0.50	255000	100%	10%	100%	27%
9	CESC15FEB560.00CE	63.50	40000	38.50	40000	100%	40%	100%	25%
10	CESC15FEB640.00PE	28.50	63000	12.50	63000	100%	8%	100%	6%
11	COAL15MAR360.00CE	10.90	143000	3.90	143000	100%	33%	100%	25%
12	DISH15MAY75.00CEW2	4.70	132000	2.50	132000	100%	100%	100%	100%
13	DISH15MAY90.00PEW2	10.00	144000	7.20	144000	100%	100%	100%	100%
14	FEDB15MAY145.00PEW2	10.90	138000	8.00	138000	100%	100%	100%	100%
15	GMRI15FEB16.00CE	3.30	675000	1.45	675000	100%	100%	100%	100%
16	GMRI15MAY10.00CEW2	5.13	238498	3.45	238498	100%	100%	100%	100%
17	GMRI15MAY18.00PEW2	2.90	229325	1.80	229325	100%	100%	100%	100%
18	GMRI15MAY20.00PEW2	4.90	183460	3.30	183460	100%	100%	100%	100%
19	HDIL15MAR115.00CEW3	9.00	144000	5.50	144000	100%	17%	100%	11%
20	HDIL15MAY105.00CEW3	11.87	114000	8.43	114000	100%	75%	100%	80%
21	HDIL15MAY115.00CEW3	3.80	20000	1.20	20000	100%	100%	100%	100%
22	IBRL15MAY50.00CEW2	7.00	120000	4.50	120000	100%	100%	100%	100%
23	IDFC15MAY165.00PEW2	6.60	142000	4.50	142000	100%	100%	100%	100%
24	IFCI15FEB32.00CE	5.15	512000	3.20	512000	100%	3%	100%	16%
25	INFY15FEB2160.00CE	177.27	19250	116.09	19250	100%	60%	100%	68%
26	KOTB15FEB1440.00PE	175.00	6250	95.00	6250	100%	50%	100%	50%
27	MARU15FEB3100.00CE	315.00	13125	201.00	13125	100%	100%	100%	100%

28	MFSL15MAR260.00CE	4.00	81000	0.30	81000	100%	14%	100%	9%
29	NHPC15MAY14.00CEW2	5.10	150000	3.10	150000	100%	13%	100%	17%
30	OBNK15MAR240.00CE	6.70	243000	0.50	243000	100%	60%	100%	43%
31	ONGC15MAR330.00CE	2.30	100000	0.30	100000	100%	33%	100%	34%
32	PGCL15APR135.00PEW1	1.60	600000	0.05	600000	100%	18%	100%	27%
33	PTCI15MAY75.00PEW2	7.10	184000	5.20	184000	100%	100%	100%	100%
34	RCOM15MAY60.00CEW2	5.90	116000	3.30	116000	100%	100%	100%	100%
35	RPOW15MAY50.00PE	2.25	232000	0.05	232000	100%	28%	100%	10%
36	UCOB15MAY65.00PEW2	6.00	64000	4.40	64000	100%	33%	100%	40%
37	UNIT15MAY18.00PEW2	3.60	270000	2.50	270000	100%	50%	100%	67%

4. From the above table it was observed that:-
    a. The alleged non-genuine trades by Noticee have contributed significantly when compared with the total number of trades of the market in the above contracts. The non-genuine trades of the Noticee ranged from 3% to 100% of the total trades that had happened in the aforementioned contracts.

    b. The whole volume of 1,41,24,316 generated by the Noticee in all of the above contracts due to its non-genuine trades were artificial volume, and further this artificial volume, generated by the Noticee, also contributed significantly to the extent of 6% to 100% of the total volume in said contracts in the market.

    c. 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.

    d. The Noticee has allegedly engaged in the non-genuine transactions in the option segment of BSE for the purpose creating false appearance of trading.

5. Based on above findings of the investigation, the competent authority in SEBI *prima facie* felt satisfied that there are sufficient grounds to inquire and adjudicate the alleged violations of the provision of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations by the Noticee and appointed Shri Biju S, Chief General Manager as Adjudicating Officer vide order dated May 29, 2018 to inquire and adjudge under rule 5 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as 'Adjudication Rules') and under section 15HA of the SEBI Act, for the aforesaid alleged violations by the Noticee. Pursuant to the transfer of Shri Biju S, vide *communication-order* dated July 06, 2018 Shri Satya Ranjan Prasad, Chief General Manager (erstwhile AO) was appointed as Adjudicating Officer in the matter. The text of these provisions of PFUTP Regulations are as follows:

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.

6. After receipt of records of these proceedings, it was noted that the erstwhile AO had issued the notice to show cause vide letter no. EAD-4/ADJ/SRP/HKS/OW/P/28682/1/2018 dated October 12, 2018 ('the SCN') to the Noticee in terms of rule 4(1) of the Adjudication Rules read with section 15I of the SEBI Act.

7. The Noticee vide its letter dated October 29, 2018 denied and refuted the allegations made in SCN and requested for the inspection of the documents in the matter and to provide it copy of the investigation report and trade and order log *qua* it. Accordingly, the erstwhile AO allowed inspection of documents to the Noticee and forwarded its request for inspection of documents to Enforcement Department. Thereafter, on Mr. Vikas Bengani, Advocate ("AR") took the inspection of documents on October 25, 2019. However, it is noted that the Noticee had not submitted its reply to the SCN post inspection of documents.

8. Meanwhile, by a common *communication-order* dated May 22, 2019, this case was transferred to Shri Santosh Shukla and thereafter, pursuant to his transfer by *communication-order* dated January 07, 2020 undersigned has been appointed as Adjudicating Officer in the matter with advise that except for the change of the Adjudicating Officer the other terms and conditions of the original orders *'shall remain unchanged and shall be in full force and effect'* and that the "*Adjudicating Officer shall proceed in accordance with the terms of reference made in the original orders".* Accordingly, after receipt of records of these proceedings, in terms of rule 4(3) of the Adjudication Rules an opportunity of personal hearing was granted to the Noticee on January 29, 2020. The Noticee was also allowed to file reply if he so desired before the date of hearing. Pursunat to this a reply dated January 25, 2020 was filed by the Noticee. After seeking several short term adjournments, Mr. Vikas Bengani, Advocate appeared before me on January 31, 2020 and made submissions on the lines of the Noticee's written reply dated January 25, 2020 filed in this matter.

Reply of the Noticee to the SCN

9. The replies / submission of the Noticee *inter alia* are as follows:
    a. The copy of Investigation Report and complete Trade and Order Log have not been furnished and same is in gross violation of principle of natural justice. The Noticee is deprived from accessing the basic documents relied while issuing the SCN. In this regard the Noticee has placed reliance on following judgments passed by the Hon'ble Supreme Court and Hon'ble Securities Appellate Tribunal (SAT) in:
        i. *Canara Bank And Ors vs Shri Debasis Das Aud Ors on 12 March, 2003 (CASE NO.: Appeal (civil)* 7539 *of 1999)*
        ii. C.A. No. 6003-6004 of 2012 filed by SEBI against the order of Hon'ble SAT in the matter of Price Waterhouse (Hon'ble Supreme Court order dated January 10, 2017)
        iii. *Appeal No. 281 of 2009 filed by Mr. Vikas G. Narnavar (Hon'ble SAT order dated 15.06.2010)*
        iv. *Appeal No. 44 of 2009 filed by Mr. Rajendra G. Parikh (Hon'ble SAT order dated 21.01.2010)*

    b. There is no mention of any specific grounds in the communication order on the basis of which the Learned Whole Time Member *prime facie* found grounds to adjudicate upon the alleged violation by the Noticee. Thus, the appointment of the Adjudicating Officer has been made without application of judicious mind and on this ground alone; the SCN is invalid, illegal and non-est.

c. The Noticee's trades in the Stock Option Segment of BSE during the Investigation Period comprising of 18 months was only restricted to 18 days. It is further pertinent to mention that its trades in Stock Option Segment of BSE were only in well-known Companies.

d. The Noticee has not been provided with any material/ data of total market volume in Stock Option Segment of BSE during the Investigation Period. It has also not been provided trade and order log for total 2,91,643 trades comprising 81.38% of all trades executed in Stock Option Segment of BSE during the Investigation Period which were allegedly found to be non-genuine trades which resulted into creation of artificial volume to the tune of 826.21 Crores units or 54.68% of the total market volume in Stock Option Segment of BSE during the Investigation Period. Thus, the allegation made in the SCN are vague, bald and devoid of any substance.

e. All the trades in Stock Option Segment of BSE were executed on anonymous screen based trading platform provided by BSE, wherein, identity of the counter parties remain undisclosed. Hence, the question of any non-genuine trade does not arise at all unless it is proved that such trades were executed in connivance with any counter party. However, all the counter party (ies) whose names have been disclosed in the SCN was/ were completely unknown to it.

f. BSE has a sophisticated surveillance system and if there had been any reversal of trade, the system could have alarmed BSE to take corrective measures to restrain any non-genuine trades happening in its trading platform. However, it had not received any warning or caution letter from BSE for any of its trade in its Stock Option Segment during the period of its trading and any period thereafter, during the Investigation Period. Thus, the allegation of execution of non-genuine trades by it in Stock Option Segment of BSE which purportedly resulted into creation of artificial volume is totally farfetched and is based on presumptions, assumptions, surmises and conjectures. It had meticulous track record of trading in the securities market and except the SCN, it had not received even a warning letter.

g. It is further submitted that it is a matter of common knowledge that the Stock Option Segment of the BSE has not been as vibrant as NSE. In such a situation, it is just a coincidence that the orders placed by it might have been matched. However, nowhere in the entire SCN it is alleged that it or its directors had any connection/ association/ relationship with any of the counter parties. In absence of any such connection/ association/ relationship with any of the counter party(ies) to its trades, it is illogical and irrational to allege that its trades with the said counter party(ies) were non-genuine trades which resulted into creation of any artificial volume.

h. It is submitted that the trades executed the Noticee in the Stock Option Segment of BSE were in the normal course of business devoid of any fraudulent intentions. In the derivative segment, only those stock and indices are permitted which are very liquid and there is a robust risk mitigation mechanism is in place. Since, it had traded in the options of very well-known company which has tradable position in the market; there was no reason to doubt credibility of the platform provided by BSE as approved by SEBI. The allegation of trades being non genuine has no basis as the SCN failed to provide any evidence to prove that there was a misleading appearance created in the market by the trades executed by the Noticee.

i. It is very pertinent to mention that the SCN does not allege that it's all trades executed in the Stock Option Segment of the BSE as non-genuine trades. It is mentioned in the SCN that it had executed 128 trades in total 41 unique contracts and out of which 102 trades in 37 unique contracts have been alleged as non-genuine trades. Thus, there is an apparent contradiction in the SCN that were non genuine trades and some were genuine trades. If its intention was to create artificial volume, then all the trades would have been held as non-genuine trades. It is also not aware, whether counterparties to its trades have also been held to have executed non-genuine trades as if a trade is a non-genuine trade, the trade of both the legs are to be held as non-genuine trades. However, in absence of the relevant data, it is totally unaware whether the entities which were counterparties to its trades have also been issued SCN or not.

j. The allegation contained in para 11(b) of the SCN that a number of non-genuine trades allegedly executed by it has contributed significantly to the total number of trades to the market in the 37 contracts as 3 % to 100% of the trades that happened in the aforementioned contracts. In para 11(c) of the SCN, it is further alleged that the substantial 6% to 100% of the volume generated by it in each of the 37 contracts had contributed to significant contribution of the total volume from the market in the said contracts. However, no details of such trades in the said 37 unique contracts have been provided to it.

k. It is further submitted that these allegations are merely eyewash as it does not take into consideration the number of trades and volumes generated in entire Stock Option Segment in BSE in particular scrip on a particular day. It may be noted that the stock exchange platform at the relevant point of time gave a choice to write options at various strike prices as per the suitability of the trader. What has been considered in the SCN is only an option with a particular strike price and not the total trading on Stock Option Segment in particular scrip at the relevant point of time. Thus the percentages shown in the SCN are misleading and cannot be relied upon.

l. The Noticee had submitted that the trades of the Noticee have all traits of being genuine and therefore cannot be categorized as non-genuine. These trades were executed on the anonymous platform of BSE, without any knowledge of counter party (ies), at price ranges that were permitted by BSE and SEBI and the obligations arising out of it have been settled through the clearing mechanism of the BSE. It is further submitted that it had executed trades in other segment of the Securities Market and Currency Market and there was no adverse finding recorded in the SCN.

m. The Noticee had submitted that it is not made clear to it as to what constitutes a reversal trade or what the definition of a reversal trade is. No document or information has been provided to it in this regard. Also, none of its acts or trades falls under the definition of fraud as provided in Regulation 2(1)(c) of the PFUTP Regulation and the genuineness of the trades executed by it cannot be questioned and therefore, it cannot be alleged to have violated the PFUTP Regulations.

n. The Noticee also placed reliance upon the judgments of Hon'ble SAT in following matters: -
   i. *KSL & Industries Ltd. vs. SEBI* (Appeal No. 9 of 2003, Date of decision 30th September, 2003)
   ii. *Vintel Securities Pvt. Ltd. vs. SEBI* (Appeal No. 219 of 2009, Date of decision 23rd November, 2009)

o. In view of above, the Noticee submitted that it's trades in the BSE Stock Options Segment were completely genuine and without any intention to create false and misleading appearance of trading in the market and therefore it could not be alleged to have violated the PFUTP Regulations as alleged in the SCN.

p. It has neither directly or indirectly bought or sold or otherwise dealt in securities in any fraudulent manner. As mentioned above its trades were completely genuine and were without any *mala fide* intention of creating any false or misleading appearance of trading in the market.

q. It has not used or employed any manipulative or deceptive devise or contrivance in contravention of the provisions of the SEBI Act or the rules or the regulations made there under, the same has also not been specifically brought out in the SCN.

r. It has not employed any device, scheme or artifice to defraud anyone in the market and the same has also not been alleged in the SCN.

s. It has not engaged in any act, practice, course of business which operated or would have operated as a fraud or deceit upon any person with any dealing in the market in contravention of the provision of the SEBI Act or the rules and the regulations made there under.

t. It has not dealt in securities in a fraudulent manner or as indulged in unfair trade practice in the securities market. As submitted above its trades were completely genuine and have not created any false or misleading appearance of trading in the securities market as alleged in the SCN.

u. The Noticee in view of the facts stated, arguments advanced and authorities cited, humbly prayed that the present proceedings be quashed since no primary violation of the PFUTP Regulations is made out against it and the genuineness of the trades has also been explained hereinabove.

Findings

10. I have considered the allegation levelled in the SCN, reply / submission of the Noticee and the relevant material brought on record. The Noticee has contended that SEBI has not provided it with all the relevant documents, reports and had not provided inspection of the said documents. In this regard, I note that all the relied upon copies of the documents in the matter were provided to the Noticee along with the SCN. Therefore, the contention of the Noticee is not acceptable and hence rejected. Moreover, in this context, it is a settled position of law that only the relied upon documents has to be provided for inspection to the Noticee and the same position has been upheld by the Hon'ble Supreme Court in the matter of *Kanwar Natwar Singh v. Directorate of Enforcement [(2010) 2 SCC 497], Chandrama Tewari Vs. Union of India, Through General Manager, Eastern Railways, (1988) 1 SCR 1102* and *M/s Haryana Financial Corporation vs. Kailashchand Ahuja* [2008(9) SCC31], Hon'ble Delhi High Court Delhi High Court in its order dated 30.08.18 in the matter of *PRAR Holding Private Limited Vs. SEBI* and also by the Hon'ble SAT in number of its rulings. In the recent ruling of Hon'ble SAT in the case of *Shruti Vora Vs. Securities and Exchange Board of India, in* Appeal Number 28 of 2020 decided on February 12, 2020 held that *"…The contention that the appellant is entitled for copies of all the documents in possession of the AO which has not been relied upon at the*

preliminary stage when the AO has not formed any opinion as to whether any inquiry at all is required to he held cannot be accepted. A bare reading of the provisions of the Act and the Rules as referred to above do not provide supply of documents upon which no reliance has been placed by the AO, nor even the principles of natural justice require supply of such documents which has not been relied upon by the AO. We are of the opinion that we cannot compel the AO to deviate from the prescribed procedure and supply of such documents which is not warranted in law. In our view, on a reading of the Act and the Rules we find that there is no duty cast upon the AO to disclose or provide all the documents in his possession especially when such documents are not being relied upon…"

11. Further, with regard to the Noticee's contention of not providing Investigation Report and its inspection to the Noticee during the instant proceedings, I note that the basis of the allegations as made in the investigation report has been mentioned in the SCN and it is the findings of the investigation that are basis of charge against the Noticee and are relied upon in these proceedings. Also, Hon'ble SAT in its aforesaid order dated February 12, 2020 held that "….*In the instant case, the show cause notice relies upon certain documents which have been made available. Thus the investigation report is not required to be supplied."* I am, therefore, of the view that since the copies of the relevant and relied upon material which is the trade log containing the trades of the Noticee were given to the it along with the SCN, no prejudice is caused to the Noticee on this account. Further, the Noticee's reliance in aforementioned rulings regarding not following principles of natural justice is out of place and is not tenable. I, therefore, do not find any merit in the contentions of the Noticee.

12. The Noticee has raised contention regarding not mentioning of any specific grounds/ reasons on the basis of which the Whole Time Member *prime facie* found grounds to adjudicate upon the alleged violation by it. In this regard, I note that such *prima facie* satisfaction of the Whole Time Member is based upon the facts and circumstances leading to the allegations as described in the SCN. Further, the content and procedure of issuance of SCN are determined in terms of the Adjudication Rules.

13. From the reply of the Noticee, I note that the Noticee has not disputed the execution and subsequent reversal of trades as alleged in the SCN. According to the Noticee, it had traded only on 18 days during the 18 months and its trades were only in well-known companies. In this regard, it is matter of common knowledge that the fraudulent trading in illiquid Stock Options cannot be justified merely because the impugned trading by the Noticee in illiquid Stock Option was in respect of well-known companies.

14. With regard to the merit of allegation it is worth mentioning that reversal trades are considered non-genuine if they involve an entity reversing its buy or sell positions in a contract with subsequent sell or

buy positions with the same counterparty during the same day. In this regard, artificial volume is considered as the volume (no. of units) reversed in non-genuine trades, comprising both original volume and reversed volume while keeping out the volume which is not reversed. Admittedly, the Noticee had indulged in 102 such reversal trades in 37 unique contracts during the Investigation Period involving reversal of trades with same entity with whom it had done buy/ sell transaction, in less than few minutes, respectively, in a synchronized manner. It is noted from the trade log relied upon in the matter that the Noticee and counterparty (ies) both had placed their respective sell-buy and buy–sell orders in same time i.e. within short span of time gap. Further, each trade involved matching of time, price and quantity of units. To illustrate, the Noticee had executed total 2 trades during Investigation period in the contract "DISH15MAY75.00CEW2" and in all these instances trading happened only on March 14, 2015. The 13:21:15 hrs entered into 1 sell trade with counter party viz, VISHAL FERRO ALLOYS LIMITED for 1,32,000 units at rate of ₹2.50 per unit. Thereafter, on the same day, within 27 second from the above trade, Noticee, at 13:21:42 hrs entered into 1 buy trade with same counterparty for 1,32,000 units at rate of ₹4.70 per unit. These trades of the Noticee are detailed in the following table:

Table 2: Trades of the Noticee in the contract of "DISH15MAY75.00CEW2

Sl.	Date	Buyer	Seller	Buy Order Time	Sell Order Time	Trade Time	Trade Rate (₹)	Trade Quantity
1	14/03/2015	Vishal Ferro Alloys Limited	Gold View Financial Services Limited	13:21:15: 873884	13:21:15: 826877	13:21:15 :873884	2.5	1,32,000
2	14/03/2015	Gold View Financial Services Limited	Vishal Ferro Alloys Limited	13:21:42. 827228	13:21:42. 780404	13:21:42 .827228	4.7	1,32,000
		Total						**2,64,000**

15. A similar *modus operandi* was adopted by the Noticee in respect of remaining 100 trades in other 36 unique contracts. It is observed from the trading of the Noticee that in most of the trades the buy order and sell order has been entered in quick succession of each other. In all the 102 trades of the Noticee the time taken by the Noticee for reversing its non-genuine trades within few seconds. The buy orders placed by the Noticee were matched with sell orders of counterparties and sell orders placed by the Noticee were matched with buy orders of counterparties in terms of number of units and price and time. Thus, the total volume generated through such non genuine trades was 1,41,24,316 units of the 37 Stock Options contracts. Such reversal of trades in quick succession with substantial price difference indicate towards employing of a manipulative device in connection with its dealing in said illiquid Stock Options contracts.

16. The Noticee has contended that it had 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 and moreover SEBI has failed to show any nexus between it and counter party. I am of the view that the transactions in a particular contract were reversed 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, there was no trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contracts, 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 it counter parties in the stock options segment of BSE and the same were non-genuine trades. Therefore, the Noticee's contentions are not acceptable and hence rejected.

17. The Noticee has contended that in the PFUTP Regulations the definition of reversal of trade has not been provided. For the same, the Noticee has placed reliance on the judgment of SAT in the matter of *KSL & Industries Ltd. vs. SEBI* (Appeal No. 9 of 2003, Date of decision 30th September, 2003) and *Vintel Securities Pvt. Ltd. vs. SEBI* (Appeal No. 219 of 2009, Date of decision 23rd November, 2009). In this regard, I note that the impugned reversal trades were carried out by the Noticee in an illiquid Stock Options Contracts where there was no participation of public. Reversal trades were undertaken by the Noticee with its counterparty 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. Such transactions in illiquid Stock Options cannot be taken as genuine one. Such trading was apparently without any economic rationale. Thus, the Noticee claim of a *bona fide* or genuine trader without having any specific role in creating artificial volume through alleged trades is not acceptable.

18. Further, with regard to the reversal trades carried out by the Noticee, I note that the Hon'ble Supreme Court in the matter of *SEBI vs. Rakhi Trading Private Ltd.*, in Civil appeals no., 1969 of 2011 with Civil Appeal Nos., 31743177 of 2011 and Civil Appeal No., 3180 of 2011 decided on February 8, 2018 had observed that *"the price discovery system itself was affected by synchronization and rapid reverse trade, which also had the impact of excluding other investors from participating in the market. The Supreme Court, therefore found that the traders having engaged in a fraudulent and unfair trade practice while dealing in securities, are hence liable to be proceeded against for violation of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations"*.

19. With regard to reversal transactions, Hon'ble Supreme Court in the matter of *SEBI v Rakhi Trading Private Limited (Supra)*, further held that - "*Considering the reversal transactions, quantity, price and time and sale,*

parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities….." In the same matter, Hon'ble Supreme Court further held 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*". In view of said Hon'ble Supreme Court judgment, I see no reason to take a different view in the present case. In view of the foregoing, I hold that the Noticee had indulged in execution of reversal trades in Stock Options with same counterparty (ies) on the same day, which are non-genuine in nature and have created false or misleading appearance of trading in terms of artificial volumes.

20. The Noticee has contended that it has no knowledge about who were the counterparty (ies) to its trades as it was trading in anonymous platform of BSE at price ranges that were permitted by BSE and SEBI and the obligations arising out of it have been settled through the clearing mechanism of the BSE. I note that, it is not mere coincidence that the Noticee could match its trades with the same counterparty with whom it had undertaken first leg of the respective trades. I note that though direct evidence is not available in the present matter as regards to meeting of minds or collusion of the Noticee with other entities. The genuineness of trading has to be determined based upon circumstantial evidence involving multiple factors such as trading pattern, liquidity and volatility in the scrip /contract, etc. In this context, the Hon'ble SAT vide its order dated July 14, 2006, in the case of Ketan Parekh vs. SEBI (Appeal no. 2/2004) 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."*

21. Further, in *SEBI v Kishore R Ajmera (AIR 2016 SC 1079)*, Hon'ble Supreme Court 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...*". The Hon'ble Supreme Court further observed 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."

22. The trading as found in this case in illiquid Stock Options cannot occur just by accident or coincidence. The trading behavior of the Noticee in this case makes it clear that aforesaid trades of the Noticee could not have been possible without prior meeting of minds. The synchronized trading by the Noticee with same counterparty at same time for same quantity at same price and reversal of transaction with wide variation in price of the reversed trades in the same contract in a short time without any basis, all indicate that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in the contracts in question. In view of the fact that these options contracts were illiquid in nature, having very small volume in trading, the Noticee created artificial volumes in Stock Options which was manipulative and deceptive in nature. Once the Noticee has been found to have indulged in such reversal transactions in illiquid Stock Options it is liable for its acts and omissions and it is immaterial whether the counterparties to its trades have been charged or not. Therefore, the contentions of the Noticee are not acceptable.

23. I note that the Hon'ble Supreme Court in *Rakhi Trading (supra)* case held that such undesirable transactions would certainly include unfair practices in trade and thus, orchestrated trades are a misuse of the market mechanism. It is also noted that the trades by the Noticee generated volumes without any change of beneficial ownership. With regard to such reversal transactions, Hon'ble Supreme Court also held in the *Rakhi Trading case* 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*". The Hon'ble Supreme Court further observed that - "*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*". Thus, the Noticee's contention regarding non vibrant Stock Option Segment at BSE in compare to NSE, non-receiving of any warning/ caution from BSE and not considering entire options available for a particular scrip at all strike price, is devoid of any merit and rejected hereby.

24. I note from the foregoing findings that the trading pattern of the Noticee in terms of volume of reversal trades, proximity of buy/sell and subsequent reversal evidences the indulgence, clearly demonstrates the

manipulative practice by the Noticee by using the stock exchange platform to carry out non-genuine trades with the aim to execute such trades for various manipulative purposes.

25. I note that the Hon'ble Supreme Court in the matter of *SEBI vs. Rakhi Trading Private Ltd.* (*supra*), also held that - *"The platform of the stock exchange has been used for a non-genuine trade. Trading is always with the aim to make profits. But if one party consistently makes loss and that too in pre-planned and rapid reverse trades, it is not genuine; it is an unfair trade practice". "The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed the price nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity and transparency of the stock market."*

26. In totality of the circumstances as observed above it is not acceptable that the Noticee has not employed any manipulative and deceptive device in contravention of the SEBI Act or the rules and the regulations made there under. Further, the non-genuine and deceptive trades as found in this case are covered under the definition of '*fraud*' and dealing of Noticee were '*fraudulent*' as defined under Regulation 2(1)(c) of PFUTP Regulations. The investigation has shown amount of profit / loss of the counterparties to the trades as a result of such non-genuine trades. The violation by the Noticee is creation of artificial trading volumes by trading between two counterparties and wider market is not involved in the trades, the trades are such that one of the counterparty books a profit while the other counterparty books a loss. Hence, it would be appropriate to consider the impact of these transactions between the counterparties in totality. When the impact of artificial volumes created by the two counterparties is seen as a whole, the making loss or profit is immaterial as the charge in this case is of creating false or misleading appearance of trading in the aforementioned contract. In view of the same, I find no merit in such contentions of the Noticee.

27. In view of the aforesaid facts and circumstances, it cannot be ignored that synchronization of trades in pre-determined manner as found in this case had an adverse impact on the fairness, integrity and transparency in the securities market. In view of the above, I find that the allegation of violation of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations by the Noticee stands established. Thus, I hold that the Noticee liable for penalty under Section 15HA of the SEBI Act which reads as under:-

"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."

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

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

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

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

    (c) the repetitive nature of the default."

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

29. Having regard to the factors listed in section 15J, it is noted that it is not possible to determine the consequent loss caused to investors as a result of the default as found in this case. It is worth considering that generally, there is NIL or negligible participation of the public in the trading in such illiquid Stock Option contracts. 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 counter parties or the consequent loss caused to investors as a result of the default. However, considering the fact that the trades of the Noticee in 37 Stock Option contracts which resulted into artificial volume in range of 6% to 100%, generated out of the 102 non-genuine trades of the Noticee, I am of the view that such trades had created a misleading appearance of trading in the scrip. In these circumstance I am of the view that for the market abuse and fraudulent practices by the Noticee monetary penalty needs to be imposed under section 15HA of the SEBI Act.

30. Taking into consideration all the facts and circumstances of the case including the aforesaid 15J factors and exercising the powers conferred upon me under section 15I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose, a monetary penalty of ₹7,50,000/-(Rupees Seven Lakh Fifty Thousand only) upon Noticee viz. Gold View Financial Services Limited under section 15HA of the SEBI Act. In my view, the said penalty is commensurate with the violation committed by the Noticee in this case.

31. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order in either of the way of demand draft in favour of "*SEBI - Penalties Remittable to Government of India*", payable at Mumbai, or by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT > Orders > Orders of AO > PAY NOW; OR by using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in

32. The Demand Draft or details and confirmation of e-payment made in the format as given in table below shall be sent to *"The Division Chief, EFD-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."* and also to e-mail id:- tad@sebi.gov.in

1	Case Name	
2	Name of the 'Payer/Noticee'	
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)	

33. 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, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia,* by attachment and sale of movable and immovable properties.

34. In terms of rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: February 24, 2020 **Amit Pradhan**
Place: Mumbai **Adjudicating Officer**