BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO.: Order/AT/AM/2022-23/15942]

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) RULES, 1995

In respect of:

ECONO BROKING PRIVATE LIMITED
(Formerly known as **Bansal Comtrade Private Limited**)
[PAN: AADCB8817A]
Plot No 2137A, Atabhai Chowk,
Beside Golden Ark Complex,
Bhavnagar, Gujarat 364002

In the matter of dealings in Illiquid Stock Options at the Bombay Stock Exchange

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BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") observed large scale reversal of trades in stock options segment of Bombay Stock Exchange (hereinafter referred to as "BSE"). SEBI observed that such large scale reversal of trades in stock options lead to creation of artificial volume at BSE. In view 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**").

2. Pursuant to investigation, it was observed that a total of 2,91,744 trades comprising a substantial 81.40% of all the trades executed in stock options segment of BSE during the Investigation Period were non-genuine trades. It was observed that **ECONO BROKING PRIVATE LIMITED (**Formerly known as **Bansal Comtrade Private Limited)** (hereinafter, referred to as "**Noticee**"), bearing PAN – AADCB8817A was one among the various entities who indulged in execution of reversal trades in stock options segment of BSE during the Investigation Period.

3. Such trades were observed to be non-genuine in nature and created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore were alleged to be manipulative, deceptive in nature. In view of the same, SEBI initiated adjudication proceedings against the Noticee for 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, 2003**").

APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned was appointed as the Adjudicating Officer in the matter, conveyed vide communique dated July 06, 2021, under section 19 read with section 15 I(1) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act, 1992**") and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") to conduct adjudication proceedings in the manner specified under rule 4 of Adjudication Rules read with

section 15 I(1) and (2) of SEBI Act, 1992, and if satisfied that penalty is liable, impose such penalty as deemed fit in terms of rule 5 of Adjudication Rules and section 15HA of SEBI Act, 1992.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice bearing reference no. SEBI/HO/IID/AT/AM/2021/22701/1 dated September 06, 2021 (hereinafter referred to as 'SCN') was issued to the Noticee under rule 4(1) of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against the Noticee and why penalty should not be imposed on the Noticee under section 15HA of the SEBI Act, 1992 for the violations alleged to have been committed by the Noticee.

6. It was, *inter-alia*, alleged in the SCN that the Noticee had executed two non-genuine trades in one stock option contract IDBI15APR75.00CEW1 which resulted in artificial volume of total 3,36,000 units. The summary of dealings of the Noticee in the Stock Option contract, in which the Noticee allegedly executed trades that were not genuine during the Investigation Period is as follows:

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% of 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.	IDBI15APR75.00CEW1	1.95	1,68,000	4.8	1,68,000	100%	100%

7. From the above table, the following is noted as regard to the dealings of the Noticee:

a. The Noticee had executed two trades in one contract, reversing the trade with the same counterparty on the same day.
b. The trades executed by the Noticee in the above contract had noticeable difference in the buy and sell rates considering that the trades were reversed on same day within 15 seconds.
c. The entire volume (viz. 3,36,000 units) generated by the Noticee in the above contract was artificial volume.

8. The SCN vide reference no. SEBI/HO/IID/AT/AM/2021/22701/1 dated September 6, 2021 was served on the Noticee via Speed Post Acknowledgement Due (SPAD). The same was received by the Noticee on September 25, 2021. The Noticee, vide emails dated September 27, 2021 acknowledged the receipt and sought extension of time for submission of reply till October 04, 2021 which was approved vide email dated September 28, 2021. The noticee inter alia also conveyed that its name is changed from **'Bansal Comtrade Private Limited** to **'Econo Broking Private Limited'** which was also verified from database of Registrar of Companies. Further, the Noticee submitted its reply vide email dated October 04, 2021 which was digitally signed by Mr. Sanjay Kotak, Director of the noticee.

9. In terms of adjudication rules, the Noticee vide email dated November 23, 2021 was asked whether it desires an opportunity of personal hearing, to which the Noticee responded vide email dated November 23, 2021 that it did not wish to avail the hearing

opportunity, and matter may be proceeded based on its earlier submission dated October 04, 2021.

10. The main contentions of the Noticee, as submitted by him in his written submissions, are as follows:

   a. *The noticee is a bonafide investor and trader of stock market and dealing in market based on its research and this is the first time any allegation is being made against it by SEBI & no previous order/investigation is pending against it.*
   b. *SCN is silent about the source of data & basis on which it is concluded that artificial volume has been created. In absence of such information, the allegation regarding artificial volume is denied. Any trade or squaring up of trade is bound to generate volume and alleging such volumes as artificial was fallacious and deceptive.*
   c. *Trades were executed during normal course of option trading. In option, trades has to be squared off before expiry so as to complete the transaction. It is very basic nature of derivative contract that contract is required to be squared off on or before expiry. The noticee entered into option contract with a primary object of earning profit, which it got on the same day and hence to realise the gain, square off was inevitable. Therefore, there was no reversal of trades and it was merely square off trades.*
   d. *Allegation of reversal of trades with same entities is baseless, as the noticee did not know the counter party before receiving SCN. Trades were executed on*

exchange platform and matched at Exchange's trading system. The noticee only had an option to place order with the broker and anything other than that are out of its knowledge and purview. Further the contract/bills had no information of any counterparty, so there can be no question of collusion between the counterparty and the noticee. There was no matching of mind while execution of trades including square off trades. Execution of trade and square off trade with same counterparty on same day is merely a co-incident and one-time event to earn profit.

e. *The noticee has not dealt in fraudulent manner and not used any manipulative or deceptive device or contrivance in contravention of the provisions of law and did not indulge in act which creates false or misleading appearance of trading in the security market. Therefore the notice urges to take lenient view in the matter.*

CONSIDERATION OF ISSUES AND FINDINGS

11. I have perused the charges levelled against the Noticee and the documents / material available on record. The issues that arise for consideration in the present case are:

a. *Whether the Noticee has violated provisions of regulations 3(a), (b), (c), (d), 4 (1) and 4(2) (a) of PFUTP Regulations, 2003?*

b. *Does the violation, if any, attract monetary penalty under section 15HA of the SEBI Act, 1992?*

c. *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, 1992?*

12. Before proceeding further, I would like to refer to the relevant provisions of the PFUTP Regulations, 2003 as below:

"PFUTP Regulations, 2003.

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made 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 manipulative, fraudulent or an unfair trade practice in securities markets.

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

13. I note that the allegation against the Noticee is that, while dealing in the stock option contracts at BSE during the Investigation Period, it had executed reversal trades on the same day within 15 seconds with the same counterparty, 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 those trades in which an entity places its buy or sell positions in a contract with subsequent sell or buy positions with the same counter-party during the same day. These reversal trades are alleged to be non-genuine trades as they are not executed in the normal course of trading, lack basic trading rationale and lead to false or misleading appearance of trading in terms of generation of artificial volumes and, hence, are deceptive and manipulative.

14. I note from the trade log of the Noticee that he had executed two alleged non-genuine trades in one stock option contract IDBI15APR75.00CEW1 at BSE during the Investigation Period which resulted in the creation of artificial volume of a total of 3,36,000 units in the said contract. A summary of the alleged non-genuine trades of the Noticee executed on March 19, 2015 in the said contract is as follows:

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% of 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.	IDBI15APR75.00CEW1	1.95	1,68,000	4.8	1,68,000	100%	100%

15. I note from the trade log that the orders by the Noticee and the counter-party were placed within a second for the sell trade as well as for the buy trade. Further, the trade executed by the Noticee in the contract was squared up within a short span of time, i.e. 15 seconds with the same counter-party. The Noticee, at 13:29:23.78 hours on March 19, 2015, entered into a sell trade with the counterparty, viz. Vora Financial Services Private Limited, for 1,68,000 units at Rs. 4.80 per unit, which was reversed by a buy trade at 13:29:38.67 hours, i.e. within 15 seconds, with the same counterparty at Rs. 1.95 per unit.

16. Thus, the Noticee, through his dealing in the said contract, viz., “IDBI15APR75.00CEW1”, executed non-genuine trades in the said contract during the Investigation Period, and thereby generated an artificial volume of 3,36,000 units, which made up 100% of total market volume in the said contract during this period.

17. The fact that the transactions executed by the Noticee are not genuine is evident from the trade log of the Noticee which reveals that the trades executed by the Noticee in the above contract had a noticeable difference in the buy rate and sell rate considering that the trades were reversed with the same counterparty in a matter of just 15 seconds. Such a short span of time taken for reversing the trades in an illiquid stock option contract and the wide variation in prices of the said contract makes it evident that these trades executed by the Noticee were not genuine and indicates a prior meeting of minds with a malafide intent to execute the reversal trades at a pre-determined price.

18. Further, I observe that it cannot only be a mere coincidence that the time gap between placement of the orders by the Noticee and the counter-party was less than one second for the buy trade as well as for the sell trade, and that the Noticee could also match the exact quantity of his buy trade with the same counterparty with whom he had undertaken the respective sell trade. This is but an outcome of a meeting of minds and a deliberate attempt to deal in such a fashion.

19. In this context, I place reliance on the judgment of Hon'ble Supreme Court in the matter in respect of **SEBI vs. Rakhi Trading Private Limited** (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018), in which the Hon'ble Supreme Court 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….."*

20. Further, the Hon'ble SAT, in its judgement dated September 14, 2020 in the matter of **Global Earth Properties and Developers Pvt. Ltd**. relied upon the aforesaid judgement of Hon'ble Supreme Court and held that, "*It is not a mere coincidence that the Appellants could match the trades with the counter party with whom he had*

undertaken the first leg of respective trade. In our opinion, the trades were non-genuine trades and even though direct evidence is not available in the instant case but in the peculiar facts and circumstances of the present case there is an irresistible inference that can be drawn that there was meeting of minds between the Appellants and the counter parties, and collusion with a view to trade at a predetermined price."

21. I note that while direct evidence may not be forthcoming in the present matter as regards to meeting of minds or collusion of the Noticee with other entity, there is guidance from the aforesaid order of the Hon'ble Supreme Court where it lays emphasis on the 'preponderance of probabilities' in each case to arrive at a decision considering the following:

    - the isolated trade and reversal in the same option contract,
    - the same counter party being involved in both the trades,
    - the gap between placing of orders by the Noticee and counterparty, both in the buy and sell trades, being less than one second
    - the gap between the trade and the reversal being just few seconds,
    - the noticeable difference in the buy and sell rate within same day and
    - the high volume of trade, in turn, creating an artificial volume of 3,36,000 units.

    I cannot but conclude the trades have been executed with an ulterior motive to create artificial volume and are not genuine.

22. Considering the aforesaid factors, I conclude that the trading behaviour of the Noticee has resulted in creating an appearance of artificial trading volume in the contract. 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, 2003 by the Noticee stands established.

23. In view of the same, I am convinced that it is a fit case for imposition of monetary penalty on the Noticee under the provisions of section 15HA of the SEBI Act, 1992 which read 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.”*

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

“Factors to be taken into account by the adjudicating officer.

15J. *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."

25. I observe that the material available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticee and the losses, if any, suffered by the investors due to such violations on part of the said Noticee. However, the Noticee had entered into non-genuine trades, which created a false and misleading appearance of trading volumes in the respective contract at pre-meditated prices, thereby leading to violation of regulation 3(a),(b),(c),(d) and 4(1),(2)(a) of the PFUTP Regulations, 2003.

ORDER

26. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in section 15J of the SEBI Act, 1992 and in exercise of power conferred upon me under section 15-I of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, 1995, I hereby impose following penalty under Section 15HA of the SEBI Act, 1992 on the Noticee:

Name of the Noticee	Provisions violated	Penalty
Econo Broking Private Limited (PAN – AADCB8817A)	Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003	Rs. 5,00,000/- (Rupees Five Lakh only)

I am of the view that the said penalty is commensurate with the lapse/ omission on the part of the Noticee.

27. The Noticee shall remit/ pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT → Orders → Orders of AO → PAY NOW.

28. The Noticee shall forward the aforesaid Demand Draft / payment confirmation details to the *Division Chief, Enforcement Department (EFD), Division of Regulatory Action - VI (EFD-DRA-VI) SEBI Bhavan-II, Plot No.C7-A,' G' Block, Bandra Kurla Complex (BKC), Bandra (East), Mumbai – 400 051* and also send an email to tad@sebi.gov.in with the following details:

1. Case Name:	
2. Name of Payee/ 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)	

29. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act, 1992 for realization of the said amount

of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

30. 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 the Securities and Exchange Board of India.

APARNA THYAGARAJAN

Digitally signed by APARNA THYAGARAJAN
Date: 2022.04.12 09:16:40 +05'30'

Date: April 12, 2022 **APARNA THYAGARAJAN**

Place: Mumbai **ADJUDICATING OFFICER**