BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO: ORDER/SBM/AK/2022-23/16302)

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:

Anishka Chachan Trust
PAN: AAATA8810E
74, Narkeldanga Main Road Lake,
District Block 3 Flat No – 6P,
Near Phool Bagan, Kolkata (Pin -700054)

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 the Bombay Stock Exchange (hereinafter referred to as **'BSE'**) leading to the alleged creation of artificial volume in the stock options segment. 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 by various persons/entities 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 alleged creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in the 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 in nature.

3. It was observed that Anishka Chachan Trust (hereinafter referred to as '**Noticee**') was one of the various entities which had 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. It was therefore alleged that Noticee had executed the reversal trades, which were non-genuine in nature and have created false or misleading appearance of trading in terms of creation of artificial volume in the Stock Options segment at BSE and therefore, it is alleged that the Noticee has violated the provisions of regulations 3(a), (b), (c), (d) and regulation 4(1), 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**'). In view of the above reasons, 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 communique dated July 27, 2021 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) Rules, 1995 (hereinafter referred to as **'Adjudication Rules'**) to inquire into and adjudge under the provisions of section 15HA of the SEBI Act 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/EAD1/SBM/AK/10825/2022 dated March 11, 2022 (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 the Noticee and why penalty, if any, should not be imposed on the it under the provisions of section 15HA of the SEBI Act.

6. The SCN issued to the Noticee, *inter alia* mentioned/alleged the following-
    a. *It is noted that said alleged non-genuine trades were not restricted to any specific contract or between any specific set of entities. It is noted that Noticee was one of the various entities which indulged in execution of such alleged non-genuine trades in Stock Options Segment of BSE during the Investigation period. Following points deals with the dealings of Noticee during the Investigation period and allegations against it for execution of non-genuine trades.*

b. *It was observed from the trade data of the Noticee that it has allegedly entered into 3 non-genuine contract wherein it executed a total of 6 trades all of which were, prima facie, non-genuine trades.*

c. *The total volume of 4,84,000 units generated by the Noticee in these 3 contract, due to the alleged non-genuine trades executed by the Noticee artificial volume was generated in the stock option segment at BSE. These alleged non-genuine trades, executed by Noticee in above contracts, had significant difference in the buy rates and sell rates considering that the trades were reversed on same day.*

d. *In view of the foregoing, it was alleged that the Noticee, by indulging in execution of reversal trades in Stock Options with same entities on the same day, which were non-genuine in nature, has created false or misleading appearance of trading in the aforementioned contracts in the options segment of BSE. In view of the fact that these contracts were illiquid in nature, having very small volume in trading, the Noticee allegedly created artificial volumes in stock options which was manipulative and deceptive in nature. Therefore, in view of above, it is alleged that the Noticee has violated Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003.*

7. The SCN issued to the Noticee was delivered at the address of the Noticee on March 21, 2022 and an email dated March 28, 2022, was received from one Mr. Arun Kumar Dubey, Authorized Representative (**"AR"**) appointed by Smt. Santosh Devi Chachan, the Ex-Trustee of the Anishka Chachan Trust i.e., the Noticee in context of the present Adjudication proceeding. Vide the said letter, the AR has submitted a reply on behalf of the Noticee, along with copy of Trust Deed dated April 11, 2002 (**"Trust Deed"**), creating the Anishka Chachan Trust along with other documents. In this regard, based on the reply received, the following observations are made:

   a. The Noticee i.e., Anishka Chachan Trust was formed on April 04, 2002, as a Private trust, wherein the funds vested with the Trustees were held only and exclusively for the maintenance, welfare and general advancement of the beneficiary viz. Anishka Chachan, who was a minor at the relevant time of creation of the Anishka Chachan Trust.

   b. Clause 3 of the Trust Deed dated April 11, 2002, stipulates the object of the said trust as follows:

   "The objects of the Trust are maintenance, welfare, general advancement, education and provision for necessities of the beneficiary out of the income from moveable/immovable properties of the Trust"

   c. Further, as per Clause 12 of the Trust Deed dated April 11, 2002, the said trust shall stand determined/dissolved upon the beneficiary i.e. Anishka Chachan attaining the majority, which is as follows:

"The Trust shall stand determined when the beneficiary will attain the age of eighteen years. It shall not be open to the Trustees to unanimously determine the Trust earlier. On determination of the Trust, the assets of the Trust including the accumulated income with funds shall vest on the beneficiary and the Trustees shall hand over the possession of all the assets to the beneficiary immediately."

d. Based on the copy of Passport and PAN card copy of Ms. Anishka Chachan provided along with the reply, the date of birth of Ms. Anishka Chachan is March 21, 2002, and hence the Anishka Chachan Trust i.e, the Noticee, stood dissolved w.e.f. March 20, 2020 as Ms Anishka Chachan has attained the age of majority. The same is in terms of clause 12 of the Trust Deed dated April 11, 2002, details of which have already been mentioned in the above para.

e. Vide the abovementioned reply dated March 28, 2022, a copy of letter dated August 7, 2020 sent to Income Tax department, surrendering the PAN No. AAATA8810E issued to the Anishka Chachan Trust was also submitted.

f. Vide the said letter dated April 07, 2020, which was addressed to the Income Tax Office, it was informed to the Income Tax office that the Anishka Chachan Trust i.e., the Noticee, has been dissolved upon the beneficiary i.e, Anishka Chachan attaining the age of majority and thereby fulfilling the purpose of the trust deed dated April 11, 2002.

CONSIDERATION OF ISSUES AND FINDINGS

8. I have taken into consideration the facts and circumstances of the case and the material available on record. I have also perused the submissions made by the Ex trustee of the Anishka Chachan Trust. I find that the Noticee stood dissolved w.e.f., March 20, 2020, in terms of the Trust deed dated April 11, 2002 executed for Anishka Chachan Trust, and under section 77(a) of The Indian Trusts Act, 1882 ("Trusts Act, 1882"). In terms of Section 77(a) of the Trusts Act, 1882, which governs the extinction of Trusts, a trust is extinguished, when its purpose is completely fulfilled. Hence, based on the above observations, it is evident that the Noticee i.e Anishka Chachan Trust stood extinguished, w.e.f., March 20, 2020, and was not in existence as a legal entity when the instant adjudication proceedings were initiated against the Noticee vide SCN dated March 11, 2022.

9. In view of the above facts, I am inclined to dispose of the proceedings initiated against the Noticee viz. Anishka Chachan Trust vide SCN dated March 11, 2022.

ORDER

10. In view of the above observations/findings and in exercise of the powers conferred upon me under section 15I of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby dispose of the Adjudication Proceedings initiated against the Noticee viz. Anishka Chachan Trust, vide SCN dated February 17, 2022.

11. In terms of the provisions of rule 6 of the Adjudication Rules, copies of this order are sent to Smt. Santosh Devi Chachan, the Ex-Trustee of the Anishka Chachan Trust (on behalf of the Noticee) and also to the Securities and Exchange Board of India.

Date: April 29, 2022
Place: Mumbai

SURESH B MENON
ADJUDICATING OFFICER