BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/RG/NM/2022-23/15813/12)

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

Ankita Nishant Chag

PAN: BGCPK7015E

In the matter of dealings in Illiquid Stock Options at the BSE

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **SEBI**) conducted investigation into the trading activity in illiquid stock options on BSE Limited (hereinafter referred to as **BSE**) for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as **Investigation Period/IP**) after observing large scale reversal of trades in the Stock Options segment of the BSE.

2. Pursuant to investigation, it was observed that during the Investigation period total of 2,91,744 trades comprising substantial 81.41% of all the trades executed in stock options segment of BSE were non genuine trades. The aforesaid 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 IP. It was observed that Ankita Nishant Chag (hereinafter referred to as **Noticee**) was one of the various entities who indulged in execution of reversal trades in stock options segment of BSE during the investigation period. Such trades were observed to be non-genuine in nature and created false and misleading appearance of trading in terms of artificial volumes in stock options segment 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 relating to Securities Markets) Regulations, 2003 (hereinafter referred to as **PFUTP Regulations, 2003**).

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI appointed the undersigned as Adjudicating Officer under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **SEBI Act, 1992**) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **Adjudication Rules, 1995**) *vide* order dated July 02, 2021 to inquire into and adjudge under Section 15HA of the SEBI Act, 1992 against the Noticee for the alleged violation of aforesaid provisions of PFUTP Regulations, 2003. The appointment of the AO was communicated *vide* communique dated July 06, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice dated September 24, 2021 having reference no. AO/RG/NKM/OW/P/25662/1/2021 (hereinafter referred to as **SCN**) was served upon the Noticee under rule 4(1) of the Adjudication Rules, 1995 to show cause as to why an inquiry should not be held and penalty be not imposed against the Noticee under Section 15HA of the SEBI Act, 1992 for the alleged violation of the provisions of Regulation 3(a), (b), (c), (d) and 4(1), 4(2)(a) of the PFUTP Regulations, 2003.

5. It was *inter alia* alleged in the SCN that the Noticee was one of the various entities which indulged in reversal trades which allegedly created false and misleading appearance of trading, generating artificial volumes in Stock Options segment of the BSE during the Investigation Period. Out of the total 19 trades for 40,64,000 units executed in the contract *viz.* ALLD15MAR55.00PEW3, the Noticee had executed 2 non genuine trades i.e. 1 sell trade and 1 buy trade in the aforesaid contract on March 09, 2015 with

same counterparty *viz.* Laxmi Rolling and Strips Pvt. Ltd. on the same day and with significant price differential in buy and sell rate, which resulted in artificial volume of 5,28,000 units. Summary of dealings of the Noticee in the Stock Option contract, in which the Noticee allegedly executed non genuine trades during the IP are 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 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	ALLD15MAR55.00PEW3	0.05	2,64,000	2.3	2,64,000	100%	10.53%	100%	12.99%

6. From the above table, following is noted as regards to dealings of Noticee in the contract "ALLD15MAR55.00PEW3":

   a) Noticee had executed alleged non-genuine trades in the above contract, wherein 100% trades were non-genuine trades.

   b) No. of non-genuine trades of Noticee has significantly contributed to the total no. of trades from the market in the above contract, as a substantial 10.53% of the trades happened in aforementioned contract were due to alleged non-genuine trades executed by the Noticee.

   c) A substantial 12.99% of volume generated by the Noticee in the above contract was artificial volume.

   d) 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.

7. By indulging in execution of aforesaid non-genuine reversal trades, the Noticee was alleged to have violated the provisions of Regulation 3(a), (b), (c), (d) and 4(1), 4(2)(a) of the PFUTP Regulations, 2003.

8. The SCN was served to the Noticee *via* Speed Post Acknowledgement Due (SPAD) on October 06, 2021 and *via* email dated September 24, 2021. *Vide* letter dated October 14, 2021, Noticee replied to the SCN denying the allegations and made submissions.

9. In this context, *vide* a hearing notice dated March 09, 2022, an opportunity of personal hearing was granted to the Noticee on March 25, 2022 through video conferencing due to Covid-19 pandemic. The said hearing notice was duly delivered to the Noticee by email on March 09, 2022 and by SPAD on March 14, 2022 and the delivery proof is on record.

10. On the scheduled date of hearing i.e. March 25, 2022, the Authorized Representative (AR) on behalf of the Noticee attended the hearing and reiterated the submissions made earlier by the Noticee *vide* its letter dated October 14, 2021 and requested for additional time of one week to make additional submissions which was acceded to and time accorded till March 31, 2022 to make additional submissions. The personal hearing in the matter was completed and hearing minutes are on record. Noticee *vide* its email dated March 29, 2021 submitted its reply dated March 25, 2022.

11. Reply dated October 14, 2021 and March 25, 2022 of the Noticee is as follows:

<u>Reply dated October 14, 2021</u>

………………

“2. The Noticee is a law abiding citizen and has always complied with all the applicable laws in letter and spirit.

3. The Noticee had traded in the stock options segment of the BSE Ltd. only once and because of these trades executed, the captioned SCN has been issued to the Noticee…….

5. It is submitted that the trades executed by the Noticee in the stock options segment of the BSE Ltd. were genuine and were executed on the platform provided by the stock exchange.

6. The Noticee was also subjected to various charges and taxes on the transactions inter alia including Exchange Turnover Charges, Service Tax, STT, SEBI Turnover Fee, Stamp Duty etc.

7. All these transactions have been perfectly recorded in the regular books of accounts, records and Income Tax Returns.

8. It is untenable to suddenly label these transactions as artificial and non-genuine after a period of 6 to 7 years from the date of transactions on completely untenable grounds and unjustified reasons…….

10. The Noticee understood that BSE has launched Weekly Expiry Options Contracts which are short term contracts and one can invest and get good returns.

11. So to try and see how it operates, the Noticee for the first time placed an order in BSE Options segment on March 9, 2015 to sell 2,64,000 units of ALLD 15 MAR 55.00 PE W3 at 13:22:38 at Rs. 2.30/-. This order remained pending in the trading system for about 2 minutes after which someone placed a buy order that matched with the order of the Noticee. From Annexure B of the SCN it can be observed that the order quantity of the seller was 18,48,000 units of which only 2,64,000 matched with the sell order of the Noticee.

12. This being the first time the Noticee thought it would be better to square off the trade and therefore executed a buy trade at Rs.0.05, which got traded.

13. The Noticee was surprised at the speed with which the profit had come, but was equally scared that if profits can come with such a speed, losses can also happen for similar quantum in a very short time.

14. As a result, the Noticee decided to never transact again.

15. It is only from SEBI that the Noticee has understood that the trades matched with the same counter party which the Noticee was oblivious at the relevant time of trade.

16. It can be treated as a one off case of sheer luck and co-incidence and was no way manipulative.

17. One possible reason of the trade matching with the same counter party could be the lack of liquidity and the same has been appreciated by SEBI through issuance of its Risk Disclosure Document, which is discussed at length hereinafter.

18. Upon understanding the counter party details from SEBI, the Noticee checked the details of the counter party and understands that some Laxmi Rolling and Strips Pvt. Ltd. was the counter party.

19. The Noticee humbly submits that it neither knows the counter party nor had any relationship, financial or otherwise, with the said counter party.

20. Further the settlement of the transaction has taken place through the Exchange approved by SEBI and there is absolutely no reason why unknown *counter party will allow the Noticee to make profits at its own cost and consequences.*

21. Therefore, it is most humbly submitted that the transaction is merely a co-incidence and was not intentional, non-genuine or manipulative as alleged in the SCN.

……It is submitted that the alleged trades are wrongly categorised as non-genuine….

a. The word "non-genuine" not defined in PFUTP Regulations or any of the Acts/ Regulations of SEBI. This leaves us to rely on dictionary meaning of the word to test whether the alleged trades fall under the categories of artificial volume through non-genuine trades

b. The term "non-genuine" is opposite of "genuine" which is defined as "really coming from its reputed source etc; not sham; properly so called; pure bred."

c. The alleged trades have all traits of being genuine and therefore cannot be categorised as non-genuine. These trades were executed on the anonymous platform of the Exchange, without any knowledge of counter party, at price ranges that were permitted by the Exchange and SEBI and the obligations arising out of it have been settled through the clearing mechanism of the Exchange.

d. Since the trades do not fall under the definition of non-genuine transactions, they cannot be categorised to be creating artificial volume and effectively cannot be said to be creating false and misleading appearance of trading or cannot be categorised as manipulative or deceptive trades.

e. If the intention was to carry out artificial volume and create a false and misleading appearance of trading or execute manipulative and deceptive trades, the frequency of such trades would have been much higher. No one can achieve the alleged manipulative goals with such infrequent non-genuine trades, which is a one off case of 1 buy trade and 1 sell trade.

f. In the current case the Noticee executed only one buy and one sell trade on the same day. The Noticee understood that it's a very risky segment and therefore has not traded ever again on BSE Stock Options Segment. Further as aforesaid the counter party Mr. Manish N Shah has absolutely no relationship with the Noticee and therefore can have never executed non- genuine transitions that have financial impact.

a. The SCN is issued based on imaginary and presumptive grounds. It categorizes trades of the Noticee as non-genuine in spite of the fact that these transactions were carried out on the platform provided by the BSE Ltd. and have been settled through the clearing corporation by way of movement of funds. If at all there was a fault in the platform provided by the stock exchange, SEBI should have taken action against the Stock Exchange and as SEBI has not taken any *action against stock exchange till date, it is clear that trades executed on the stock exchange should also not be termed as non- genuine or fraudulent. Surely there can be no fault in the trading of such huge number of market participants, which comprised of 81.38% of all trades on Exchange and if it is so, then SEBI cannot take action on the investors without taking any action on the Exchange, which allowed such huge number of non-genuine transactions.*

b. The SCN ignores the fact that options are derivative contracts based on certain underlying and the total trades in the underlying and all its derivative contracts is to be compared to identify the % volume. It is submitted that the volume in stock options was extremely negligible when compared with the total volume of the underlying and all the derivatives contract in the underlying and such small quantity of trading is completely incapacitated to create any kind of artificial volume.

c. For manipulating any security, the entire series of its derivatives contracts has to be manipulated, but that it not the case in the current SCN. It is an admitted position that the Noticee did not carry out any manipulative transactions in the underlying securities and merely carrying out few trades in options contracts cannot create any false and misleading appearance of trading or result in a manipulative or deceptive device as falsely alleged.

d. The SCN fails to take into consideration that the anonymous systems of the Stock Exchange does not allow a transacting party to know the details of the counter party and therefore the allegation of executing reversal trades cannot hold good. It is humbly submitted that it was not known to the Noticee the transactions were in the nature of reversal trades before being informed by SEBI.

e. Though the SCN claims that the trades were reversed at significant price difference, it has only compared the value of premium of the contracts. However in case of options contract the notional value i.e. the value of Strike Price plus the premium is to be considered. The noticee submits that when the price difference if compared with the notional value, its change is absolutely normal and similar changes are observed in multiple contracts on the Exchanges including the ones having higher volumes than the alleged contracts of the Noticee. Therefore the Noticee submits that the allegation that there was a significant price difference is incorrect and untenable.

f. Further SEBI has issued Risk Disclosure Document that records risks of trading on the stock options segment of the Exchange….. From the above clauses recorded in the RDD issued by SEBI it can be construed that SEBI was aware of the possible (significant as per SCN but not actually significant) price difference and losses / profits due to lower liquidity and wider spreads. The SCN itself records that the contracts in which the Noticee dealt were illiquid and therefore the spreads were bound to be wide resulting in so called significant price *difference in view of SEBI, which is also appreciated by the RDD issued by SEBI. However this knowledge has been ignored while issuing the SCN and the SCN wrongly goes on to allege that these trades are non-genuine. Such a conclusion is absolutely untenable in light of the fact that SEBI itself recognises that significant price difference may occur in contracts with lower liquidity and wider spreads.*

g. The SCN fails to appreciate that though SEBI and Exchanges had put in place a mechanism of price band in Capital Market Segment to control extreme volatility, which may result in trades taking place at unrealistic prices. No such price band mechanism was in place for options segment. This in itself means that all prices at which our trades were executed were genuine.

h. The SCN fails to appreciate that pricing of options is a complex arithmetical calculation based on several variables most of which are subjective and presumptive thus making a huge range of price to be completely valid and genuine. The price of an option is derived based on complex formulas dealing with price of the underlying, time to expiry, expected volatility, rate of interest etc., all of which are dynamic thus resulting in exponential increase in the lower and upper valid prices of options as a result of which SEBI and Exchanges in their wisdom did not stipulate any price band for options. After having failed to put in place such a mechanism due to complexity of such a product in spite of having infinite wherewithal with SEBI and Exchanges, it cannot be expected of common investors and traders to know the correct range of option prices.

i. The SCN does not provide an iota of evidence as to how I was related or connected to the counter party. Therefore it is submitted that without the theory of collusion or meeting of minds between the two parties being established, the allegations in the SCN do not hold good. Further there is no reason for unknown people to deliberately allow profits or losses to one another without being related and the SCN failed to highlight any relationship between buyers and sellers.

j. It is also not a case in the SCN that other investors have got carried away or have been misled due to the trades carried out by the Noticee. Further it is not even alleged that third parties suffered any loss due to the transactions carried out by the Noticee. So no other party has been affected by these trades as it got reversed with same party (which the Noticee understand only through SEBI) and no impact what so ever has been caused to anyone because of these trades.

k. Above all there is no charge of price manipulation in the SCN and without manipulating price of a security or contract no person can gain anything from artificial trade……..

There is nothing on record to substantiate that the Noticee knowingly misrepresented the truth or concealed material fact, suggested a fact that the Noticee believed is untrue, concealed any fact required to be disclosed. Further *the Noticee never made any promise or representation, and has not omitted any obligation under other law. Even further the Noticee's behaviour was no way deceptive, nor has the Noticee made any false statement. Lastly the Noticee has not issued any securities and the question of giving misinformation in relation thereto does not arise. As none of the Noticee's acts fall under the definition of 'fraud' as provided under Regulation 2(1)(c), the Noticee cannot be charged of having violated PFUTP Regulations…….*

31. So in the current case even is SEBI has a suspicion that the Noticee's trades were allegedly non-genuine the fact that it is only 1 instance and the SAT has decided the matter in favour of the Appellant, the same principle should be accepted by SEBI and the SCN against the Noticee may be dropped without any adverse inference.

32. Such one instance of reversal cannot be alleged to be creating artificial volume of trading in the market as compared to the overall trading in the stock options segment.

33. Without prejudice to the aforesaid, if at all it is held that the Noticee violated the aforesaid PFUTP Regulations, then in that case it is submitted that no penalty should be imposed On the Noticee taking into consideration' the mitigating circumstances and factors under Section 15 J of the SEBI Act.

i. The Noticee was under the belief that since the transactions executed were under the stock exchange mechanism and were therefore genuine;

ii. No illegal gain has been made by the Noticee while trading in the stock options segment;

iii. No loss has been caused to any investor or group of investor as a result of the Noticee's trading nor the same has been alleged against the Noticee in the SCN;

iv. This is the first time, SEBI has taken any kind of action against the Noticee……

y. Further, SEBI had initially passed an interim order dated 20th August, 2015 in the matter of stock options segment of BSE Ltd. and restrained 59 persons/entities from buying, selling, or dealing in the securities market till further directions. After concluding the investigation in the matter SEBI found that 14,720 entities were involved in executing non-genuine reversal trades on the stock options segment and passed the Order dated 05th April, 2018…….

36. It is to be noted that the Noticee was not part of the 59 entities against whom the Interim Order was passed and neither part of the first 567 entities against whom the Adjudication Proceedings were initiated. SEBI itself considered the Noticee's trades to be so minuscule, that it initiated Adjudication Proceedings against the Noticee in the last stage and therefore it is prayed that a lenient view be taken in the present matter…….

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

39. In the present matter, it has been alleged that Noticee executed only one reversal transaction comprising of two (one buy and one sell) fraudulent and non-genuine trades in 1 unique contracts which created an artificial volume of 5,28,000 units, comparing the same with the other orders of Illiquid Options passed by SEBI and various orders cited above, it is submitted that a lesser penalty like warning etc. may at most be imposed taking into consideration the mitigating factors and circumstances as mentioned above."

<u>Reply dated March 25, 2022</u>

"………Noticee has relied upon the order of one Ms. Neha Sethi wherein SEBI has issued an order bearing no. Order PB/2021-22/14749 dated January 20, 2022 wherein she has been exonerated of all the charges in the SCN

Ms. Neha Sethi had indulged in one instance of reversal trade involving one buy and one sell order. The Noticee has also placed only one buy and one sell order.

In case of Ms. Neha Sethi, there was a substantial time gap between the buy and sell trades. Further, in case of Ms. Neha Sethi the order quantity of buyer and seller was the same but in case of Noticee it is different and therefore the Noticee submits that it has a better case than that of Ms. Neha Sethi as the difference substantiates that there was no meeting of minds.

The order of Ms. Neha Sethi records that there was a substantial price movement in the underlying that she had traded. In the current case the trades took place in options contract of Ashok Leyland on March 09, 2015. On the said day, price of scrip was also experiencing substantial price movement. The High was Rs. 74.05 and the low was Rs. 72.20.

It can be observed that the trend of price movement of Ashok Leyland was negative as it opened on Rs. 73.25 and closed at Rs. 72.60. The Noticee executed sale transaction earlier at Rs. 2.30 and the same was squared off after a substantial time at Rs. 0.05 which is again a negative trend.

The Noticee has also pleaded in the reply that since the contracts were admittedly less liquid, there was a higher possibility of trades getting reversed with same party and Ms. Neha Sethi has also taken a similar plea in her response.

Further, there is no allegation of the Noticee knowing the counter party in the current case like in case of Ms. Neha Sethi.

In the current case too the Noticee's orders were not placed in sync with the counter party and there was a time difference of about 2 minutes in case of sell trade. Further the buy order was placed after 13 minutes of the sell order of Noticee, which are again on similar lines as in case of Ms. Neha Sethi.

In case of Ms. Neha Sethi's order it is rightly recorded that 'it was possible in existing exchange platform at that point in time that the counterparty to trades could be the same entity without the knowledge of the concerned entities' and the Noticee in the current case has also pleaded the same which was much before the passing of the order of Ms. Neha Sethi.

In case of Ms. Neha Sethi, her contribution to trades in the said contract was 9% and in the current case the same is also similar i.e. 12.99%.

The Hon'ble AO in case of Ms. Neha Sethi has taken into accounts the facts and circumstances in totality and has formed a view that no definitive conclusion can be made that the impugned trades were premeditated and has therefore recorded that there is insufficient material to conclude that Noticee created false and misleading appearance of trading or generated artificial volume by means of reversal of trade."

CONSIDERATION OF ISSUES AND FINDINGS:

12. I have taken into consideration the facts and circumstances of the case, replies of the Noticee and the material available on record. The issues that arise for consideration in the present case are:

Issue (a): Whether the reversal trades in illiquid Stock Options carried out by the Noticee during the Investigation Period were in violation of Provisions of Regulation 3(a), (b), (c), (d) and 4(1) & 4(2)(a) of the PFUTP Regulations, 2003?

Issue (b): If yes, whether the violation, on the part of the Noticee would attract monetary penalty under Section 15HA of the SEBI Act, 1992?

Issue (c): If yes, what would be the quantum of monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act, 1992, read with rule 5(2) of the Adjudication Rules, 1995?

13. 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 thereunder;

(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 or 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; …..”

14. Before advancing into the merits of the case, I would like to deal with the contention of the Noticee that it is untenable to label these transactions as artificial and non-genuine after a period of 6 to 7 years from the date of the transactions on completely untenable grounds and unjustified reasons and thus the SCN is liable to be set aside on this reason alone.

15. With regard to this issue, it is noted that pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, Interim order was passed by SEBI on August 20, 2015 which was confirmed *vide* Orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation

relating to stock options segment of BSE which was completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock option segment during the investigation period. The proceedings initiated *vide* the aforementioned Interim Order were disposed of *vide* final order dated April 05, 2018 also considering that appropriate action was initiated against the said 14,720 entities in a phased manner.

16. During the course of hearing in the case of *R. S. Ispat Ltd vs. SEBI*, the Hon'ble Securities Appellate Tribunal (SAT), *vide* its Order dated October 14, 2019, *inter alia* observed that "*SEBI may consider holding a Lok Adalat or adopting any other alternative dispute resolution process with regard to the Illiquid Stock Options".*

17. A Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided one-time opportunity for settlement of proceedings in the Illiquid Stock Options matter. The said scheme was kept open from August 01, 2020 till December 31, 2020. Adjudication proceedings were initiated against those entities who had not availed of the opportunity of settlement.

18. As can be seen from the narration of facts in the foregoing paragraphs, pursuant to appointment of AO on July 06, 2021, SCN was issued on September 24, 2021. In compliance with principles of natural justice, after receipt of reply, an opportunity of personal hearing was scheduled on March 25, 2022 and upon conclusion of hearing, additional written submissions were received from the Noticee *vide* letter dated March 25, 2022.

19. Further, I note that there is no provision under SEBI Act, 1992, which prescribes a time limit for taking cognizance of a breach of the provision of the SEBI Act, 1992 and Rules and Regulations made thereunder. Further, as per Section 11C of SEBI Act, 1992, SEBI can initiate investigation at any point of time, for any period of alleged violation or any period of alleged transactions. I also note that the investigations relating to the PFUTP

Regulations, 2003 are complex (considering the volume of transactions, connections and examination of trading of shares, etc.) and time consuming. In this regard, I feel it is pertinent to note that, in the matter of SEBI vs. Bhavesh Pabari (2019) SCC Online SC 294, the Hon'ble Supreme Court of India has, *inter alia*, held that: "*There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc*." Further, I note that the Hon'ble SAT in the matter of Pooja Vinay Jain vs. SEBI (Appeal No. 152 of 2019, Date of Decision – 17.03.2020) held that, "*The record would show that all the documents concerning the defense of the appellant were filed by her before the AO. Therefore, for want of any prejudice the proceedings cannot be quashed simply on the ground of delay in launching the same*".

20. I also note that the Hon'ble SAT in the matter of Bipin R Vora vs. SEBI held that, *"As regards the plea of delay and latches and submission that the show cause notice is barred by limitation, I do not find any merit in these contentions as the time and efforts involved in an investigation though may vary from case to case, generally investigations per-se is a time consuming process which invariably involve collection, scrutiny and careful examination of voluminous records/ order-trade details of all the concerned including the exchanges/recording of statements etc. and therefore no time limit can be fixed in this regard to enable a regulator to take appropriate disciplinary action for the safeguard and improvement of the system/market".* In view of the aforesaid and considering the facts of the aforesaid matter, I do not find any merit in the contentions of the Noticee.

21. I, now deal with the issues on merit in the instant matter. I note that allegation against the Noticee is that, while dealing in the stock option contracts at BSE during the IP, it had executed reversal trade which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in

stock option contracts at BSE. Reversal trades are considered to be those trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non-genuine trades as they are not executed in the normal course of trading, lack basic trading rationale, lead to false or misleading appearance of trading in terms of generation of artificial volumes and hence are deceptive and manipulative. Artificial volume is considered to be the volume (no. of units) reversed in both legs of said reversal trades while keeping out the volume, if any, which is not reversed.

22. I note from the trade log that the Noticee had traded in one contract in the stock options segment of BSE during the investigation period namely ALLD15MAR55.00PEW3. It is observed that the Noticee had executed two non-genuine trades in the aforesaid contract i.e. one sell trade and one buy trade. I further note that the above mentioned trades of the Noticee had resulted in the creation of alleged artificial volume of 5,28,000 units in the aforesaid contract. The summary of the non-genuine trades of the Noticee are 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 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	ALLD15MAR55.00PEW3	0.05	2,64,000	2.30	2,64,000	100%	10.53%	100%	12.99%

23. I note that the Noticee had executed non-genuine trades in the aforesaid contract, wherein the percentage of non-genuine trades of the Noticee in stock option contract to total trades in the said contract was 10.53%. Further, artificial volume generated by the Noticee in the said contract to total volume amounted to 12.99% of total volume traded in the said contract. Non-genuine trades executed by the Noticee in the aforesaid contract had significant

difference in buy rate and sell rate considering that the trades were reversed on the same day i.e. March 09, 2015 within a span of few minutes.

24. The Noticee contended that there is no connections with the alleged counterparty in this matter and that the trades were executed on the floor of the exchange in normal course of business.

25. With regard to the above contentions of the Noticee, I note from the trade log that the trades executed by the Noticee in the aforesaid contract were squared up within a short span of time of few minutes with the same counterparty. To illustrate, the Noticee on March 09, 2015, at 13:24:36 (Order time of the Noticee: 13:22:38 hrs and Counterparty order time: 13:24:36 hrs) entered into a sell trade with counter party *viz.* Laxmi Rolling and Strips Pvt. Ltd. for 2,64,000 units at a rate of Rs. 2.3 per unit. Thereafter, on the same day within a gap of few minutes (11 minutes), Noticee, at 13:35:48 hrs (Order time of the Noticee: 13:35:48 hrs and Counterparty order time: 13:35:47 hrs) entered into one buy trade with the same counterparty for 2,64,000 units at a rate of Rs. 0.05 per unit. It is noted that while dealing in the said contract during the investigation period, the Noticee executed reversal trades with the same counterparty i.e. Laxmi Rolling and Strips Pvt. Ltd. on the same day within a gap of few minutes and with a significant price difference in buy and sell rates. Thus, the Noticee, through her dealings in the contract *viz.* "ALLD15MAR55.00PEW3", executed non genuine trades and thereby, generated artificial volume traded in the said contract. I note that the charges against the Noticee for the aforesaid trades and the provisions of PFUTP Regulations, 2003 alleged to have been violated as stated above have been cogently spelt out in the SCN dated September 24, 2021 which has been served on the Noticee.

26. The non-genuineness of these transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within a short span of time of few minutes, the Noticee reversed the position with the same counterparty with a significant price difference. I note from the trade log of the Noticee that the Noticee reversed the non-genuine trades within few

minutes. Reversing the trades in an illiquid stock option contract within a short span of time of few minutes suggests the non-genuineness of these trades executed by the Noticee. The fact that the transactions in a particular contract were reversed with the same counterparty within a few minutes indicates a prior meeting of minds with a view to execute the reversal trades at a predetermined price.

27. Noticee contended that it was unaware of the shares being ill-liquid in which it traded, there was no bar on trading in the said scripts, no warnings, estoppels from BSE. I note that the allegation against the Noticee is that it had traded in illiquid stock options segment of BSE and artificial volume generated by Noticee amounted to 100% of the volume generated by the Noticee in the said contract. Moreover, I note that Noticee's trades in the contract contributed to 12.99% to the total market volume generated during the relevant period. Also, it is noted that during the investigation period, total two trades for 5,28,000 units were executed in the said contract, which was executed by the Noticee on March 09, 2015. I note from the above that the concerned contract was thinly traded and that Noticee contributed substantially to artificial volume in the aforesaid contract. Therefore, Noticee's contentions in this regard are without merits. 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 of few minutes, pattern of order placement in such close proximity to each other and also order price 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 the counterparty in the stock options segment of BSE and the same were non-genuine trades.

28. Noticee contended that all the trades executed by her are well recognized, legal and permitted by BSE and carried out on the floor of exchange. I note, stock exchanges merely provide a platform for carrying out the trades and the clearing corporation affiliated with exchange handle the confirmation,

settlement and delivery of transactions, however, the obligation to ensure genuineness of trades as regards instant considerations lies squarely on the Noticee. I note that instant SCN levies the impugned allegations against Noticee, and that permitting of trading by stock exchanges cannot be a ground to absolve Noticee from its obligation to ensure genuineness of trades executed on exchange platform. Thus, the contention of the Noticee in this regards is not tenable.

29. With regard to the reason of trades being carried out at a substantial price difference and reversed with the same party the Noticee has submitted that these are also genuine as the Risk Disclosure Document (RDD) issued by SEBI also envisages the possibility of significant price difference and losses / profits due to lower liquidity and wider spreads. In this context, I note that RDD is a document in the nature of general advisory to investors dealing in derivatives markets considering that derivatives products are complex, risky and high leverage products. Such a document in any case does not either implicitly or explicitly permit deliberate structuring of manipulative trades which lack economic rationale and run contrary to the dynamics of price discovery in option trading. I note that derivative contracts by its very nature derives its value from various factors including underlying price. The transactions of the Noticee as mentioned in above paras demonstrates that option contracts bought / sold were immediately reversed on same day at substantially different price, though there was no corresponding price changes in the underlying stock price. Further, analysis of such trades also indicates that price differentials have been deliberately structured for manipulative purposes as one party to the contract had deliberately foregone profitable proposition at the time of executing trade. Such pattern completely runs contrary to economic rationale of any investor to buy at lesser price and sell at higher price. Any rational investor would never deal in the market to deliberately register loss to facilitate buyer to profit at the time of entering trades. Had the counterparties for trades of the Noticee are different, intraday squaring of positions would not have been possible as no genuine counter party investor would ever forego profits. The fact that the counterparties are

same, corroborates that the trades were not genuine and executed for manipulative purposes. Therefore, I find no merit in the submission of the Noticee that the impugned reversal of trades are genuine in nature.

30. Noticee contended, the words “artificial” and “non-genuine” were not defined in PFUTP regulation or any of the Acts / Regulations of SEBI. Reversal trades were considered 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. It has been alleged that the said reversal trades were non genuine trades as they were 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 volume. Artificial volume is considered to be the volume (no. of units) reversed in both legs of said reversal trades while keeping out the volume, if any, which was not reversed. It has been noted that there was no change in beneficial ownership of the volume reversed in non genuine trades of Noticee as positions of both the parties in these trades were squared off among themselves only, and no open positions were carried forward. Hence, the volume generated in 2 non genuine reversal trades of Noticee was artificial volume which created misleading appearance of trading. It is pertinent to note that Regulation 4(2)(a) of PFUTP Regulations states that dealing in securities will be deemed to be a fraudulent and unfair trade practice if it involves “indulging in an act which creates false or misleading appearance of trading in the securities market”. It is also pertinent to note that artificial volume generated from the said trades shows non-genuine appearance of trading in aforesaid contract to the unsuspecting investors. These non genuine and deceptive trades are covered under the definition of ‘fraud’ and dealing of Noticee noted hereinabove were ‘fraudulent’ as defined under regulation 2(1)(c) of SEBI PFUTP Regulations, 2003. Thus, the terms “artificial” and “non-genuine” have no strict definition. The definition of the said terms has to be construed, understood and interpreted in reference to the context in which it is used. Therefore, the contentions of Noticee in this regards is without merits.

31. Noticee contended that , the SCN ignores the fact that options are derivative contracts based on certain underlying and the total trades in the underlying and all its derivative contracts is to be compared to identify the % volume. Also, Noticee submitted that the volume in stock options was extremely negligible when compared with the total volume of the underlying and all the derivatives contract in the underlying and such small quantity of trading is completely incapacitated to create any kind of artificial volume. In this regard, I note that the market volume only in the impugned contract is relevant as regards instant considerations, so that the artificial volume generated by Noticee as a proportion of total market volume in the contract was 12.99%. I note that Noticee's trades, although few in number, contributed substantially to total market volume in said contract indicating that the stock options segment of BSE was illiquid as regards the aforesaid contract. Therefore the contention of the Noticee in this regards is without merits.

32. Noticee contended that no other party has been affected by these trades as it got reversed with same party and no impact what so ever has been caused to anyone because of these trades. I note that the impugned reversal trades, which were carried out with prior meeting of minds as inferred from the case facts, affected the price discovery and execution of trades as per market mechanism on the stock options segment of BSE. In this regard, I further note the following from the judgement of the Hon'ble SC in the matter of SEBI vs Rakhi Trading Pvt Ltd (supra): "……….According to SAT, only if there is market impact on account of sham transactions, could there be violation of the PFUTP Regulations. We find it extremely difficult to agree with the proposition. As already noted above, SAT has missed the crucial factors affecting the market integrity, which may be direct or indirect. 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.” Therefore, I note that contentions of Noticee in this regard are not tenable.

33. Further, the Noticee contended that the alleged trades have all traits of being genuine and therefore cannot be categorized as non-genuine. These trades were executed on the anonymous platform of the Exchange, without any knowledge of counter party, at price ranges that were permitted by the Exchange and SEBI and the obligations arising out of it have been settled through the clearing mechanism of the Exchange.

34. In this regards, I note that in the screen based trading, which is virtually anonymous, it may not be ordinarily possible for anyone to enter into such reversal trades. However, considering the precision at which the reversal transactions have taken place i.e. synchronisation of the quantity, order price and order time and sale with significant price variations as observed in the instant matter, the same couldn’t have been possible without prior meeting of minds.

35. It is very pertinent to state that the said trades were matched with one entity only. I note that it is not mere coincidence that Noticee could match his trades with the same counterparty with whom it had undertaken first leg of the respective trade. This is the outcome of meeting of minds elsewhere and it was a deliberate attempt to deal in such a fashion. Here I would like to rely on the judgment of Hon’ble Supreme Court in SEBI vs. Kishore R Ajmera (AIR 2016 SC 1079) decided on February 23, 2016, wherein it was 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...”*

36. The Hon’ble Supreme Court further held in the same matter 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.”*

37. I note that though direct evidence is not forthcoming in the present matter regarding meeting of minds or collusion of the Noticee with other entities, the trading behaviour of the Noticee makes it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level. In this context, I deem it appropriate to refer to the Hon’ble SAT order dated July 14, 2006, in the case of Ketan Parekh vs. SEBI (Appeal no. 2/2004), wherein the Hon’ble SAT has held 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."*

38. I place my reliance on the judgment of the Hon’ble Supreme Court in the matter 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….."

39. Noticee referred to the Adjudication Order dated January 20, 2022 regarding Ms. Neha Sethi, wherein Neha Sethi has been exonerated having the similar alleged violations. In this regard, it is pertinent to refer, 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."* The Hon'ble SAT reaffirmed its stand taken in Global Earth Properties and Developers Pvt. Ltd. vs. SEBI (Appeal No. 212 of 2020), in its judgment dated November 24, 2021 in the matter of Radha Malani vs. SEBI (appeal no. 698 of 2021), has held the that *"Having heard the learned counsel for the appellant, in our view the controversy involved in the present appeal is squarely covered by a decision of this Tribunal in Global Earth Properties and Developers Pvt. Ltd. vs. SEBI (Appeal No. 212 of 2020 decided on September 14, 2020). In view of the aforesaid, the appeal is dismissed with no order as to costs."* Therefore, I note that contentions of Noticee in this regard are not tenable

40. Further, I would like to rely on the judgement of Hon'ble Supreme Court passed in the case of SEBI vs. Rakhi Trading Private Ltd. (supra), wherein

the Apex Court held that "*the entities were engaged in a fraudulent and unfair trade practice while dealing in Options and hence were liable for violation of SEBI (PFUTP) Regulations".* The Hon'ble Apex Court has also held that in the absence of direct proof of meeting of minds, the test should be one of preponderance of probability and also stated that the conclusion has to be gathered from various circumstances like volume of trade, period of persistence of trading, particulars of buy and sell orders, proximity of time between the two and such other relevant factors. Thus, the submission of the Noticee cannot be accepted.

41. I note that the impugned reversal trades, which were carried out with prior meeting of minds as inferred from the case facts, affected the price discovery and execution of trades as per market mechanism on the stock options segment of BSE. In this regard, I rely on the judgement of the Hon'ble SC in the matter of SEBI vs. Rakhi Trading Pvt. Ltd., wherein the Apex Court held that: *"…..According to SAT, only if there is market impact on account of sham transactions, could there be violation of the PFUTP Regulations. We find it extremely difficult to agree with the proposition. As already noted above, SAT has missed the crucial factors affecting the market integrity, which may be direct or indirect. 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."*

42. In line with the aforesaid judgements of the Hon'ble Supreme Court and Hon'ble SAT, 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 of the Noticee beyond a reasonable doubt of the manipulative intent in creation of artificial volume. Further, the dealings by Noticee only in such options contracts which was

illiquid clearly demonstrates the manipulative intent to use stock exchange platform to carry out non-genuine trades with the aim to execute such trades for manipulative purposes.

43. I note that dealing in Illiquid stock options not only displays an unreal picture of market activity to other investors but also defeats the basic premise of screen based electronic trading system and price discovery mechanism by execution of pre-decided reversal trades at irrational/arbitrary prices. Such activity deliberately or otherwise damages market integrity apart from presenting wrong picture of liquidity to gullible investors which could affect their trading/investment decisions. Options as financial instruments, ordinarily, provide hedging avenues to investors. The trading of the Noticee in the instant matter was abnormal and was clearly designed to create artificial volumes in the illiquid stock option contracts, fail to justify any of the normal strategies of hedging/ arbitrage. In my view, the abuse of such financial instruments, which are made available to the investors for the purpose of protection of their investment portfolios from the risks of adverse price movement, needs to be dealt with strictly. I also note that while the stock exchange provides a platform for carrying out the trades, the obligation to ensure genuineness of the trades executed on the exchange platform primarily lies on the Noticee.

44. In view of the above, the trading behaviour of the Noticee confirms that such trades were not normal and wide variation in prices of the trades in the same contract in a short time without any basis for such wide variation, 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 contract i.e. ALLD15MAR55.00PEW3. In view of the above, I find that the allegation of violation of provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003 by the Noticee stands established.

45. The Hon'ble Supreme Court of India in the matter of SEBI vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC) 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..”

46. In view of the aforesaid judgment of the Hon’ble Supreme Court, I am convinced that, in the instant matter, the Noticee is liable for monetary penalty under the provision of Section 15HA of the SEBI Act, 1992 which reads as follows:

15HA. Penalty for fraudulent and unfair trade practices.
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.

47. *While determining the quantum of penalty under Section 15HA of the SEBI Act, 1992, the following factors stipulated in Section 15J of the SEBI Act, 1992*, have to be given due regard:

(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.

48. With regard to the imposition of penalty, Noticee contended that a lesser penalty like warning etc. may be imposed taking into consideration that it had executed only one reversal transaction comprising of two fraudulent and non-genuine trades in one unique contract which created an artificial volume of 5,28,000 units. In this regard, It is established that the Noticee violated the provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003 and hence liable for monetary penalty under the provision of Section 15HA of the SEBI Act, 1992. As per Section 15HA of the SEBI Act, 1992, “*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". Further, it is appropriate to refer to the orders of the Hon'ble SAT in the matter of Nilu Chopra vs. SEBI (Appeal No. 812 of 2021) and Shruti Saraogi vs. SEBI (Appeal No. 814 of 2021) dated January 13, 2022 *"Having heard the learned counsel for the appellant, we find that the minimum penalty which can be imposed under Section 15HA is Rs. 5 lacs. Therefore, we do not find any reason to reduce the penalty amount…..".* In view of the above, the submission of the Noticee for levying of lesser penalty cannot be accepted.

49. I observe that the material / documents made 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, Noticee has entered into two non-genuine trades in one stock option contract during the investigation period. Therefore, I note that the Noticee indulged in execution of reversal trades in stock options on BSE during the Investigation Period which were non-genuine and created false and misleading appearance of trading in terms of artificial volumes in stock options, leading to violation of provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFTUP Regulations, 2003.

ORDER

50. After taking into consideration 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 powers conferred upon me under Section 15-I(2) of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, 1995, I hereby impose a penalty of ₹5,00,000/- (Rupees Five Lakh only) upon the Noticee i.e. Ankita Nishant Chag (PAN: BGCPK7015E), under Section 15HA of the SEBI Act, 1992 for violation of provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations, 2003.

51. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or the 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. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

52. The Noticee shall forward the aforesaid Demand Draft / payment confirmation details to the Division Chief, Enforcement Department-I (EFD), Division of Regulatory Action - I [EFD1-DRA-1] SEBI Bhavan, Plot No.C4-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 the ‘Payer / Noticee’ along with PAN of Noticee	
3	Date of Payment	
4	Amount Paid	
5	Transaction No.	
6	Bank Name and Account No.	
7	Purpose of payment	

53. In the event of failure to pay the aforesaid amount of penalty within 45 days of receipt of this Order, recovery proceedings may be initiated under Section 28A of the SEBI Act, 1992 for realization of the said penalty amount along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

54. In terms of the provision of Rule 6 of the Adjudication Rules, 1995, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

Place: Mumbai **RAJESH GUJJAR**

Date: April 06, 2022 **ADJUDICATING OFFICER**