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

In respect of:

Brahm (Alloys) Limited
(**PAN**: AACCB4367L)
(**CIN**: U27109WB2004PLC099270)
Address: 6/B – Camac Court, 25B Camac Street, Kolkata - 700016

In the matter of dealing in illiquid stock options at BSE

BACKGROUND

1. SEBI observed large scale reversal of trades in Stock Options segment of Bombay Stock Exchange (hereinafter, referred to as "**BSE**") leading to creation of artificial volume. SEBI conducted an investigation into the trading activity in illiquid Stock Options at BSE (hereinafter, referred to as "**investigation**") for period 01/04/2014 to 30/09/2015 (hereinafter referred to as "**I.P.**").

2. Pursuant to investigation, it was observed that during the I.P, total 2,91,643 trades comprising substantial 81.38% 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 I.P.

3. 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. The said reversal trades are alleged to be non genuine trades as they are not executed in normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were 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.

4. It is noted that Brahm (Alloys) Limited bearing PAN: AACCB4367L (hereinafter, referred to as "**Noticee**") was one of the various entities which were indulged in execution of non genuine trades in Stock Options Segment of BSE during the I.P. The dealings of Noticee in Stock Options segment of BSE during the I.P., and allegations against Noticee for execution of non genuine trades are emanated below.

5. Noticee, while dealing in Stock Option segment of BSE during the I.P. allegedly executed 244 non genuine trades in 94 Stock Option contracts, resulting in artificial volume of total 11017000

units in such contracts. Following is noted from the allegations wi.r.t dealings of Noticee in aforesaid 94 contracts at BSE:

a) All the trades executed by Noticee in aforesaid 94 stock option contracts (except 1 contract viz, JISL15MAR55.00PEW3) 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 contracts, as up to 100% of the trades that happened in the said 94 contracts were due to non-genuine trades executed by the Noticee.

c) All the volume generated by the Noticee in each of the above contracts (except 1 contract viz, JISL15MAR55.00PEW3) was artificial volume. Further, artificial volume generated by Noticee also contributed to significant up to 100% of the total volume from the market in said 94 contracts.

d) Alleged non genuine trades executed by Noticee had significant difference in buy rates and sell rates considering that the trades were reversed on same day.

6. In view of the foregoing, it was alleged that Noticee indulged in execution of reversal trades in Stock Options at BSE during the I.P. Such reversal trades were allegedly non-genuine in nature and have created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore alleged to be manipulative, deceptive in nature. Thus, it is alleged that Noticee violated the provisions of Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as "**PFUTP Regulations 2003**").

APPOINTMENT OF ADJUDICATING OFFICER

7. SEBI, in terms of Section 19 read with Section 15I(1) and (2) of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter, referred to as "**SEBI Adjudication Rules, 1995**") appointed Adjudicating Officer to inquire into and adjudge the alleged violations of aforesaid regulations in respect of Noticee, and if satisfied that penalty is liable, impose such penalty deemed fit in terms of Rule 5 of SEBI Adjudication Rules, 1995 and Section 15HA of SEBI Act.

SHOW CAUSE NOTICE, WRITTEN SUBMISSIONS, PERSONAL HEARING

8. Show Cause Notice dated October 19, 2018 (hereinafter referred to as "**SCN**") was issued to the Noticee and sent through Speed Post AD mentioning the allegations against the Noticee and requiring it to show cause within 14 days of receipt of the SCN, as to why an inquiry should not be held and penalty be not imposed under Section 15HA of SEBI Act for the aforesaid alleged violations against it.

9. Noticee vide its letter dated October 31, 2018 made following submissions in reply to SCN:

"*the allegations raised in your above show cause notice is not correct and hence is denied and not acceptable by us. We dealt all our transaction through broker of Stock Exchange. The dealing was made on online. Buyers and Sellers name is not known while the dealing was made. Hence it may so happen theat trade have been done with the same person/company.*".

10. Vide letter and e-mail dated November 15, 2018, Noticee was provided with opportunity of hearing on December 4, 2018. Noticee, vide its letter and e-mail dated December 3, 2018 informed that its Directors dealing with the matter is out of station for some urgent business meeting and hence could not be able to attend the hearing on the schedule date, and in this regard Noticee requested for extension of date by 30 days so as to attend the hearing. In view of the above, vide e-mail dated December 3, 2018, Noticee was provided with another opportunity of hearing on December 14, 2018, and it was informed that additional submissions, if any, shall also be made by the aforesaid date of hearing.

11. Noticee, vide its letter and e-mail dated December 8, 2018 made following key submissions and request:

"Allegations made in the SCN are exceedingly vague, completely contrary to factual positions on records and based on surmises, conjectures and on erroneous assumptions.

In order to properly understand the basis of allegations against us in the SCNM and to effectively respond to the same, we would need access to all the relevant documents in the possession of SEBI in connection with the matter, based on which the present proceedings have been initiated and the allegations have been made against us. This is an essential part of the process necessary to discharge the requirements of natural justice and fair play. Hence, we request Adjudicating Officer to direct SEBI to produce and provide us the entire records and papers in possession of SEBI in the matter to enable us to effectively deal with the allegations in the Show Cause Notice.

On perusal of the SCN, it is apparent that SEBI has referred to and relied on various material / documents while leveling the allegation, but no such material/ documents have been made available to us. Consequently, I would request you to provide me all the documents/ material relied upon by you for alleging the charges against me in the SCN, including but not limited to the documents/ material viz.

a) *Copy of the Investigation Report of SEBI based on which the allegations have been leveled in the SCN;*
b) *Noting of satisfaction recorded by the Hon'ble WTM that we have violatd the provision of law as alleged;*
c) *Details of counterparties to our trades, viz Address, email and contact nos.*
d) *Details of all trades executed by our counterparties;*
e) *Copy of statements of various persons/entities as referred to in the SCN recorded by SEBI in the matter.*

The same are preliminary documents required by us to defend our matter. We further submit that we reserve our right to cross examine persons whose statements have been recorded in this matter or on whom reliance has been placed. We submit that the aforesaid documents/ materials sought by us are crucial and critical for responding to the allegations in the said SCN and non-providing of the same will gravely prejudice us. Accordingly, we earnestly request you to provide the aforesaid documents/ materials at the earliest so that we can file our detailed reply in the matter."

12. Vide e-mail dated December 10, 2018 to Noticee was informed as follows. *All the relied upon information and records in the present matter inter-alia including relevant extracts of investigation report, details of allegations in respect of you, details of all the trades undertaken by Noticee and order conveying appointment of Adjudicating Officer, has been provided to Noticee in the SCN. There are n other information and records being relied upon in the present proceedings. Aforesaid request of Noticee received few days prior to the second hearing opportunity given to Noticee in the present matter, and appears to be tactics to delay the present proceedings. In this regard, Noticee is required to submit reply to SCN latest by December 14, 2018. Noticee can also avail the hearing scheduled for Noticee on December 14, 2018, 10:30 am. Upon failure to furnish reply by the said date and avail the aforesaid opportunity of hearing, it will be construed that Noticee have no more submissions to make in the present matter, and accordingly, the matter will be concluded based on material*

and submissions of Noticee already on records as per provisions of Rule 4(7) of Adjudication Rules, 1995. Vide subsequent e-mail to Noticee on the same day, due to exigencies of work hearing was rescheduled to December 21, 2018.

13. Vide letter dated December 14, 2018, Noticee informed that its authorised representative who had been entrusted with preparing its submission will be on vacation from 25/12/2018 till first week of January 2019, and under the circumstances Noticee insisted that additional time may be granted to Noticee. In view of the above request of Noticee, vide e-mail dated December 19, 2018 to Noticee, final opportunity of hearing was provided to Noticee on January 3, 201 and also Noticee was advised to furnish its reply, if any, before the above scheduled hearing. Subsequently, Noticee, vide its e-mail dated December 21, 2019 sought information if it is possible to shift the place of hearing from Mumbai to Kolkata? If possible, it further requested to let it know so it accordingly make itself available on the day of hearing. In response to request of Noticee, through e-mail on the same day, Noticee was informed that if it wish to have hearing in Kolkata same can be arranged through video conferencing from Eastern Regional Office (ERO) of SEBI in Kolkata.

14. In view of the request of Noticee, and further co-ordination with ERO, SEBI, hearing was scheduled on January 3, 2019 from ERO, SEBI in Kolkata, and accordingly, Noticee was informed about the same along with details of venue through e-mail dated December 31, 2018.

15. Noticee vide its e-mail and letter dated January 1, 2019 made its detailed submissions in reply to SCN. Key submissions from the same are as follows:

"We deny the allegations made against us in the SCN, save and except those, which are specifically admitted herein. We specifically deny that we have violated any of the provisions of Regultions 3(a), (b), (c) and (d) and 4(1), 4(2)(a) of the PFUTP Regulations as alleged. We submit that we have not indulged in y fraudulent and unfair trade practices relating to the securities market so as to warrant any kind of punitive action.

The purported allegations in the SCN are product of mere surmises, conjectures and hearsay and are totally misplaced and contrary to factual position on record. Sweeping inferences have been made in the SCN, based merely on suspicion and assumption, to draw the preconceived conclusions which are totally untenable and unreasonable.

Violations of Principles of Natural Justice
Noticee reiterated its request made in its letter dated 08/12/2018 (details mentioned in point 11 above) for more information and additional documents in the present proceedings.

In this regards Noticee also state that Hon'ble Supreme Court, in the case of Price Waterhouse Coopers vs SEBI in Civil Appeal no. 6003-6004 of 2012, had directed, that "all statements recorded during tire course of investigation shall be provided to the respondents and further directed, that all documents collected during investigation shall be permitted to be inspected by the respondents. The authors of such statements (recorded during investigation), which are to be relied upon (against tile respondents), shall be offered for cross-examination to the respondents. Only thereupon, it will be permissible to rely upon the same."

It is a matter of records that SEBI had conducted an investigation into the trading activities of certain entities in illiquid stock option at BSE for the period April 01, 2014 to September 30, 2015. Admittedly, investigation report and its findings have been relied while setting out the allegations and charges against us. However, information have not been set out in SCN viz, circumstances that led to a conclusion that our trade were irregular / illegal and in violation of PFUTP Regulations, 2003; role of various entities and persons who participated in the alleged illegal trades e.g, counter party clients and stock brokers and their statements likely to have recorded during investigation; The records and documents set out above are very relevant and important documents. All the aforementioned relevant documents and records have not been provided to us. This failure and refusal of SEBI to provide relevant documents and records to us thus amounts to a clear violation of the Principles of Natural Justice.

The Hon'ble Supreme Court's diction that "A public body invested with statutory powers must take care not to exceed or abuse its power. It must keep within tire limits of tire authwrity committed to it. It must act in good faith and it must act reasonably", seems to have not been accepted by SEBI in the present case (1992) 3 SCC 343: AIR 1992 SC 1033)

The SCN is vague, arbitrary, whimsical and based on mere surmises and conjuncture:
It is humbly submitted, the allegation in the SCN in so far as they relates to us are product of mere surmises, conjectures and hearsay and are totally misplaced and contrary to factual position on record. Sweeping inferences have been made in the said SCN, based merely on suspicion and assumption, to draw the preconceived conclusions which are totally untenable and unreasonable. It is extremely absurd on the part of SEBI to label our trades as artificial and non genuine after about 31/2 years of the transactions.

The investigation period has been reckoned as 01/04/14 to 30/09/15, whereas trades on BSE Options segments have been carrying on for past several ·years. The choice of investigation period shows that the same has been chosen arbitrarily and without any basis or reasonableness.

Making allegations on the basis of a few trades is erroneous. Moreover, the detail of trade and volume based on which investigation was done has not been mentioned in the SCN, making it difficult for us to comment thereupon. There is absolutely nothing on records to show that the trades of our counterparties are non genuine trades or that they have created artificial volume or that they have executed reversal trades and our relationship with them has not been spelt out in the SCN. There is nothing in the SCN to allege that we had entered into any understanding with our counterparties to execute such trade. Based on the above it is humbly submitted that the SCN is vague, arbitrary, and whimsical & based on mere surmises and conjunctures.

Before making our submission, we would like to state that Derivatives segment is a comparatively new area of operation for trading activity in the Indian Capital Markets. India's derivativs market is 15 times larger than its cash (shares) market, the highest ratio in the world by a wide margin. Domestic retail investors and proprietary traders account for 87% of all derivatives trading in India. The notional value of such trading touched $1.3 trillion in 2014-15, from just $40 billion a decade ago.

It is submitted that what is traded in the Derivatives segment are the contracts and not the underlying assets which are separately traded in the cash segment of the exchanges. Derivatives segments movements need not correspond with the movement in the cash segments as the contracts in the Derivatives moves on it's own anticipation and perception. Much of the trades in the Derivative segments are speculative in natures and the trader uses the derivatives to bet on the future directions of the market or the underlying.

Further to the above, we would like to state that we are a Corporate engaged in the business of manufacturing of TMT Bars, M.S.Ingot and Pig Iron, besides we also trade in "Commodities Derivatives" with our surplus funds. We have been carrying on such activities since the past several years. We carry out our trades in "Commodities Derivatives & Securities Trading" through various brokers namely, Creative Comtrade Pvt. Ltd., Excel Commodities & Derivatives Pvt. Ltd., Dignity Logistic Services Pvt. Ltd. Bajrang Metals & Commodities Pvt. Ltd., etc.

All our trades in "Commodities Derivatives" and "Capital Markets" were in the ordinary course devoid of any manipulative intent. We have never defaulted in meeting our payment or delivery obligations on any occasion. We have absolutely clean track record. We are law abiding company and apart from the proceedings in question, we have till date never been questioned or held guilty for violations of any law whatsoever by any governmental authority including SEBI.

Our trades in BSE Options were very insignificant and therefore unlikely to disturb or influence the market volume to cause any harm to the safety & integrity of the securities market. Further, we have traded for just 7 days on BSE Derivative segments, out of investigation period of 545 days. Such trading ·cannot be alleged to be manipulative or fraudulent.
Further to the above, we would like to submit as under:

i. *We have been trading in the Commodities Exchange and so also in BSE Derivatives segment, with a view to take speculative bets.*
ii. *We have traded in the Stock Futures on BSE Derivatives segment during the investigation period in the ordinary course and none of the trades have been impugned in the said order. Thus, it is not the case that our trades on BSE Options are isolated trades. All our trades in the capital markets were independent and out of our own wisdom and understanding of the Capital markets.*
iii. *The trades in Options on BSE were part of our speculative trading strategy. We had traded in 94 different contract spread across 8 days in small lots. All our orders were placed, in keeping with the market depth and the order logs displayed in the anonymous screen and with a profit making objective.*
iv. *We have traded in the ordinary course by following the laid procedure of the Exchange, the applicable laws and bye laws and margin requirements of the exchange. The Option series and the price range, within which we have traded, were allowed on the BSE anonymous order matching platform.*
v. *All our trades were in the anonymous order matching system of the exchange, wherein it is impossible to know the identity of the counterparties. The alleged matching with the counterparties, if any, is by coincidence and not by design.*
vi. *Further to the above, in respect of our trade data provided in CD it is observed that, there are 21 entities who had been counterparties to our alleged trades. At no point of time were we aware of any counterparty to our trades, or the trades of any*

other entities alleged in the said SCN. It may be noted that we are not related or connected in any manner whatsoever with any of the counterparties to our trades. It is submitted that, we do not have any link / nexus/ relationship/ connection/ dealing/ collusion/ arrangement or agreement with any of the counterparties to our trade nor has any relationship of ours with these entities been established / alleged anywhere in the SCN or otherwise. At no point of time were we privy to any of the trades' details of any other entity.

vii. *Further it is almost impossible to know the identity of the parties in a screen- based transaction. The position has been accepted and affirmed by SEBI before the Joint Parliamentary Committee GPC) on Stock Market Scam and matters relating thereto, 2001, which tabled its Report in the Parliament in December, 2002.In the report it has inter alia, been stated: "SEBI has also confirmed that in the screen based trading that is prevalent in the stock exchange now, the buyer or the broker will not be aware of the identity of the seller or the broker."*

viii. *We have traded in the ordinary course, in the anonymous screen based order matching system of the exchanges, wherein we do not get to choose or know the counterparty broker or clients to our trade. Further, at no point of time were we aware of any scheme, plan, device and artifice in respect of such trading devised by other, or had any reasons to doubt the genuineness of the trades executed on the BSE Derivative trading platform.*

PARAWISE SUBMISSION

With regards to para3 of the SCN, it is submitted that a copy of the investigation report has not been provided to us, though we have requested for a copy of the same. We request your kind office to direct SEBI to provide us with a copy of the same, so that we can make a more meaningful submission in the matter.

With regard to observations in para 4 of SCN, it is submitted that the explanation of reversal trades, and artificial volume are a matter of records. However, just based on the fact that a buy or sell position are reversed with the same counterparty it cannot be alleged that such trades are fraudulent or manipulative. In this regards we draw your kind attention to the following judgments:

(i) In Jagruti Securities vs. SEBI [2008 SCC Online SAT 184: 2008 SAT 184] Hon'ble SAT has stated that "........we are of the view that in an artificial trade there has to be a collusion between tire buyer and tire seller and in the absence of any collusion, tire trades cannot be termed as 'artificial'."

(ii) In S.P.J. Stock Brokers Pvt Ltd. vs SEBI [2013 SCC Online SAT 67; 2013 SAT 17] at para 13 it has been stated that "unless some connection between appellant and counterparties with whom appellant traded is established, it is difficult to hold that trades in question were carried out with a view to manipulate market by creating false volume resulting in upsetting market equilibrium."

(iii) In H.B. Stockholdings Ltd. vs SEBI [2013] SAT 44 it has been stated that ".......it may be noted that synchronisation of trades is not per se illegal. It is actionable only if it is illegitimate and is tire outcome of a mischievous meeting of minds among certain parties. For this purpose, tire counterparty, namely, Gloria Investments Ltd., has already been exonerated by tire Respondent. Moreover, no cogent and convincing reasons are forthcoming from a reading of the SCN or tire impugned order to sustain such a charge of synchronization or creation of artificial volume against tire Appellants. "

(iv) We also place reliance on the decision of the Hon'ble SAT in the matter of "Sanjay Agarwal vs. SEBI in the order dated May 18, 2012.

Thus, based on the ratio laid out in the above judicial pronouncement, just because trades have matched with the same counterparty does not make the transaction fraudulent or manipulative or violative of PFUTP Regulations. Thus, leveling allegation in the SCN based on such narrow premises is bound to lead to erroneous results.

With regard to para 5 of the SCN, we are surprised to learn that SEBI alleges that 81.38% of all the trades executed in the Stock Option segment of the BSE during the Investigation period were non genuine trades and pursuant to such trades, 54.68% of the total market volume in Stock Option segment of BSE were artificial volume. Though no details have been provided, to substantiate the same, we are shocked as to the allegation leveled. Further, with such alleged large scale irregularities, how come the Bombay Stock Exchange Surveillance mechanism failed to track them? It may be pointed out that according to the website of BSE, they have full proof surveillance system in place and according to information given on their website the functions of the surveillance department are as follows: (a) Monitoring price and volume movement (volatility) as well as by detecting potential market abuses (fictitious/ artificial transactions, circular trading, false and misleading impression, insider trading etc) at the nascent stage, with a view to minimize the ability of market participants to influence the price of any Security in the absence of any meaningful information & (b) Taking timely actions to manage default risk.

The website further provides that BSE having three cells under its surveillance department viz. (a) Price monitoring; (b) Investigation; (c) Position monitoring. Further, in addition to fool proof surveillance mechanism at BSE, they have power under Byelaw No 1.46 of Derivatives Segment to annul the trades in future .and option segment wherever they observe that the trades were executed for fraud and /or willful misrepresentation. All the option trades executed by us were genuine and in accordance with the Rules, Regulations and Byelaws of BSE so same were cleared by surveillance mechanism of BSE and also not investigated by BSE under Byelaw No 1.46 (a) and (b) of Derivative for annulment. The provisions of Byelaw No 1.46 (a) and (b) are extracted hereinbelow:

"The Governing Counsel and/ or the Chief Executive Officer and/ or any committee empowered by the Governing Council in this behalf may, on its own motion or pursuant to an application by any person, annul a trade or several trades falling within any particular class of trades if tire Governing Council and/ or tire Chief Executive Officer is satisfied that there exists sufficient cause to do so. Such annulment shall be final and shall come into force forthwith .
The expression 'sufficient cause' in clause (a) above shall, without prejudice to tire generalihJ of tire expression, include fraud, willful misrepresentation or material mistake".

It is submitted that based on the surveillance system existing at BSE and as claimed by them, no trade, which is fraudulent / manipulative etc can be done by any investor as according to their claim all trades which are manipulative / fraudulent come to their knowledge and by using the power they annual the trades. Admittedly, all our option trades were cleared not only by BSE surveillance system but were also cleared by SEBI surveillance system, otherwise BSE would have acted on the basis of provisions of byelaw no 1.46 (a) and (b) of Derivative Segment and would have annulled our option trades. The decision of BSE to allow trades and complete pay-in / pay-out of funds by levying SEBI Fees, Service Tax, SIT and Stamp duty etc, clearly establish genuineness of all our options transactions on BSE.

Since complete details of all the alleged trades have not been provided, we find the allegation without any substances and merits. It is highly unlikely that even SEBI which has the state of the art surveillance mechanism failed to track the same on a real time basis. After about 4-5 years SEBI is making unsubstantiated allegation, which are without any merit. It seems allegation have been based on just surmises & conjunctures.

With regards to para 6 of the SCN, it has been alleged that we are one of the various entities which had indulged in execution of such alleged non genuine trades in Stock Option segment of the BSE during the investigation period. We deny the allegation so far as it relates to us and humbly submit that allegation has been leveled against us based solely on the fact that :we had traded on 8 days during the investigation period.

With regards to para 7 of the SCN, it is submitted that our trading details provided therein are for illustrative purpose only and the same are a matter of records. We humbly submit that we have entered into such trades as a speculative bet. The price in which we had traded was within the permissible limit allowed by the exchange. We have traded in the ordinary course and at no point of time were we aware of any counterparty to our trade or the counterparty brokers. Such trades were executed in the anonymous screen. The matching of trade with the same counterparty is just coincidental and not by design.

With regards to para 8 to 10, it is submitted that our trade details provided in Table are a matter if records. The underlying scrips in which we traded are highly liquid in nature i.e. frequently traded in market. We have traded in derivatives contract of Allahabad Bank, Andhra Bank, Arvind Ltd., BHEL, Bharti Airtel, Biocon Ltd., BPCL, Canara Bank, Century Textiles, Coal India, HDFC, HDIL, ICICI Bank, Idea Cellullar, Jain Irrigation, NMDC, Petronet LNG, Punjab National Bank, State Bank of India, etc. All these scripts are regularly traded in the Cash & Derivatives segment on NSE & BSE. In fact, we submit with humanity that underlying stock of most of aforesaid contracts consists of companies which make up index of the Bombay Stock Exchange. Thus, to allege that we deliberately traded in only those options which were illiquid in nature is unfair. In this regards, we would first like to draw your kind attention is drawn to Q no. 1 4 of FAQ on Equity and Currency Derivatives issued by SEBI……….

We would like to submit as under:
i. The Option series in which we have traded, met the eligibility criteria of SEBI and were permitted for trading by the exchanges.
ii. It is not as if we were trading in the options of stocks which were thinly traded as alleged. Trading in options on stocks, which are alleged to be thinly traded, was not deliberate as insinuated. There is nothing in law which states that an investor should not trade in options on stocks which are thinly traded. Fact is exchanges have allowed options of various stocks for trading on the exchanges. Therefore if we traded in the options, whose Company's stocks SEBI finds to be thinly traded, no adverse inferences can be drawn against us.
iii. All our orders were placed, in keeping with the market depth and the order logs displayed in the anonymous screen. The details of Order Logs and the prevalent demand & supply for the Options has not been provided in the SCN restraining us from providing a more meaningful rebuttal. We had traded with a profit making objective, however, we ended up netting a loss. The loss was suffered by us in the ordinary course consequent to bonafide trading and the same could never be designed, as insinuated. All our trades in the capital markets were independent and out of our own wisdom and understanding of the Capital markets.
iv. We are not aware that majority of our trades were in the nature of reversals as alleged. At no point of time, were we aware of any counterparty to our trades, or the trades of any other entities alleged in the SCN. All our trades were in the anonymous order matchlng system of the exchange, wherein it is impossible to know the identity of the counterparties. The alleged matching with the counter parties is by coincidence and not by design. It may be noted that we are not related or connected in any manner whatsoever with any of the entities mentioned in the SCN. We do not have any link / nexus/ relationship / connection / dealing / collusion/ arrangement or agreement with any of the entities who are alleged to be our counterparties in the SCN nor has our relationship with these entities established in the SCN.

v. It is pertinent to note that BSE and NSE based on their experience and surveillance system allow trading in the option segment for scrip on strike price starting from 50% below the present cash and future rate and 50% above the present rate. It is respectfully submitted that Exchanges opening strike rate with such high and low price difference is their admission and perception that the market price of scrip can go up or down upto that extent and said fluctuation is permissible. It is submitted that on the basis of perception of investors', the premium rates for each strike price are determined in option segment which can be very high and low to the cash segment price and always not based on intrinsic value as suggested in the said SCN. Admittedly we had placed order within the strike prices as fixed by the exchange.

We submit that derivative market is 'zero-sum game' and thus in each and every case one party will inevitably make profit and counterparty will make loss. In capital market neither BSE nor SEBI can guarantee profit or loss to any individual/ entity. In derivative trading traders often make profit or loss over a period of time since the market does not always behave as per their prediction/ expectation. Thus, profit and loss is concomitant to trading in derivative segment. The mere fact that we suffered losses while dealing in option segment cannot be a ground to rope us into present proceedings. We submit that we are victims of alleged modus operandi, if any, wherein we had to suffer a loss of around Rs. 2.41crore while dealing in option segment on BSE. We submit with humility that if the regulator genuinely believes that transactions were fraudulent then regulator ought to annul alleged transactions immediately and assist innocent investors like us to get back our legitimate and hard earned money.

We submit that if regulator holds that impugned trades as mentioned in Show Cause Notice are 'not genuine' in nature then the regulator ought to direct the exchange and alleged 'beneficiaries ' to make good our losses. In our humble opinion, since alleged impugned transaction in option segment were cash settled and there is no question of delivery of shares, there will be no 'downstream effect' or 'domino effect' of such annulment.

We submit that our trades in option segment were in ordinary course consequent to our bonafide trading in option segment. We submit that there was no major movement in price of underlying scrip which itself proves that our trades had no impact on market. Thus, our transactions neither distorted the equilibrium in market nor caused any loss or prejudice to investors at large.

We submit that any kind of alleged fictitious/ manipulative trade in cash segment may create distorted impression in minds of investors that price of scrip if rising/ falling who may invest/ divest from said scrip. However, in case of option segment there is no such effect since each contract expires at end of contract period and for every party who makes profit there is counter party who makes a loss. There is no question of transfer of beneficial ownership in option segment since at end of settlement cycle only net loss/profit is adjusted. Therefore, in our humble opinion, allegation of creation of 'artificial' or 'reversal' trade is of no consequence in option segment of exchange.

With regard to para 11 of the SCN, we submit following : - a) We have traded in BSE Stock Futures also during the Investigation period, none of which has been impugned in the SCN; b) We have traded in 94 derivatives contract in just 8 days of trading during the investigation period in small parcels. Out trades ranged from 4% to 100% of the total market volumes in different contracts; c) The total volume of our trade is miniscule in comparison to the aggregate market volume on BSE Derivatives segment; d) The buy price and the sell price were within the pricing norms allowed by the exchange. The variation mostly were due to illiquidity in the contract.

With regard to para 12 of the SCN, it is submitted that, allegation have been leveled against us merely based on surmise & conjunctures. It has been alleged that we have executed reversal trades in Stock Options with same entities on the same day. As already stated herein above, such matching of trades in the anonymous screen, cannot be alleged to be manipulative or fraudulent unless there is some prior meeting of minds between the trading entities. The details of the trades of our counterparties have not been provided to us, restricting us from making a more meaningful defence in the matter. We once again place reliance on judicial precedents set out at para 21. At no point of time were we aware of any counterparty to our trades, or the trades of any other entities alleged in the SCN. It may be noted that we are not related or connected in any manner whatsoever with any of the counterparties to our trades. It is submitted that, we do not have any link / nexus/ relationship/ connection/ dealing/ collusion/ arrangement or agreement with any of the counterparties to our trade nor has any relationship of mine with these entities been established / alleged anywhere in the SCN or otherwise. At no point of time were we privy to any of the trades' details of any other entity.

In the SEBI order dated 05/04/2018, reference was made to various measures taken by BSE to prevent occurrence of reversal / non genuine trades of exchange platform in 2016. It is clear that BSE's failures, negligence or lapse to embed/ insert/ put the aforesaid features in the operating trading system from day one ought not to prejudice to notice. BSE's introducing such features post interim order dated 20.08.2015 and only for about 6 months - the product was discontinued w.e.f 04.03.2016 by BSE - establish the fact that the fault lines were in the operating system and for that we cannot be blamed.

The very fact that BSE discontinued weekly options contract w.e.f. 4.3.2016 confirm the fact that basic flaw and fault lines, if any, were in the BSE's financial product/ process that was permitted for trading by BSE/ SEBI. The very fact that BSE subsequently introduced 'Reversal Trade Prevention Check' feature (page 5 of SEBI's order dated 05.04.2018) in its system, mean that at the relevant time, brokers were not aware of names of counter brokers and then they keyed-in orders of clients in the normal course as per their instructions. BSE then did not think to introduce this functionality RTPC because in its wisdom it *did not think to introduce the same at the relevant time- so we cannot be blamed for that. We had then accepted trades and obligation thereof. The raison d'etre to consider intra-day trading as reversal is flawed and not admitted. The very fact that trading in stock options was illiquid, mean same party in the first leg of transaction (buy) was likely to be a counterparty in the second leg (sale) and premium is bound to be outcome of dynamic- volatility, rationality/ irrationality, liquid/ illiquidity.*

Here, SEBI's intervention and considering our then trading after over 3-1/2 years and sitting into judgment and treating it as generation of artificial volume are based on farfetched tenuous conjectures and are arbitrary. If BSE considered reversal trades as non genuine it could have put upfront checks and rejected out rightly or annulled them after market hours and not accepted them for settlement purposes. Even SEBI was aware of trading on BSE and monitoring them. Having not taken any objection then, it is improper to consider our trading as non-genuine after a number of years- it is retrograde. BSE is a 130 years old Exchange, has ISO certified surveillance and it appears that SEBI has not questioned it about functioning of F & O segment then.

It is pertinent to mention that no one will do (alleged type of artificial volume) non genuine trades for incurring losses. As stated in para 7, we had incurred a loss of about Rs. 2.41crores. There was therefore no motive to do any undesirable activity- no benefit or gain occurred to us

We have traded on just 8 days out of the Investigation period lasting 545 days. Had our intention been to create false or misleading appearance of trading in the aforementioned contract, our trading would have been more frequent. Secondly our trades on BSE platform were a miniscule % of the trades in the BSE Derivatives segment. After incurring substantial loss in such trades, we have discontinued our trades in BSE derivatives segments altogether.

<u>With regard to the violation of Regulation 3 of PFUTP Regulation 2003, it is strongly contended that</u>: a) We have not indulged in buying, selling or dealing in securities in fraudulent manner directly or indirectly in any the scrip; b) We have not used or employed, 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) It is denied that We have employed 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) It is denied that We have engaged in any act, practice, and 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.

<u>With regard to the violation of Regulation 4(1), 4(2) (a) of the PFUTP Regulations, 2003 it is submitted as under</u>: a)With regard to the allegation of violation of Regulation 4(1) of PFUTP Regulations, We strongly deny that we had indulged into any kind of fraudulent and unfair trade practices in the securities. We have executed trades in the ordinary course and no relation or connections with our counterparties have been brought on records in the SCN. The very fact that we had incurred loss vide our trades proves beyond doubts that we are victim of such fraudulent and unfair trade practices.

The "SCN" fails to show any evidence which shows that we have indulged into such practices; b) As far as the violation of Regulation 4(2)(a) is concerned it is submitted that, We have not indulged in any act so as to create a false or misleading appearance of trading in the securities market. We have trade on just ...... days on BSE derivatives platform during the investigation period spanning over 545 days. Had our intention been to create false or misleading appearance of trading, our trades would had been more widespread and more frequent. The very fact that subsequent to March 2015, we have discontinued trading in BSE options bears testimony to our intentions. Since the whole premises based on which the allegations have been made are erroneous, the entire allegation fails.

While no case has been made out against us in the "SCN" and based on the fact that we have not carried out any fraudulent or manipulative trade as alleged, there is no cause for imposing any penalties on us. We' would further like to draw your kind attention to Sec 15J of the SEBI Act, 1992 which deals with the factors to be taken into account while imposing penalties. In this regards we humbly submit that: a) We have not made any disproportionate gain or derived any unfair advantage vide our trading in the alleged Illiquid Stock Options on the BSE, neither the same has been quantified or alleged in the "SCN"; b) No loss has been caused to an investor or a group of investor as a result of our alleged trades; c) The alleged irregularities have not been repetitive and are one off instances, as can be analysed from our submission.

To conclude, we once again reiterate that the allegation in the SCN are based on surmises & conjunctures, that our trades were in the ordinary course, that we did not had any relation, connection or relationship with any of the counterparties to our trade and that our trades had matched in the ordinary course in the anonymous screen. Further, we have already suffered a complete debarment for almost 3 years for the alleged trades. We therefore humbly pray that a humanitarian approach be taken towards us and may case be adjudicated based on the fact that: i) The price in the options segment has not impacted or influenced the price of the scrps in the Cash Segment; ii) All the impugned trades were executed through the stock exchange and settled in cash through its mechanism, therefore the impugned trades cannot be said to be artificial trades creating a misleading appearance of trading; iii) There is no evidence to allege that there was market manipulation.

ln the light of correct facts and circumstances of the matter submitted herein, there is no case at all for conducting investigation against us. Ln the premises as aforesaid, we humbly submit that our prayer be considered favourably."

16. Authorised Representative of the Noticee availed the hearing on January 3, 2019 through video conferencing from the ERO, SEBI in Kolkata, and it reiterated the submissions made in its reply dated January 1, 2019.

CONSIDERATION OF ISSUES AND FINDINGS

17. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticee, following issues require consideration in the present matter:
    a) Whether the Noticee has violated the provisions of Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations 2003?

    b) Does the violation, if any, on part of the Noticee attract monetary penalty under Section 15HA of SEBI Act?

    c) If so, what quantum of monetary penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act read with rule 5 (2) of the SEBI Adjudication Rules, 1995?

18. Aforesaid provisions alleged to have been violated by the Noticee reads as follows:

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 fraudulent or an unfair trade practice in securities.

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

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

19. Before proceeding to examining the issues, the following technical issues raised by the Noticee are being addressed.

19.1 Noticee vide letter dated December 8, 2018 requested for providing various information / documents viz, copy of investigation report, noting recorded by hon'be WTM, SEBI that Noticee violated alleged provisions, details of counterparties to its trades viz, address, e-mail, etc, details of all the trades executed by its counterparties, and copy of statements of various person/entities as referred to in the order recorded by SEBI in the matter, which it presume to have been relied upon by SEBI to arrive at the allegations in respect of Noticee. It is on record that vide e-mail dated December 10, 2018, Noticee was informed that *all the relied upon information and records in the present matter inter-alia including relevant extracts of investigation report, details of allegations in respect of Noticee, details of all the trades undertaken by Noticee and order conveying appointment of Adjudicating Officer, has been provided to Noticee in the SCN. It is also informed that there are no other information and records being relied upon in the present proceedings. However, Noticee in its reply dated January 1, 2019 once again raised the aforesaid request.* However, Noticee in its reply dated January 1, 2019, once gain made above request and to substantiate its demand cited observation of hon'ble Supreme Court of India in the matter of Price Waterhouse Coopers vs SEBI in Civil Appear no. 6003-6004 of 2012 stating that "…*all statements recorded during the course of investigation shall be provided…….".*

19.2 It is noted that Noticee has already been provided in the SCN with relevant narrative from the investigation report leading to allegation in respect to the Noticee, and also to substantiate the allegations information provided in the SCN includes illustration of trades of Noticee in one of the 94 contract to show execution of alleged non genuine trades and creation of artificial volume by the Noticee, and short summary of contract wise details of alleged non genuine trades and artificial volume by the Notice. Further annexures to the SCN also bears more records / documents in support of the allegations and relied upon in the present proceedings viz, Annexure A bear the order communicating appointment of Adjudicating Officer to carry adjudication proceedings in respect of Noticee for the alleged violations of PFUTP Regulations in the present matter; Annexure B bear trade log of all the trades executed by Noticee in the Stock Option segment of BSE during the I.P; Annexure C bear trade-log of all the alleged 244 non genuine trades executed by Noticee in Stock Option segment of BSE during the I.P; and Annexure D bear contract wise detailed summary of dealing of Noticee in the 94 contracts in which it allegedly executed non genuine trades.

19.3 Given the above, it is noted that Noticee has already been provided with information regarding allegation in respect of it, along with the supporting information / documents to substantiate the allegations. As regards to aforesaid observation of hon'ble Supreme Court of India cited by Noticee, it is noted that the present matter is required to be dealt according to its own facts and scenarios. In this regard attention is drawn to observation of hon'ble Securities Appellate Tribunal (SAT) in the matter of B Ramalinga Raju Vs SEBI vide Order January 10, 2017 stating that "…*Apex Court in case of Price Waterhouse has specifically recorded that the directions given in that case are general directions given as and by way of clarifications without going into the merits of the case. Therefore, directions given in the facts of Price Waterhouse cannot be said to be the ratio laid down by the Apex Court applicable to all other cases. In these circumstances, appellants are not justified in contending that the directions given by the Apex Court in case of Price Waterhouse must be applied to the case of the appellants.".*

Further, Noticee was given enough opportunities to provide any material / evidence in support of its defence. It is to note that no information other than what provided to Noticee is being relied upon in the present proceedings. Given all of the above and specifically hon'ble SAT order dated 10/01/2017, the technical issue raised by Noticee does not warrant any action.

Issue a) - Whether the Noticee has violated the provisions of Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations 2003?

20. 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. These trades were alleged to have been reversed in short period of time with significant variation in price. 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, hence were deceptive and manipulative.

21. Since the aforesaid reversal trades did not effected change in beneficial ownership, it has been alleged that they created artificial volume. Artificial volume is considered to be the volume (no. of units) reversed in both legs of reversal trades entered between same counterparties while keeping out the volume, if any, which was not reversed.

22. As per information provided in Annexure B (trade log of all the trades of Noticee in Stock Options at BSE during I.P) and Annexure C (trade log of alleged non genuine reversal trades of Noticee in Stock Options at BSE during I.P), it is noted that while dealing in Stock Option segment of BSE during the I.P., Noticee executed total 246 trades in 94 Stock Option contracts from which 244 trades in said 94 contracts were reversal trades i.e, reversed on the same day with same counterparty.

23. As per the SCN, Noticee executed 244 reversal trades in 94 stock option contracts, which were allegedly non genuine and resulted in artificial volume of total 11017000 units. Contract wise dealings of Noticee in the 94 contracts during the I.P is as follows:

Sl	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the contract	Artificial Volume generated by Noticee in the contract (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	ALBK15APR100.00CEW1	2.50	50000	0.15	50000	2	100000	100%	25%	100%	19%
2	ALBK15APR120.00PEW2	17.90	24000	8.50	24000	2	48000	100%	18%	100%	27%
3	ALBK15APR125.00PEW1	24.70	20000	13.10	20000	2	40000	100%	50%	100%	50%
4	ALBK15MAR95.00CE	13.50	16000	7.20	16000	2	32000	100%	14%	100%	19%
5	AMBC15APR240.00CEW1	20.30	20000	11.20	20000	2	40000	100%	25%	100%	18%

Sl	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the contract	Artificial Volume generated by Noticee in the contract (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
6	AMBC15APR280.00PEW2	27.50	20000	19.50	20000	2	40000	100%	50%	100%	50%
7	AMTK15APR140.00CEW1	13.30	26000	5.60	26000	2	52000	100%	100%	100%	100%
8	AMTK15APR175.00PEW2	31.50	20000	23.50	20000	2	40000	100%	100%	100%	100%
9	ANBK15APR100.00PEW2	26.90	20000	15.50	20000	2	40000	100%	50%	100%	50%
10	ANBK15APR60.00CEW2	20.80	20000	13.90	20000	2	40000	100%	9%	100%	1%
11	ANBK15APR90.00PEW1	13.45	24000	6.15	24000	2	48000	100%	50%	100%	50%
12	APLT15APR160.00CEW1	6.05	26000	2.00	26000	2	52000	100%	14%	100%	7%
13	ARVI15APR290.00CEW3	16.10	20000	3.90	20000	2	40000	100%	100%	100%	100%
14	ARVI15APR310.00PEW2	20.40	20000	12.50	20000	2	40000	100%	50%	100%	57%
15	ARVI15MAR310.00PE	21.90	10000	15.90	10000	2	20000	100%	25%	100%	2%
16	BAJT15APR2040.00CEW1	25.75	12000	16.75	12000	2	24000	100%	14%	100%	11%
17	BHEL15APR250.00CEW3	18.10	25000	6.70	25000	2	50000	100%	100%	100%	100%
18	BHEL15APR260.00CEW1	5.55	80000	3.25	80000	2	160000	100%	33%	100%	47%
19	BHEL15APR260.00PEW1	5.95	80000	3.50	80000	2	160000	100%	33%	100%	67%
20	BHRT15APR390.00CEW1	6.97	45000	3.33	45000	4	90000	100%	40%	100%	26%
21	BOBL15APR160.00CEW1	14.25	40000	10.05	40000	2	80000	100%	17%	100%	16%
22	BOBL15APR160.00PEW1	1.75	33750	0.35	33750	2	67500	100%	25%	100%	22%
23	BOBL15APR165.00CEW1	9.00	32500	6.25	32500	2	65000	100%	33%	100%	28%
24	BOBL15APR170.00CEW1	5.75	38750	3.05	38750	2	77500	100%	10%	100%	9%
25	BOBL15APR190.00PEW1	19.90	37500	16.10	37500	2	75000	100%	33%	100%	29%
26	BPCL15APR720.00CEW1	15.00	18000	9.25	18000	2	36000	100%	13%	100%	8%
27	CANB15APR380.00CEW1	9.00	25000	5.25	25000	2	50000	100%	17%	100%	10%
28	CENT15APR560.00CEW1	16.25	20000	10.25	20000	2	40000	100%	11%	100%	9%
29	CIPL15APR700.00CEW1	15.00	10000	5.25	10000	2	20000	100%	17%	100%	8%
30	COAL15APR350.00PEW1	2.90	80000	0.25	80000	2	160000	100%	100%	100%	100%
31	COAL15APR370.00PEW1	7.50	80000	4.55	80000	2	160000	100%	25%	100%	17%
32	COAL15APR380.00PEW1	16.00	80000	11.00	80000	2	160000	100%	50%	100%	80%
33	CRGL15APR165.00CEW1	3.80	30000	0.75	30000	2	60000	100%	17%	100%	10%
34	HDFC15APR1320.00PEW2	16.00	10000	5.05	10000	2	20000	100%	100%	100%	100%
35	HDFC15APR1350.00CEW2	19.95	10000	12.05	10000	2	20000	100%	100%	100%	100%
36	HDFC15APR1380.00CEW2	11.00	10000	2.05	10000	2	20000	100%	100%	100%	100%
37	HDIL15MAR125.00CEW3	2.99	488000	0.11	488000	7	976000	100%	20%	100%	11%
38	ICIC15APR310.00PEW2	2.65	50000	0.55	50000	2	100000	100%	100%	100%	100%
39	ICIC15APR320.00PEW2	3.00	50000	0.85	50000	2	100000	100%	33%	100%	36%
40	ICIC15APR330.00PEW2	4.30	50000	1.45	50000	2	100000	100%	100%	100%	100%
41	ICIC15APR340.00CEW2	7.50	50000	4.50	50000	2	100000	100%	100%	100%	100%
42	ICIC15APR340.00PEW2	7.25	50000	4.55	50000	2	100000	100%	50%	100%	67%
43	ICIC15APR360.00CEW2	2.70	50000	0.65	50000	2	100000	100%	100%	100%	100%
44	ICIC15MAR320.00CEW3	19.50	20000	8.10	20000	2	40000	100%	100%	100%	100%
45	ICIC15MAR360.00PEW3	24.60	20000	16.10	20000	2	40000	100%	100%	100%	100%
46	ITCL15APR350.00CEW1	2.93	150000	0.62	150000	5	300000	100%	100%	100%	100%
47	JISL15MAR55.00PEW3	2.64	432000	0.09	432000	6	784000	75%	21%	91%	24%

Sl	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the contract	Artificial Volume generated by Noticee in the contract (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
48	LICH15MAR450.00CEW3	16.90	20000	10.90	20000	2	40000	100%	50%	100%	57%
49	LICH15MAR490.00PEW3	29.90	20000	18.70	20000	2	40000	100%	100%	100%	100%
50	NMDC15MAR120.00PE	1.98	80000	0.10	80000	5	160000	100%	28%	100%	3%
51	PLNG15MAR160.00CEW3	21.10	20000	11.75	20000	2	40000	100%	29%	100%	7%
52	PLNG15MAR200.00PEW3	25.90	20000	14.90	20000	2	40000	100%	100%	100%	100%
53	PNBK15APR150.00CEW2	12.90	47500	8.00	47500	2	95000	100%	33%	100%	54%
54	PNBK15APR150.00PEW2	1.80	43750	0.25	43750	2	87500	100%	100%	100%	100%
55	PNBK15APR155.00CEW1	10.98	76250	7.94	76250	4	152500	100%	67%	100%	62%
56	PNBK15APR155.00CEW2	8.00	46250	4.50	46250	2	92500	100%	100%	100%	100%
57	PNBK15APR155.00PEW2	2.25	47500	0.55	47500	2	95000	100%	100%	100%	100%
58	PNBK15APR160.00CEW1	5.66	120000	2.37	120000	6	240000	100%	75%	100%	73%
59	PNBK15APR160.00CEW2	4.80	45000	1.80	45000	2	90000	100%	100%	100%	100%
60	PNBK15APR160.00PEW1	1.88	60000	0.50	60000	4	120000	100%	50%	100%	39%
61	PNBK15APR165.00CEW1	2.90	40000	1.00	40000	2	80000	100%	17%	100%	15%
62	PNBK15APR165.00PEW2	6.55	45000	3.00	45000	2	90000	100%	100%	100%	100%
63	PNBK15APR170.00CEW1	1.30	53750	0.10	53750	2	107500	100%	33%	100%	41%
64	PNBK15APR170.00CEW2	2.45	45000	0.45	45000	2	90000	100%	50%	100%	53%
65	PNBK15APR170.00PEW1	9.90	36250	6.25	36250	2	72500	100%	50%	100%	49%
66	PNBK15APR170.00PEW2	11.25	47500	7.50	47500	2	95000	100%	50%	100%	54%
67	PNBK15APR175.00PEW1	15.02	77500	11.30	77500	4	155000	100%	67%	100%	82%
68	PNBK15APR180.00CEW1	1.33	101250	0.12	101250	4	202500	100%	100%	100%	100%
69	PNBK15APR180.00PEW1	22.52	87500	18.53	87500	4	175000	100%	40%	100%	58%
70	RPOW15APR60.00CEW1	2.03	192000	0.10	192000	6	384000	100%	100%	100%	100%
71	SBIL15APR260.00CEW1	21.73	76250	16.15	76250	4	152500	100%	100%	100%	100%
72	SBIL15APR260.00PEW1	2.48	83750	0.30	83750	4	167500	100%	27%	100%	11%
73	SBIL15APR270.00CEW1	9.00	37500	5.55	37500	2	75000	100%	33%	100%	29%
74	SBIL15APR270.00CEW3	12.83	130000	8.40	130000	6	260000	100%	100%	100%	100%
75	SBIL15APR270.00PEW1	2.55	40000	0.25	40000	2	80000	100%	33%	100%	33%
76	SBIL15APR270.00PEW3	1.83	101250	0.42	101250	4	202500	100%	100%	100%	100%
77	SBIL15APR280.00CEW1	4.00	41250	1.25	41250	2	82500	100%	50%	100%	58%
78	SBIL15APR280.00CEW3	6.47	93750	3.15	93750	4	187500	100%	100%	100%	100%
79	SBIL15APR280.00PEW3	6.10	42500	3.00	42500	2	85000	100%	50%	100%	47%
80	SBIL15APR290.00CEW3	3.00	46250	0.75	46250	2	92500	100%	100%	100%	100%
81	SBIL15APR290.00PEW1	16.35	40000	12.05	40000	2	80000	100%	50%	100%	73%
82	SBIL15APR290.00PEW3	12.20	90000	8.05	90000	4	180000	100%	100%	100%	100%
83	SBIL15APR300.00CEW3	2.25	38750	0.25	38750	2	77500	100%	100%	100%	100%
84	SBIL15APR300.00PEW3	22.00	48750	18.10	48750	2	97500	100%	100%	100%	100%
85	SYND15MAR100.00CEW3	16.90	20000	8.10	20000	2	40000	100%	50%	100%	50%
86	SYND15MAR95.00CEW3	20.90	20000	11.55	20000	2	40000	100%	100%	100%	100%
87	TATP15APR75.00PEW1	2.23	236000	0.10	236000	5	472000	100%	42%	100%	35%
88	TCHM15MAR470.00PEW3	28.90	327000	12.10	327000	6	654000	100%	46%	100%	55%
89	TGBL15MAR140.00CEW3	20.90	20000	11.20	20000	2	40000	100%	100%	100%	100%

Sl	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the contract	Artificial Volume generated by Noticee in the contract (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
90	TGBL15MAR145.00CEW3	16.50	20000	8.10	20000	2	40000	100%	100%	100%	100%
91	TGBL15MAR175.00PEW3	20.90	20000	11.20	20000	2	40000	100%	100%	100%	100%
92	TITA15MAR380.00CEW3	26.90	20000	16.50	20000	2	40000	100%	33%	100%	4%
93	TITA15MAR390.00CEW3	15.90	20000	7.10	20000	2	40000	100%	100%	100%	100%
94	TITA15MAR420.00PEW3	20.90	20000	12.10	20000	2	40000	100%	18%	100%	5%

18. With exception of 2 trades, all the dealings of Noticee in Stock Options segment of BSE during the I.P involved reversal of trades with same counterparties on the same day. It shows that Noticee's dealing only comprised indulging in reversal of trades with same counterparties on the same day. There was no change in beneficial ownership in the trades executed by Noticee in these 94 contracts, as trades were reversed between Noticee and its same counterparties and upon reversal no open positions were carried forward.

24. It is also pertinent to note that Noticee through its reversal trades contributed significantly to the total no. of trades (up to 100%) and volume (up to 100%) in the 94 contracts. In 57 of the 94 contracts, no. of trades executed as well as volume generated by Noticee contributed to 40% to 100% of the total no. of trades and total volume in these contracts. It shows that in most of these 94 Stock Option contracts Noticee dominated the trading through its reversal trades.

25. As per SCN, Noticee has undertaken reversal of trades in two legs, viz, first it entered into buy or sell trade with a certain counterparty, and subsequently in second leg, it reversed the position taken in aforesaid trade through reverse sell or buy trades with same counterparty. Upon perusal of Annexure C of the SCN comprising trade-log of the aforesaid 244 alleged non genuine reversal trades in 94 contracts, it is noted that Noticee in most of these contracts reversed the trades with same counterparty in very short interval of time at a price incurring losses to it viz, in as much as 73 of the 94 contracts such reversal was undertaken in 30 seconds, and in as much as 37 of the 94 contracts such reversal was undertaken in mere 10 seconds. Further, it is pertinent to note that as a uniform pattern, reversal trades undertaken by Noticee in all the 94 contracts were carried out at a price incurring losses to Noticee.

26. For instance, gist of the dealing of Noticee in 3 contracts viz, AMTK15APR140.00CEW1, BHEL15APR250.00CEW3, and CIPL15APR700.00CEW1 are given below:

Sl	Buyer Short Name	Seller Short Name	Rate (Rs.)	Trade Qty (no. of Units)	Trade Time (hh:mm:ss)	Buy order Time (hh:mm:ss)	Sell Order Time (hh:mm:ss)	Time difference in order entry (hh:mm:ss)	Time difference in reversal trades (hh:mm:ss)
1	Dealing in contract viz, AMTK15APR140.00CEW1 on 17/03/2015								
(i)	Shipra Aggarwal	Brahm Alloys	5.6	26000	13:06:21	13:06:21	13:06:21	00:00:00	00:00:05
(ii)	Brahm Alloys	Shipra Aggarwal	13.3	26000	13:06:26	13:06:26	13:06:26	00:00:00	
2	Dealing in contract viz, BHEL15APR250.00CEW3 on 17/03/2015								
(i)	Ashlar Commodities	Brahm Alloys	6.7	25000	13:37:36	13:37:36	13:37:36	00:00:00	00:00:06
(ii)	Brahm Alloys	Ashlar Commodities	18.1	25000	13:37:42	13:37:42	13:37:42	00:00:00	
3	Dealing in contract viz, CIPL15APR700.00CEW1 on 24/03/2015								
(i)	Brahm Alloys	Parmod Kumar Gupta	15	10000	09:46:52	09:46:52	09:46:52	00:00:00	00:00:08
(ii)	Parmod Kumar Gupta	Brahm Alloys	5.25	10000	09:47:00	09:47:00	09:47:00	00:00:00	

a) While dealing in the contract viz, AMTK15APR140.00CEW1 on 17/03/2015, Noticee at 13:06:21 hrs executed sell trade for 26000 units at premium rate of Rs.5.6 per unit with counterparty viz, Shipra Aggarwal. Subsequently, within mere 5 seconds of the aforesaid trade, at 13:06:26 hrs, Noticee entered into reversal buy trade with same counterparty for same quantity, however, at relatively higher premium of Rs. 13.3 per unit. As regards to placement of orders for the above both legs of reversal trades, it is noted that Noticee and its counterparty placed the orders at the same time. Above dealings resulted into 2 reversal trades (1 sell + 1 buy) with total volume of 52000 units.

b) While dealing in the contract viz, BHEL15APR250.00CEW3 on 17/03/2015, Noticee at 13:37:36 hrs executed sell trade for 25000 units at premium rate of Rs.6.7 per unit with counterparty viz, Ashlar Commodities. Subsequently, within mere 6 seconds of the aforesaid trade, at 13:37:42 hrs, Noticee entered into reversal buy trade with same counterparty for same quantity, however, at relatively higher premium of Rs. 18.1 per unit. As regards to placement of orders for the above both legs of reversal trades, it is noted that Noticee and its counterparty placed the orders at the same time. Above dealings resulted into 2 reversal trades (1 sell + 1 buy) with total volume of 50000 units.

c) While dealing in the contract viz, CIPL15APR700.00CEW1 on 24/03/2015, Noticee at 09:46:52 hrs executed sell trade for 10000 units at premium rate of Rs.15 per unit with counterparty viz, Parmod Kumar Gupta. Subsequently, within mere 8 seconds of the aforesaid trade, at 09:47:00 hrs, Noticee entered into reversal sell trade with same counterparty for same quantity, however, at relatively lower premium of Rs. 5.25 per unit. As regards to placement of orders for the above both legs of reversal trades, it is noted that Noticee and its counterparty placed the orders at the same time. Above dealings resulted into 2 reversal trades (1 buy + 1 sell) with total volume of 20000 units.

27. Following are the common observations from the dealings of Noticee in above mentioned 3 contracts. It is noted that there was precise synchronisation in placement of buy /sell orders by Noticee and its counterparties to match the trades. The two legs of reversal trades were entered at substantial variation in price considering that reversal was taken place within few seconds after the first leg trades. In these reversal trades of Noticee, positions of both the parties to trades were squared off among themselves only and no open positions were carried forward. Hence, there was no change in beneficial ownership of the units traded in aforesaid reversal trades of Noticee, and volume generated was artificial which gave misleading appearance of trading.

28. Similar modus operandi as noted in aforesaid 3 contracts, was seen in the dealing of Noticee in rest of the 94 contracts dealt by it resulting into creation of artificial volume. Synchronisation of trades by Noticee and its counterparties is clearly visible in the trading pattern exhibited in the said 94 contracts. From the trade-log provided in Annexure C of the SCN, it is noted that in 229 of the 244 reversal trades of Noticee, time difference in placement of orders by Noticee and its counterparties was mere 0 to 2 seconds. Further, buy / sell rate and quantity quote given by Noticee and its counterparties were exactly same in 223 of the 244 reversal trades. Hence, reversal trades of the Noticee were result of precise synchronisation in placement of orders by Noticee and its counterparties, and the same could not have been possible without close co-ordination and meeting of minds.

29. Considering the fact that trades were reversed by Noticee within course of few seconds, it is noted that in most the 94 contracts dealt in by Noticee there was substantial variation / difference in the prices at which the trades were reversed. Further, from the tradelog of reversal trades of Noticee given in Annexure C of the SCN, it is noted that as a uniform pattern of dealing, not only the Noticee undertaken reversal trades within short period of time, but it also undertaken these trades at prices incurring losses in all the said 94 stock option contracts.

30. Noticee has argued that *the trades in Options on BSE were part of its speculative trading strategy. It had traded in 94 different contract spread across 8 days in small lots. All its orders were placed, in keeping with the market depth and the order logs displayed in the anonymous screen and with a <u>profit making objective</u>*. In this regard, upon perusal of the trade log of reversal trades of Noticee given in Annexure C of the SCN, it is noted that as a uniform pattern of dealing, Noticee not only undertaken reversal trades within short period of time with same counterparties but all these trades were also reversed at prices incurring losses. Hence, contrary to the above submissions of Noticee, trading pattern of Noticee do not reveal attempt to make profits from its reversal trades.

31. Noticee has argued that *BSE discontinued weekly option contracts w.e.r. 04.03.2016 and also introduced Reversal Trade Prevention Check (RTPC), and since RTPC was not available at the time when Noticee executed trades, it cannot be blamed*. In this regard, it is noted that facts of the case shows that reversal trades of Noticee did not happen by coincidence or accident, but as a result of synchronisation

of orders by Noticee and its counterparties in a pre-determined manner, hence Noticee cannot take shed of short falls or non-availability of stringent systems during time of its trading.

32. Noticee has further put forth that *the very fact that trading in stock options was illiquid, mean same party in the first leg of transaction (buy) was likely to be a counterparty in the second leg (sale) and premium is bound to be outcome of dynamic- volatility, rationality/ irrationality, liquid/ illiquidity*. In this regard, facts of the case shows that Noticee reversed its trades in most of the contracts within course of few seconds at price incurring losses to it. To be precise, Noticee reversed trades in 73 of the 94 contracts within 30 seconds of the execution of first leg. It is pertinent to note that given such short time taken in reversal, there was substantial variation in price quoted by Noticee in its reversal trades. These variation of prices were not supported by similar movement in price of the underlying. Noticee has not cited any credible reason or factor(s) which triggered such reversal of trades forcing Noticee to incur considerable losses. These reversal trades were evidently not undertaken in normal course of trading and given the synchronisation of orders, these trades were undertaken in pre-determined manner.

33. Fact is that Noticee indulged in repeated reversal of trades through synchronised placement of orders with same counterparties in pre-determined manner with significant variation in price, resulting into generation of artificial volume in 94 stock option contracts. Therefore such trades are considered non genuine, as they are not executed in normal course of trading in which trading inter-alia happens in anonymous and spontaneous environment.

34. It is noted that various arguments presented by Noticee to hold its trades as genuine do not provide any credible basis to indulge in such reversal of trades which have also resulted into artificial volume. It is noted that the reversal trades undertaken by the Noticee defy the criteria to be called normal practice, as these trades were consistently reversed in a short span of few seconds with same counterparties in pre-determined manner. Further, it is not mere coincidence that Noticee could match its trades consistently with same counterparties with whom it undertaken first leg of respective reversal trades. In fact, these trades were executed with precision to match with the same counterparties, and they resulted into generation of artificial volume and misleading appearance of trading in these contracts. It is clear that such reversal trades do not follow the basic trading sense or rationale, hence, same can be termed as non genuine. In this regard, reliance is also placed on following observation in judgement of Hon'ble Supreme Court in the matter in the matter of SEBI vs. Rakhi Trading Pvt Ltd in Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on 08.02.2018, which was a similar case involving execution of reversal trades in index options.

"31…. The non-genuineness of these transactions is evident from the fact that there was no commercial basis to suddenly, within a matter of minutes, reverse a transaction when the value of the underlying had not undergone any significant change.

35…….The platform of the stock exchange has been used for a non-genuine trade. Trading is always with the aim to make profits. But if one party consistently makes loss and that too in pre-planned and rapid reverse trades, it is not genuine; it is an unfair trade practice…".

"73. Applying the test laid down in Kishore R. Ajmera case to the present case, I find that by cumulative analysis of the reversal transactions between Respondent and Kasam Holding, quantity, time and significant variation of prices, without major variation in the underlying price of the securities clearly indicate that the Respondent's trades are not genuine and had only misleading appearance of trading in the securities market, without intending to transfer beneficial ownership.

35. *Noticee argued that it entered into such trades as a speculative bet. The price in which we had traded was within the permissible limit allowed by the exchange. We have traded in the ordinary course and at no point of time were we aware of any counterparty to our trade or the counterparty brokers. Such trades were executed in the anonymous screen. The matching of trade with the same counterparty is just coincidental and not by design.* It is noted that though the Noticee has claimed that its trades were executed in anonymous platform of the Exchange without any knowledge of counter party, however, given the precise synchronisation of orders by Noticee and its counterparties it will be too naïve to hold that these reversal trades of Noticee were executed without prior knowledge. It is also pertinent to note that there are several instances where Noticee has entered into reversal trades with a particular counterparty in several contracts on same day. For instance, Noticee entered into reversal trades with Jai Siyaram Commodity in 16 contracts on 20/03/2015 during 11:01:47 hrs to 11:27:57 hrs i.e, within 26 minutes on same day, Noticee entered into reversal trades with Ashlar Securities in 14 contracts on 12/03/2015 during 14:19:19 hrs to 14:31:11 hrs i.e, within 12 minutes on same day, etc. Execution of synchronised reversal trades with a particular counterparty in large no. of contracts within few minutes, do not support the argument of Noticee that these trades happened by coincidence and not by design.

36. It is pertinent to note that while synchronised trades may occur by coincidence in a liquid security, however, consistent execution of synchronised trades in illiquid securities as noted in the present matter, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price and same cannot take place without pre-arrangement. In this regard, reliance is placed on following observation in judgement of Hon'ble Supreme Court in the matter of SEBI vs. Rakhi Trading Pvt Ltd in Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on 08.02.2018, which was a similar case involving execution of reversal trades in index options.

"92. 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….."

Reliance is also placed on following observation in judgement of hon'ble Supreme Court of India in the matter of SEBI Vs Kishore R. Ajmera in Civil Appeal No. 2818 of 2008 decided on February 23, 2016, which has similar scenarios as of the present case:

"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. Noticee has contended that *it did not indulge into fraudulent and unfair trade practices relating to the securities market so as to warrant any kind of punitive action*. In this regard, it has been noted that non genuine trades of Noticee resulted into generation of artificial volume in 94 stock option contracts which gave misleading appearance of trading in these contracts. 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".

38. 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. Further, it cannot be ignored that repeated synchronisation of trades in pre-determined manner had an adverse impact on the fairness, integrity and transparency in the securities market.

39. In view of the above, it is clear that Noticee indulge in execution of 244 non genuine trades in 94 contracts and created total artificial volume of 11017000 units. In 57 of the 94 contracts, artificial volume generated by Noticee contributed to 50% to 100% of the total volume in these contracts. Such act of Noticee was deceitful and misleading to other unsuspecting investors, and amounts to manipulation of volume in these contracts. It is clear that by indulging in such execution of non genuine trades, Noticee created a misleading impression of trading in said stock option contracts in a fraudulent manner, and thereby, it violated provisions of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations, 2003

Issue b) – Does the violation, if any, on part of the Noticees attract monetary penalty under Section 15HA of SEBI Act?

40. Given the findings hereinabove, it is clear that the reversal trades undertaken by Noticee were non genuine, and resulted into artificial volumes in 94 stock option contracts. The above conduct of Noticee has therefore violated the provisions of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations, 2003.

41. Reliance is also placed on order of the Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216(SC), where honourable court has also 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…"*.

42. Hence, the Noticee is liable for monetary penalty under Section 15HA of SEBI Act, which states as follows:

*88[**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 89[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].

88 Inserted by the SEBI (Amendment) Act, 2002, w.e.f.29-10-2002.
89 Substituted for the words —twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014

Issue c) - If so, what quantum of monetary penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act read with rule 5 (2) of the SEBI Adjudication Rules, 1995?

43. While determining the quantum of penalty under section 15HA of SEBI Act, it is important to give consideration to the factors stipulated in section 15J of SEBI Act, which reads as follows:

Section 15J of SEBI Act - Factors to be taken into account by the Adjudicating Officer
While adjudging quantum of penalty under section 15-I of SEBI Act, 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."

93[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.]

93 Inserted by Part VIII of Chapter VI of the Finance Act, 2017 vide Gazette Notification No. 7, Extraordinary Prt II Section 1 dated March 31, 2017. This shall come into force from April 26, 2017.

44. Records shows the amount of gain / loss of the entities involved in non genuine trades including the Noticee, however, it is pertinent to note that entities involved in such trades have either booked gains or loss from the dealings at the Stock Exchange. These gain / loss at Stock Exchange thus appears to be notional.

45. Hence, the impact of these non genuine trades has been considered. It is noted that the trading was in illiquid stock option contracts in which largely there was nil or negligible participation by the public. When the impact of artificial volumes created by the two counterparties is seen as a whole, it is not possible from material available on record to quantify the actual amount of disproportionate gain or unfair advantage resulting from the artificial trades between the counterparties, or the consequent loss caused to investors as a result of the default. Material available on record did not reveal any repetitive default in respect of the Noticee.

46. It has been noted that Noticee executed 244 non genuine trades in 94 Stock Option Contracts, and thereby generated artificial volume of total 11017000 units. Though the Noticee had insignificant contribution when its dealings are compared with entire sock option segment at BSE during the I.P. However, Noticee had significant contribution in trading in said 94 stock option contracts through its aforesaid non genuine trades and resulting artificial volume contributing to upto 100% of the total no. of trades and total volume in such contracts. It is pertinent to note that in 57 of the 94 contracts, artificial volume generated by Noticee contributed to 50% to 100% of the total volume in these contracts.

ORDER

47. In view of the above, after taking into consideration all the facts and circumstances of the case, violation established as mentioned above, a monetary penalty of Rs.17,50,000/-(Rupees Seventeen Lakh and Fifty Thousand only) is hereby imposed upon Noticee viz, Brahm (Alloys) Limited under Section 15HA of SEBI act for violation of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations, 2003.

48. The Noticee shall remit / pay the said amount of penalty within 45 (forty five) days of receipt of this order either by way of Demand Draft (DD) in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or through e-payment facility into Bank Account, the details whereof are as follows:-

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

49. The Noticee shall forward the said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief of the Enforcement Department 1 (EFD1) – Division of Regulatory Action (DRA 1) of SEBI.

50. The format for forwarding details / confirmations of e-payments shall be made in the following tabulated form as provided in SEBI Circular no. SEBI/HO/GSD/T&A/CIR/P/2017/42 dated May 16, 2017 and details of such payment shall be intimated at e-mail ID: tad@sebi.gov.in:

Date	
Department of SEBI	
Name of Intermediary / Other Entity	
Type of Intermediary	
SEBI Registration no. (If any)	
PAN	
Amount (in Rupees)	
Purpose of payment (inluding the period for which payment was made e.g, Quarterly, Annually	
Bank Name and Account Number for which payment is remitted	
UTR No.	

51. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order is being sent to the Noticee and also to the SEBI.

Date: March 26, 2019
Place: Mumbai

Jeevan Sonparote
Adjudicating Officer