BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO.: Order/RM/RV/2022-23/15804

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:
Manohar Lal Mantri HUF
PAN: AAIHM0765Q
CB-120, Salt Lake City
Sector-1, Kolkata, West Bengal
Pin Code - 700064

In the matter of
Dealings in Illiquid Stock Options at BSE

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") observed large scale reversal of trades in the Stock Options segment of the Bombay Stock Exchange (hereinafter referred to as "**BSE**") leading to the alleged creation of artificial volume in the stock options segment. In this regard, SEBI conducted an investigation into the trading activity in the illiquid Stock Options segment at the BSE for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as "**Investigation Period**").

2. It was observed during the course of investigation that a total of 2,91,643 trades comprising 81.38% of all the trades executed in the Stock Options Segment at the BSE during the investigation period were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract on the same day. It was observed that Mr. Manoharlal Agarwal HUF (hereinafter referred to as "**Noticee**") was one such client whose reversal trades involved squaring off open positions with a significant difference without any basis for such change in the contract price. The aforesaid reversal trades allegedly resulted into generation of artificial volumes, leading to

allegations that the Noticee had violated the provisions of regulations 3(a),(b),(c),(d) and regulations 4(1),4(2)(a) of the 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

3. SEBI initiated adjudication proceedings and 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**") read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") vide order dated April 30, 2021 to inquire into and adjudge under section 15HA of the SEBI Act against the Noticee for the alleged violation of the aforesaid provisions of PFUTP Regulations, 2003. The same was communicated to the undersigned vide communique dated June 28, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice hearing reference no. PTA/RRM/RV/OW/2021/0000017137/1 dated July 30, 2021 (hereinafter referred to as "**SCN**") was issued to the Noticee under Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be initiated against the Noticee and why penalty should not be imposed on the Noticee under Section 15HA of the SEBI Act for the violations alleged to have been committed by the Noticee.

5. The SCN issued to the Noticee, *inter alia*, mentioned / alleged the following:

"….

5. The Noticee was one of the entities which indulged in reversal trades which allegedly created false and misleading appearance of trading, generating artificial volumes in the Stock Options Segment of BSE during the investigation period. The Noticee is alleged to have engaged in reversal trades through 2 trades in 1 unique contract, which led to generation of alleged artificial volume of 56000 *units. These trades of the Noticee involved reversal with the same counterparty on the same day, but at different prices.*

… ."

7. A summary of dealings of Noticee in 1 Stock Options contract in which the said Noticee allegedly executed reversal trades during the investigation period, is as follows:-

S. No.	Contract Name	Avg. Buy Rate (in Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (in Rs.)	Total Sell Volume (no. of units)	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	CENT15MAR560.00PE	1.00	28000	8.00	28000	100%	1.8%

*8. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in the one contract viz, "*CENT15MAR560.00PE*" during the investigation period, as follows:-*

(a) During the investigation it was found that Noticee executed 1 trade reversal through 2 non-genuine transactions on 18/03/2015 and with same counter party i.e JAIDEEP HALWASIYA

(b) While dealing in the said contract on 18/03/2015, at 14:41:59:77 hrs the Noticee entered into a buy trade with counterparty JAIDEEP HALWASIYA for 28000 units at Rs. 1 per unit. At 15:01:12.00 hrs the Noticee entered into a sell trade with the same counterparty, for 28000 units at Rs 8.00.

(c) It was also found that during investigation period, Noticee had only traded in one contract i.e. CENT15MAR560.00PE therefore 100% of trade of the Noticee was in the contract of CENT15MAR560.00PE itself.

(d) The Noticee's trades while dealing in the abovesaid contract during the investigation period allegedly generated artificial volume of 56000 units, which made up 1.8 % of total market volume in the said contract during this period.

9. In view of the foregoing, it is alleged that Noticee, by indulging in execution of non-genuine reversal of trades in Stock Options with same entities on the same day, created false and *misleading appearance of trading in stock options and therefore allegedly violated Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations, 2003.*

…"

6. The SCN was served to the Noticee via Speed Post Acknowledgement Due ("**SPAD**") on August 9, 2021. The SCN was also sent via email on August 13, 2021 and was duly delivered. In reply that of, the Noticee, vide email dated August 27, 2021, made his submissions in the form of scanned letter dated August 25, 2021 (hard copy of which was subsequently received in SEBI on September 1, 2021) which are as follows:

    I. The Noticee submitted that he vehemently and strongly denies each and every allegation made against him in the Show Cause Notice and stated that he will provide the necessary explanations to Securities and Exchange Board of India ("SEBI") to demonstrate his bona fides and absence of any wrongdoing in the matter, during the course of the present proceedings before the learned Adjudicating Officer.

    II. Noticee submitted that upon perusal of Show Cause Notice, it appears that there is certain data, documents and information available with the SEBI in connection with the matter, but which has not been provided with the Show Cause Notice. He further submitted that in order for him to properly understand the basis of the allegations against him in the Show Cause Notice, he would need access to all the relevant documents in the possession of SEBI in connection with the matter, based on which the captioned proceedings have been initiated and the allegations have been made against him. This is an essential part of the process necessary to discharge the requirements of natural justice and fair play.

    III. Noticee submitted that he has a request to the Adjudicating Officer to direct the concerned department of the SEBI to produce and provide him the entire records and papers in possession of the SEBI and to grant him an opportunity of inspection of the same, to enable him to understand the allegations against him and to effectively respond to the Show Cause Notice.

    IV. Without prejudice to the generality of the foregoing, an indicative list of documents sought by him for inspection is set out below:

No.	Document(s) requested	Reference and Reason
i.	Investigation report along-with all annexures thereto.	The Show Cause Notice states that SEBI conducted an investigation in trading activities of certain entities in stock options at BSE.
ii.	Alerts generated, if any, pursuant to the execution of the alleged options contracts on the stock exchange and details of the further steps taken thereon by the regulators, if any.	The Show Cause Notice states that SEBI observed large scale reversal of trades in stock option segment of BSE.
	Document(s) from which it was observed / basis of the observation of there being a large-scale reversal of trades in the stock options segment of the BSE Ltd ("BSE")	
	Action taken/proposed against BSE Ltd or against the concerned department of the stock exchange which was responsible for overseeing / operating the stock option segment.	
iii.	Complete Order Log for the investigation period for the single (1) stock option contract (i.e. CENT15MAR560.00PE), referred to in the Show Cause Notice (trade log provided as Annexure B to Show Cause Notice, however the order log is not provided).	It is alleged that We executed non-genuine trades in a single (1) contract (i.e.CENT15MAR560.00PE) during the investigation period
iv.	Correspondence exchanged, and documents / information received by SEBI from third parties such as stock exchanges, depositories, bankers etc., and any other law enforcement agency, such as Income Tax Department, with respect to subject matter of the present proceedings.	• Documents collected during course of investigation, underlying the facts and allegations in the matter. • Replies / response received from the counterparty to impugned trades viz, Jai Deep Halwasiya.
v.	Statement(s) recorded by SEBI of any person in connection with the subject matter.	• Statement (s) of counterparty / authorized persons of the counterparty to the impugned trades viz, Jai Deep Halwasiya.

No.	Document(s) requested	Reference and Reason
	• We request you to grant me cross examination of counterparty / authorized persons of the counterparty to the impugned trades viz, Jai Deep Halwasiya.	• Statement of any other persons, if recorded or relied upon by SEBI.
vi.	All other information, details, documents, material, in relation to the subject matter, which may not be to my knowledge but is relevant for determination of the issues in the matter.	All other relevant data referred to and relied upon by SEBI

V. Noticee submitted that without reviewing these documents/cross examination, he would not be in a position to file his holistic reply to the Show Cause Notice. Therefore, requested to kindly provide him all the documents available with SEBI and grant him an opportunity of inspection/cross examination at the earliest.

VI. Noticee submitted that once inspection is complete and he is provided copies of all the records /cross examination, he would be able to respond to the Show Cause Notice, within four (4) week thereafter. He submitted a humble request to not to proceed further with the captioned proceedings, until completion of inspection of records/cross examination.

VII. Noticee submitted humble request for grant of an opportunity of personal hearing f so that he can prove his bonafide in the matter.

VIII. Noticee submitted that as directed in the Show Cause Notice, a copy of his PAN Card has been enclosed with this response.

7. In the interest of natural justice and in terms of the Adjudication Rules, the Noticee was provided with an opportunity of personal hearing in the matter on September 22, 2021 at 3.00 pm through the online Webex platform. Hearing Notice was sent through Speed Post Acknowledgement Due letter PTA/RRM/RV/OW/2021/0000022524/1 dated September 14, 2021 as well as through mail sent to the authorized representative (AR) of the Noticee i.e. Mahesh Chandra Mantri (delivery

ensured through both the modes). Referring to the documents sought by the Noticee, as part of his reply in letter dated August 25, 20221, it was clarified in the Hearing Notice that the relevant documents i.e. trade log and detailed summary of his dealing was already provided to him through SCN (sent through SPAD as well as email) and that the remaining documents were not relevant to the allegations made in the SCN, hence were not provided. Vide email dated September 15, 2021 further extension for hearing was sought by the AR, conceding to which the hearing was rescheduled for October 8, 2021 at 3 pm and intimation/email in this regard was sent on September 15, 2021. Vide email dated October 4, 2022 the Noticee (thru AR) submitted another letter, dated September 30, 2021, in reply to the SCN. The said letter was signed by Prakash Chandra Mantri (Karta) on behalf of the Noticee. Further, through email dated October 5, 2021, the Noticee/AR submitted that further reply to the SCN has already been sent on October 4, 2021 and that the Noticee/AR do not wish to avail the hearing. The hard copy of letter dated September 30, 2021 was received in SEBI on October 17, 2021. The submissions made therein are placed below:

I. Noticee submitted that he intended to have an income of around Rs.2 lakhs in his books for the financial year 2014-15 (A.Y. 2015-16). He came to know from the financial circle that some brokers in Kolkata were doing the job by charging a commission. Only with such intention of showing an income in his books by paying cash in return and charge of a commission, that he contacted the broker Geometry Vanijya Private Limited having their office at 11, Clive Row, Kolkata - 700001.The said broker agreed to do his job and upon receiving the equivalent amount in cash along with the charges/commission, the said broker gave him a net amount of Rs.1,95,862.89 p. as income and sent him the said amount by Bank transfer to his HDFC Bank account on 20/ 03/2015. The margin amount of Rs.25,000/ - paid by him to the said broker on 10/03/2015 was returned by the said broker on 31/03/2015. To support the aforesaid book income, the said broker provided him with a Contract Note which showed that the said broker had got him the income through a trade in his name in the Derivative Market of the Bombay Stock Exchange and satisfied him with the explanation that it was a permitted / lawful way of getting him the book income and that it was a legal transaction. The said income of Rs.1,95,862.89p.was disclosed by him in his Income Tax Accounting for the year ended 31.03..2015 as Income which could be supported by the aforesaid Contract Note. In this connection, he enclosed therewith copies of the said Contract

Note, relevant Bank Statement and his Income Tax Return for corroborating the facts afore-stated.

II. The Noticee submitted that save and except as afore-stated, he has no other knowledge and he had nothing to do with the aforesaid trade done in his name by the said broker Geometry Vanijya Private Limited. He submitted that he did not know the said broker from before and since everybody else in the financial circle was getting their requirement for book income fulfilled by the aforesaid broker and few more brokers on reference of family and friends, he had contacted the said broker and got his job done in due course. The transaction at his end being giving the said broker money in cash and receiving an income in his books by Bank transfer. He did not have anything to do with the dealing in securities as appeared in the aforesaid Contract Note and which was supplied to him by the said broker Geometry Vanijya Private Limited only to substantiate and support the legality of the income disclosed by him in his books.

III. The Noticee submitted that in the circumstances afore-stated, he is shocked and surprised to receive SEBI letter under reference and denies and disputes each and every allegation contained in the said letter as if the same were set out hereunder and specifically dealt with and traversed in seriatim. However, without prejudice and without foregoing the generality of what is stated hereinabove he submitted as follows:

a) He specifically denies that he indulged in reversal trades which created false or misleading appearance of trading or generating artificial volumes in the Stock Options Segment of BSE during the investigation period as alleged or at all. He denied that he engaged or could engage in any reversal trades which led or could lead to generation of artificial volume or that such trades involved reversal with the same counterparty on the same day at different prices as alleged or at all. He denies and make no admission regarding Annexure B and Annexure C. He denies having any knowledge whatsoever regarding the alleged trades or the same having been reversed on the same day with the same counter party at a price difference without any basis for change in the contract price. He further denies having any knowledge regarding any trade being done by the said broker Geometry Vanijya Private Limited purportedly on his behalf which could be artificial or non-genuine in nature. He denies having any knowledge regarding entering into any sale trade or buy trade with any specific counterparty as alleged or at all.

b) He denies having indulged in execution of any non-genuine reversal of trades in Stock Options with same entities on the same day creating false or misleading appearance of trading in stock options or therefore or otherwise violating Regulation 3(a), (b), (c), (d), 4(1) or 4(2)(a) of PFUTP Regulations, 2003.He denies that he is or could be made liable for monetary penalty under Section 15HA of the SEBI Act.

c) He submitted that the purported show-cause notice is unlawful, motivated and is without any basis whatsoever and no inquiry can be held against him in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 read with section 15 I of the SEBI Act or that any penalty could be imposed under section 15HA of SEBI Act as alleged or at all.

d) He submitted for withdrawal of purported show-cause notice and desisted from proceeding with any inquiry as threatened or otherwise. He requested to treat this as a letter demanding justice and oblige.

CONSIDERATION OF ISSUES AND FINDINGS

8. I have taken into consideration the facts and circumstances of the case, the material/documents made available on record and the submissions of the Noticee. The issues that arise for consideration in the instant case are :

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

(b) Does the violation, if any, attract monetary penalty under section 15HA of the SEBI Act?

(c) If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?

9. Before advancing into the merits of the case, I would like to deal with the issue pertaining to the delay, as alleged by the Noticee, in point 6 (a) in reply to SCN.

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.

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".*

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.

As can be seen from the narration of facts in the foregoing paragraphs, pursuant to appointment of AO, SCN was issued on July 30, 2021. In compliance with principles of natural justice, after receipt of reply, an opportunity of personal hearing was scheduled on September 22, 2021(rescheduled for October 8, 2021 on request of the Noticee/AR). Additional written submissions *(if any)* were received from Noticee/AR on October 7, 2021.

10. I further note that there is no provision under SEBI Act which prescribes a time limit for taking cognizance of a breach of the provision of SEBI Act and Rules and Regulations made thereunder. Further, as per Section 11C of SEBI Act, 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*, observed as follows:

"*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*."

11. 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*"

12. 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*".

13. With respect to the alleged violations in the instant matter, I note that it is pertinent to refer to the relevant provisions of the PFUTP Regulations, 2003, which are reproduced as follows:

PFUTP Regulations, 2003

2. 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 6[manipulative] 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;

14. I note that the allegation against the Noticee is that, while dealing in the stock option contracts at BSE during the Investigation Period, the Noticee had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock options contracts at BSE. Reversal trades are considered as 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 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.

15. I note from the trade log of the Noticee that the Noticee had traded in 1 unique contract in stock options segment of BSE during the Investigation Period. It is observed that the Noticee had executed 2 non-genuine trades in 1 contract. I further note that the above mentioned trades of the Noticee had resulted in the creation of artificial volume of a total of 56000 units in the said 1 contract. The summary of the non-genuine trades of the Noticee are as follows:

Contract Name	**Avg Buy Rate (in ₹)**	**Buy Qty (No. of units)**	**Avg Sell Rate (in ₹)**	**Sell Qty (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**
CENT15MAR560.00PE	1.00	28000	8.00	28000	100%	50%	100%	1.8%

16. It is noted that the Noticee had executed non-genuine trades in 1 contract, wherein the percentage of non-genuine trades of the Noticee to the total trades in the contract was 50%. Further, the artificial volume generated by the Noticee in the contract amounted to a substantial 100% of total volume generated by him in the contract. It is also noted that artificial volume generated by the Noticee contributed 1.8% to the total volume from the market in the said contract. The non-genuine trades executed by the Noticee in the above contract had significant difference between buy and sell rates considering that the trades were reversed on the same day.

Upon perusing the trade log, I note that the trades executed by the Noticee in the contract were squared up within a short span of time with the same counterparty. To illustrate, on March 18, 2015, at 14:41:59.75, the Noticee placed a buy limit order for 28000 units at a price of ₹1 per unit and the said order was matched with the sell limit order (which was also for 28000 units at a price of ₹1 per unit) of counterparty JAIDEEP HALWASIYA. I note that the said buy limit order was placed at 14:41:59.75, i.e. before the entry of the sell limit order by the counterparty. I also note that there was no modification of either price or quantity by either the Noticee or the counterparty and the sell limit order of the counterparty got executed into trade immediately upon the entry of the buy limit order by the Noticee. Subsequently, at 15:01:11.93, the Noticee placed a sell limit order for 28,000 units at a price of ₹8 per unit and the said order was matched with the same counterparty (i.e. JAIDEEP HALWASIYA), who placed a buy limit order for the same quantity (i.e. 28,000) and price (i.e. ₹8). I note that the said buy limit order was placed by the counterparty at 15:01:12.00, i.e. after the entry of the sell order by the Noticee. I also note that there was no modification of either price or quantity by either the Noticee or the counterparty and the sell limit order of the Noticee got executed into trade immediately upon the entry of the buy limit order by the counterparty.

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 (viz. approx. 20 minutes), the Noticee reversed the position with the same counterparty client with a significant price difference. Such a short span of time taken for reversing the trades in an illiquid stock option contract suggests the non-genuineness of these trades executed by the Noticee. The fact that the orders of the Noticee and her counterparty matched with such precision (considering that there was a perfect match of price and quantity as well as a short time difference between placing of the orders by the Noticee and counterparty) indicates a prior meeting of minds with a view to execute the reversal trades at a predetermined price. Since these trades were done in illiquid option contracts, there was very little trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contracts, within a short span of time, is a clear indication that there was pre-determination in the prices by the counterparties while executing the trades. Therefore, it is observed that the Noticee had indulged in reversal trades with his counterparty in the stock options segment of BSE and the same were non-genuine trades.

17. I note that it is not a mere coincidence that Noticee could match his trades (with the corresponding price and quantity entered by both the Noticee and counterparty being equal) with the same counterparty with whom he had undertaken first leg of the respective trades. It indicates meeting of minds. In this context, I would like to rely on the judgment of the Hon'ble Supreme Court of India in SEBI Vs Kishore R Ajmera (AIR 2016 SC 1079), 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...*"

18. The Hon'ble Supreme Court of India 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."

19. In the instant matter, I note that though direct evidence regarding meeting of minds or collusion of the Noticee with the counterparty is not forthcoming, the trading behavior of the Noticee makes it clear that the aforesaid non-genuine trades could not have been possible without meeting of minds at some level. In this context, I find it pertinent to refer to the Hon'ble SAT Order dated July 14, 2006 in the matter of Ketan Parekh Vs SEBI (Appeal No. 2 of 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."*

20. In the matter of SEBI Vs Rakhi Trading Pvt Ltd (Civil Appeal no, 1969 of 2011, 3174-3177 of 2011 and 3180 of 2011, decided on February 08, 2018), the Hon'ble Supreme Court of India 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...."*

21. Additionally, the Hon'ble SAT in its judgment dated September 14, 2020 in the matter of Global Earth Properties and Developers Pvt Ltd Vs SEBI (Appeal No. 212 of 2020) and judgement dated November 24, 2021 in the matter of Radha Malani vs. SEBI (Appeal No.698 of 2021) relied upon the aforesaid judgment of the 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."

22. The trading behavior of the Noticee which confirms that the trades executed by the Noticee were not normal, the 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 respective contracts. In view of the aforesaid, I find that the allegation of violation of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003 by the Noticee stands established. 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.."*

23. 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 provisions of section 15HA of the SEBI Act, which reads as follows:

24. ***Penalty for fraudulent and unfair trade practices***

15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

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

Factors to be taken into account while adjudging quantum of penalty

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

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

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

(c) the repetitive nature of the default.

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

26. 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 2 non-genuine trades in 1 stock option contract during the investigation period.

27. Therefore, I note that the Noticee indulged in execution of reversal trades in stock options on BSE in 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 regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFTUP Regulations, 2003.

ORDER

28. After taking into consideration all the facts and circumstances of the case, the material / documents made available on record including the submissions of the Noticee, the factors mentioned in section 15J of the SEBI Act and in exercise of the power conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby impose a penalty of ₹5,00,000/- (Rupees Five Lakh only) on the Noticee, viz. Mr. Manoharlal Mantri HUF, under section 15HA of the SEBI Act for the violation of regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFTUP Regulations, 2003. I am of the view that the said penalty is commensurate with the lapse / omission committed by the Noticee.

29. The Noticee shall remit / pay the said amount of penalty within 45 (forty five) days of the 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 online payment facility available on the website of SEBI, i.e. www.sebi.gov.in, i.e.

ENFORCEMENT → Orders → Orders of AO → PAY NOW.

30. The Notice shall forward the aforesaid DD / payment confirmation details to the Division Chief, Enforcement Department -I (EFD1), FDM2 Division [EFD1-FDM2] SEBI Bhavan, Plot No.C-7,' G' Block, Bandra Kurla Complex (BKC), Bandra (East), Mumbai –400 051 and also send an email to tad@sebi.gov.in with the following detail:

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	

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

32. In terms of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee and SEBI.

DATE: RAM RUDRA MURARI

PLACE: MUMBAI ADJUDICATING OFFICER