BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OFINDIA

ADJUDICATION ORDER NO. EAD-7/BJD/NJMR/2018-19/1579

UNDER SECTION15-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

R S Ispat Ltd.,
(PAN: AABCR1890D)
Bengal Eco Intelligent Park
Block – EM, 9th floor
Sector V, Salt Lake
Kolkata – 700091.

In the matter of 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 Stock Options segment of Bombay Stock Exchange (hereinafter, referred to as "BSE") leading to creation of artificial volume. Accordingly, SEBI conducted an investigation into the trading activities of certain entities in Illiquid Stock Options at BSE (hereinafter, referred to as "investigation") for the period April 1, 2014 to September 30, 2015 (hereinafter referred to as "Investigation Period").

2. It was observed that during the investigation period, total 2,91,643 trades comprising substantial 81.38% of all the trades executed in Stock Options Segment of BSE were found to be 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 investigation period.

3. It was observed that the said non- genuine trades were not restricted to any specific contract or between any specific set of entities. It was observed that R S Ispat Ltd., (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 investigation period. The following points narrate the dealings of the Noticee during the investigation period and the allegations against it for execution of non-genuine trades.

4. As regards to all the dealings of the Noticee in the Stock Options segment of BSE during the investigation period, it was observed that the Noticee had traded in 105 unique contracts, from which it has allegedly executed non genuine trades in 105 contracts wherein it executed total 220 non-genuine trades, which resulted in artificial volume of total 1,78,71,514 units.

5. Summary of dealings of the Noticee in 105 Stock Options contracts in which the Noticee allegedly executed non genuine trades during the investigation period is as follows:

Sl. No	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	Number of non genuine trades executed by Entity in the Contract	Total number of trades executed by the Entity in the Contract	Total number of trades executed in the contract	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Entity 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	ADPW15APR75.00PE	19.20	40000	32.20	40000	2	2	4	100%	50%	100%	71%
2	ADPW15JUN50.00PEW2	10.80	24000	18.10	24000	2	2	2	100%	100%	100%	100%
3	AJPL15AUG1650.00CEW2	20.35	25000	60.35	25000	2	2	2	100%	100%	100%	100%
4	ALBK15AUG100.00PEW3	3.00	66000	6.52	66000	3	3	17	100%	18%	100%	13%
5	ALLD15APR45.00CE	15.20	56000	24.15	56000	2	2	2	100%	100%	100%	100%
6	ALLD15AUG85.00CEW3	9.60	124000	14.00	124000	3	3	3	100%	100%	100%	100%
7	ALLD15AUG90.00CEW3	2.65	352000	7.25	352000	2	2	12	100%	17%	100%	49%
8	ALLD15JUL55.00CEW3	9.85	76000	16.45	76000	2	2	2	100%	100%	100%	100%
9	ALLD15JUN90.00PEW2	13.75	72000	23.80	72000	2	2	2	100%	100%	100%	100%
10	ALLD15MAY45.00CEW3	15.50	36000	26.30	36000	2	2	2	100%	100%	100%	100%
11	AMTK15AUG105.00CEW1	34.30	20000	64.30	20000	3	3	3	100%	100%	100%	100%
12	AMTK15AUG90.00PEW3	5.00	132000	24.98	132000	4	6	8	67%	50%	77%	63%
13	ANBK15AUG65.00CEW3	14.40	48000	20.65	48000	2	2	2	100%	100%	100%	100%

Sl. No	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	Number of non genuine trades executed by Entity in the Contract	Total number of trades executed by the Entity in the Contract	Total number of trades executed in the contract	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Entity 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
14	APLT15AUG210.00PEW2	4.00	50000	25.00	50000	2	2	2	100%	100%	100%	100%
15	APLT15JUN150.00CEW2	12.90	12000	26.20	12000	2	2	2	100%	100%	100%	100%
16	BATA15JUL900.00CEW3	154.20	3250	246.50	3250	2	2	2	100%	100%	100%	100%
17	BHEL15AUG300.00PEW2	24.15	3000	40.00	3000	2	2	4	100%	50%	100%	43%
18	BPCL15AUG940.00PEW2	20.45	3000	70.00	3000	2	2	8	100%	25%	100%	14%
19	CANB15JUL280.00CEW3	9.80	125000	17.80	125000	2	2	2	100%	100%	100%	100%
20	CARN15JUL160.00CEW1	14.40	108000	23.60	108000	2	2	2	100%	100%	100%	100%
21	CAST15JUL570.00PEW3	61.05	12500	101.05	12500	2	2	2	100%	100%	100%	100%
22	CIPL15JUL600.00CE	46.90	1000	102.00	1000	2	2	16	100%	13%	100%	3%
23	COAL15AUG380.00PEW3	5.75	50000	18.00	50000	3	3	9	100%	33%	100%	60%
24	DABU15JUL210.00CEW2	45.40	9000	78.75	9000	2	2	4	100%	50%	100%	75%
25	DLFL15AUG110.00CEW3	2.50	98000	22.90	98000	2	2	6	100%	33%	100%	37%
26	DLFL15JUN160.00PEW1	29.50	8000	54.50	8000	2	2	2	100%	100%	100%	100%
27	DRRL15AUG4200.00CEW1	23.80	10875	95.00	10875	2	2	4	100%	50%	100%	50%
28	ENGI15AUG225.00CEW1	10.20	102000	17.00	102000	2	2	2	100%	100%	100%	100%
29	GMRI15JUL18.00PE	1.60	39000	3.40	39000	2	2	8	100%	25%	100%	6%
30	GOIL15JUN420.00PEW2	52.90	7007	88.60	7007	2	2	4	100%	50%	100%	50%
31	HAIL15AUG350.00PEW1	42.90	32000	56.80	32000	2	2	4	100%	50%	100%	94%
32	HAIL15JUN350.00PE	37.73	60000	54.45	60000	3	3	3	100%	100%	100%	100%
33	HDIL15AUG70.00CEW3	12.25	50000	20.70	50000	2	2	2	100%	100%	100%	100%
34	HNDL15AUG105.00PEW2	2.35	722000	6.55	722000	2	2	39	100%	5%	100%	54%
35	HXTL15JUL240.00CEW2	7.60	128000	14.65	128000	2	2	2	100%	100%	100%	100%
36	HXTL15JUL255.00CE	10.20	156000	19.00	156000	2	2	2	100%	100%	100%	100%
37	IBRL15JUN75.00PEW3	18.10	48000	32.70	48000	2	2	4	100%	50%	100%	71%
38	IBRL15MAY90.00PEW1	20.80	36000	34.70	36000	2	2	2	100%	100%	100%	100%
39	ICIC15AUG420.00PEW1	65.25	6000	111.15	6000	2	2	2	100%	100%	100%	100%
40	ICIC15JUL420.00PEW2	62.95	2000	112.95	2000	2	2	2	100%	100%	100%	100%
41	ICIC15MAY390.00PE	45.55	23750	79.25	23750	2	2	2	100%	100%	100%	100%

Sl. No	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	Number of non genuine trades executed by Entity in the Contract	Total number of trades executed by the Entity in the Contract	Total number of trades executed in the contract	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Entity 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
42	IDBI15AUG65.00CEW3	4.00	172000	7.15	172000	2	2	5	100%	40%	100%	52%
43	IDBI15JUL45.00CEW2	10.90	136000	20.50	136000	2	2	2	100%	100%	100%	100%
44	IDBI15JUL45.00CEW4	11.50	8000	19.60	8000	2	2	2	100%	100%	100%	100%
45	IFCI15APR30.00CE	1.50	352000	2.90	352000	2	2	10	100%	20%	100%	92%
46	IFCI15AUG22.00CEW1	1.80	48000	3.75	48000	2	2	14	100%	14%	100%	5%
47	IOBL15AUG32.00CEW1	3.65	40000	7.40	40000	2	2	13	100%	15%	100%	26%
48	IOCL15AUG500.00PEW1	43.50	112000	73.85	112000	4	4	4	100%	100%	100%	100%
49	IOCL15JUL300.00CE	95.70	9000	162.35	9000	2	2	2	100%	100%	100%	100%
50	IOCL15JUL300.00CEW3	83.25	2000	133.25	2000	2	2	4	100%	50%	100%	29%
51	IOCL15JUL500.00PE	26.59	21000	46.60	21000	3	3	3	100%	100%	100%	100%
52	JAIA15JUN26.00PEW1	5.70	88000	13.35	88000	2	2	4	100%	50%	100%	38%
53	JAIA15MAY34.00PEW1	8.50	80000	14.90	80000	2	2	2	100%	100%	100%	100%
54	JISL15AUG80.00PEW2	5.70	16000	8.55	16000	2	2	14	100%	14%	100%	3%
55	JPPW15JUN16.00PEW2	5.75	150000	10.40	150000	2	2	6	100%	33%	100%	83%
56	JPPW15MAY16.00PEW3	5.00	270000	8.70	270000	2	2	2	100%	100%	100%	100%
57	JPPW15MAY18.00PE	6.40	240000	10.70	240000	2	2	4	100%	50%	100%	73%
58	KARB15JUN160.00PEW1	11.10	88000	21.25	88000	2	2	4	100%	50%	100%	64%
59	KSCL15AUG490.00CEW3	19.90	25000	43.00	25000	2	2	2	100%	100%	100%	100%
60	LNTF15AUG30.00CEW1	23.85	200000	41.35	200000	2	2	2	100%	100%	100%	100%
61	LNTF15JUL110.00PEW2	25.65	4000	44.65	4000	2	2	2	100%	100%	100%	100%
62	LNTF15JUL55.00CEW2	9.30	284000	16.35	284000	2	2	4	100%	50%	100%	74%
63	LNTF15JUN110.00PEW1	27.60	48000	47.40	48000	2	2	2	100%	100%	100%	100%
64	LNTF15JUN115.00PE	55.00	4000	31.25	4000	2	2	2	100%	100%	100%	100%
65	LNTF15MAY105.00PEW3	23.60	40000	38.85	40000	2	2	2	100%	100%	100%	100%
66	LNTF15MAY115.00PE	31.05	48000	51.90	48000	2	2	2	100%	100%	100%	100%
67	LNTF15MAY80.00PEW1	10.40	56000	18.40	56000	2	2	2	100%	100%	100%	100%
68	MCRS15JUN260.00PEW1	8.90	110000	18.00	110000	2	2	2	100%	100%	100%	100%
69	MPSL15AUG320.00CEW2	3.55	82000	14.55	82000	2	2	2	100%	100%	100%	100%

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70	NMDC15JUN155.00PEW1	16.90	8000	32.75	8000	2	2	2	100%	100%	100%	100%
71	ONGC15JUL310.00PEW4	10.80	79000	23.45	79000	2	2	2	100%	100%	100%	100%
72	PAGE15JUL12800.00CEW3	1099.00	125	2200.00	125	2	2	2	100%	100%	100%	100%
73	PFCL15JUN290.00PEW1	11.80	106000	21.25	106000	2	2	2	100%	100%	100%	100%
74	PTCI15JUN95.00PEW1	15.50	88000	26.85	88000	2	2	2	100%	100%	100%	100%
75	PTCI15MAY95.00PEW3	15.70	88000	27.10	88000	2	2	2	100%	100%	100%	100%
76	SAIL15AUG40.00CEW1	10.05	60000	17.20	60000	2	2	4	100%	50%	100%	43%
77	SAIL15AUG40.00CEW2	12.95	172000	21.00	172000	2	2	2	100%	100%	100%	100%
78	SAIL15AUG70.00CEW1	0.05	32000	2.30	32000	2	2	6	100%	33%	100%	12%
79	SAIL15AUG85.00PEW1	15.80	32000	28.30	32000	2	2	4	100%	50%	100%	22%
80	SAIL15JUN90.00PEW1	15.20	84000	28.30	84000	2	2	4	100%	50%	100%	60%
81	SAIL15MAY45.00CE	12.70	44000	21.10	44000	2	2	10	100%	20%	100%	24%
82	SAIL15MAY95.00PE	17.50	72000	30.25	72000	2	2	2	100%	100%	100%	100%
83	SHTF15JUL720.00CEW2	109.85	3750	216.55	3750	2	2	2	100%	100%	100%	100%
84	SOIB15AUG20.00CEW3	2.85	315000	4.50	315000	2	2	2	100%	100%	100%	100%
85	SOIB15AUG26.00PEW2	3.15	90000	4.50	90000	2	2	6	100%	33%	100%	17%
86	SOIB15AUG38.00PEW1	8.65	306000	14.55	306000	2	2	8	100%	25%	100%	39%
87	SOIB15AUG44.00PEW1	12.35	378000	20.30	378000	2	2	2	100%	100%	100%	100%
88	SOIB15JUL12.00CE	6.80	45000	11.25	45000	2	2	12	100%	17%	100%	6%
89	SOIB15JUL38.00PEW2	10.00	18000	15.00	18000	2	2	2	100%	100%	100%	100%
90	SOIB15JUL40.00PE	10.20	270000	17.60	270000	2	2	2	100%	100%	100%	100%
91	SOIB15JUL44.00PE	12.65	234000	21.00	234000	2	2	2	100%	100%	100%	100%
92	SOIB15JUN12.00CEW2	6.60	99000	11.15	99000	2	2	2	100%	100%	100%	100%
93	SOIB15JUN40.00PE	10.00	63000	16.35	63000	2	2	2	100%	100%	100%	100%
94	SOIB15JUN40.00PEW2	10.15	126000	17.30	126000	2	2	4	100%	50%	100%	45%
95	SYND15JUL90.00CEW2	6.35	2000	14.80	2000	2	2	4	100%	50%	100%	1%
96	TATP15MAY105.00PE	17.40	56000	31.65	56000	2	2	2	100%	100%	100%	100%
97	TISC15JUL350.00PEW3	40.85	35000	71.00	35000	2	2	2	100%	100%	100%	100%

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98	UCOB15APR90.00PE	15.90	40000	26.50	40000	2	2	4	100%	50%	100%	67%
99	UCOB15JUN85.00PEW1	12.60	52000	22.20	52000	2	2	4	100%	50%	100%	57%
100	UNIT15MAY26.00PEW1	7.05	54000	12.60	54000	2	2	2	100%	100%	100%	100%
101	UPHL15AUG540.00CEW2	11.55	52500	30.60	52500	2	2	4	100%	50%	100%	83%
102	VEDL15AUG195.00PEW1	39.90	22000	65.90	22000	2	2	2	100%	100%	100%	100%
103	VEDL15JUL215.00PEW1	23.40	30000	40.40	30000	2	2	8	100%	25%	100%	44%
104	ZEEL15JUL320.00CEW2	30.40	96000	53.40	96000	2	2	2	100%	100%	100%	100%
105	ZEEL15JUN280.00CEW1	23.95	4000	49.50	4000	2	2	4	100%	50%	100%	2%

6. From the above table, the following is observed as regards to dealings of the Noticee:

   a) The Noticee had executed non genuine trades in 105 contracts, wherein in respect of 63 contracts, all the trades were non genuine trades.
   b) The number of non-genuine trades of the Noticee had significantly contributed to the total number of trades from the market in the above contracts, as a substantial 5% to 100% of the trades that happened in the aforementioned contracts were due to non-genuine trades executed by the Noticee.
   c) A substantial 2% to 100% of volumes generated by the Noticee in each of the above contracts were artificial volume, and further artificial volume generated by it also contributed to significant contribution of the total volume from the market in the said contracts.
   d) Non genuine trades executed by the Noticee in above contracts had significant differential in buy rates and sell rates considering that the trades were reversed on same day.

7. In view of the foregoing, it was alleged that the Noticee, indulged in execution of reversal of trades in Stock Options with same entities on the same day. Such trades are 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 was alleged that the Noticee had violated the provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.

APPOINTMENT OF ADJUDICATING OFFICER

8. Pursuant to investigation, SEBI, after being satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violations as mentioned above inter-alia in respect of the Noticee, had appointed the undersigned as the Adjudicating Officer vide Order dated April 3, 2018, under section 19 read with section 15I(1) 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”) to conduct adjudication proceedings in the manner specified under rule 4 of SEBI Adjudication Rules, 1995 read with section 15I (1) and (2) of SEBI Act, 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, REPLY AND HEARING

9. A Show Cause Notice (hereinafter referred to as “SCN”) bearing ref. no. SEBI/HO/EAD-7/BJD/NJMR/23408/2018 dated August 23, 2018 was served upon the Noticee under Rule 4 of SEBI Adjudication Rules to show cause as to why an inquiry be not held against him in terms of Rule 4 of the Adjudication Rules and penalty be not imposed under Section 15HA of SEBI Act, 1992 for the violations alleged to have been committed by it.

10. The Noticee vide its letter dated September 16, 2018 submitted its reply, which is summarized hereunder:

    a) *We have neither any idea about the counterparty nor the process followed by the broker to execute the trade. Since the scrip was not a banned scrip, we had asked our broker to place an order for the scrip at the price* *available on the screen of the trading system of the broker. Since, there was no warning regarding scrip being banned or illiquid by the broker, the trades were executed. We had reversed the order, since there was good variation in the price of the scrip.*

b) *We fail to understand that how could we create artificial volume when there has been counterparty to each of our transactions, who was never known to us, moreover, why should we get ourselves involved in creation of volume in various scrips, when the counterparties are not related to us in any manner whatsoever and we are mere investors and /or traders. We invested our idle funds on a temporary basis in the capital market and had withdrawn the same from the markets at an opportune time.*

c) *Neither the broker nor the exchange had ever warned us for excessive trades or unrealistic trades or for our volumes in giving orders. We have received contract notes and paid or received all the dues / receivables as per broker's internal rules and norms and paid the necessary statutory dues also.*

d) *We categorically state that we have no direct approach or control over the system of execution of trades. We had placed our orders with the broker, who is responsible for the execution of trade and who understands the technicalities of the trading system.*

e) *We refute the charges levied by the Adjudicating Officer as the information now provided to us in the SCN was neither told nor explained to us by broker or the exchange who have all the information available with them.*

f) *We categorically state that we are neither directly nor indirectly engaged in the dealing in any securities prohibited by broker / exchange. We have no method or control over affairs of the broker or exchange to manipulate trades or enter into fraudulent trades or use unfair trade practices as we are not controlling the trading system.*

11. In the interest of natural justice and in terms of Rule 4 (4) of Adjudication Rules, the Noticee was also provided with an opportunity of personal hearing on November 15, 2018, which was communicated vide notice of hearing dated October 23, 2018, which was sent by Speed Post. I note that as per India Post tracking system, the notice of hearing was received by the Noticee on October 30, 2018. I note that the Noticee did not attend the hearing on the scheduled date i.e., November 15, 2018.

CONSIDERATION OF ISSUES AND FINDINGS

12. After perusal of the material available on record, I have the following issues for consideration viz.,

    I. Whether the Noticee has violated the provisions of Regulations 3 (a), 3(b), 3(c), 3 (d), 4 (1) and 4 (2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003?

    II. Whether the Noticee is liable for monetary penalty under Section 15HA of the SEBI Act?

    III. If so, what quantum of monetary penalty should be imposed on the Noticee?

FINDINGS

13. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticee, I record my findings hereunder.

ISSUE I: Whether the Noticees have violated the provisions of Regulations 3 (a), 3(b), 3(c), 3 (d), 4 (1) and 4 (2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003?

14. Before moving forward, it is pertinent to refer to the relevant provisions of SEBI (PFUTP Regulations), 2003 which reads as under:

Regulation 3 of SEBI (PFUTP) Regulations: - Prohibition of certain dealings in securities

3. No person shall directly or indirectly—
(a) buy, sell or otherwise deal in securities in a fraudulent manner;
(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;
(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.

Regulation 4 of SEBI (PFUTP) Regulations: - 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;

15. It has been alleged that the Noticee had indulged in execution of reversal of trades in Stock Options with same entities on the same day. Such trades are non-genuine in nature and have created false or misleading appearance of trading in terms of artificial volume in stock options and therefore alleged to be manipulative, deceptive in nature.

16. I note that reversal trades have been considered as 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 reversals trades are non-genuine trades as they are not executed in normal course of trading, lacks basic trading rationale, and 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.

17. I note that the Noticee had executed 220 non-genuine trades in 105 unique contracts on 49 trading days from April 24, 2015 to August 20, 2015. The details of non-genuine trades executed by the Noticee are furnished hereunder.

Sl. No	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	Number of non genuine trades executed by Entity in the Contract	Total number of trades executed by the Entity in the Contract	Total number of trades executed in the contract	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Entity 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	ADPW15APR75.00PE	19.20	40000	32.20	40000	2	2	4	100%	50%	100%	71%
2	ADPW15JUN50.00PEW2	10.80	24000	18.10	24000	2	2	2	100%	100%	100%	100%
3	AJPL15AUG1650.00CEW2	20.35	25000	60.35	25000	2	2	2	100%	100%	100%	100%
4	ALBK15AUG100.00PEW3	3.00	66000	6.52	66000	3	3	17	100%	18%	100%	13%
5	ALLD15APR45.00CE	15.20	56000	24.15	56000	2	2	2	100%	100%	100%	100%
6	ALLD15AUG85.00CEW3	9.60	124000	14.00	124000	3	3	3	100%	100%	100%	100%
7	ALLD15AUG90.00CEW3	2.65	352000	7.25	352000	2	2	12	100%	17%	100%	49%
8	ALLD15JUL55.00CEW3	9.85	76000	16.45	76000	2	2	2	100%	100%	100%	100%
9	ALLD15JUN90.00PEW2	13.75	72000	23.80	72000	2	2	2	100%	100%	100%	100%
10	ALLD15MAY45.00CEW3	15.50	36000	26.30	36000	2	2	2	100%	100%	100%	100%
11	AMTK15AUG105.00CEW1	34.30	20000	64.30	20000	3	3	3	100%	100%	100%	100%
12	AMTK15AUG90.00PEW3	5.00	132000	24.98	132000	4	6	8	67%	50%	77%	63%
13	ANBK15AUG65.00CEW3	14.40	48000	20.65	48000	2	2	2	100%	100%	100%	100%
14	APLT15AUG210.00PEW2	4.00	50000	25.00	50000	2	2	2	100%	100%	100%	100%
15	APLT15JUN150.00CEW2	12.90	12000	26.20	12000	2	2	2	100%	100%	100%	100%
16	BATA15JUL900.00CEW3	154.20	3250	246.50	3250	2	2	2	100%	100%	100%	100%
17	BHEL15AUG300.00PEW2	24.15	3000	40.00	3000	2	2	4	100%	50%	100%	43%
18	BPCL15AUG940.00PEW2	20.45	3000	70.00	3000	2	2	8	100%	25%	100%	14%
19	CANB15JUL280.00CEW3	9.80	125000	17.80	125000	2	2	2	100%	100%	100%	100%
20	CARN15JUL160.00CEW1	14.40	108000	23.60	108000	2	2	2	100%	100%	100%	100%
21	CAST15JUL570.00PEW3	61.05	12500	101.05	12500	2	2	2	100%	100%	100%	100%
22	CIPL15JUL600.00CE	46.90	1000	102.00	1000	2	2	16	100%	13%	100%	3%
23	COAL15AUG380.00PEW3	5.75	50000	18.00	50000	3	3	9	100%	33%	100%	60%
24	DABU15JUL210.00CEW2	45.40	9000	78.75	9000	2	2	4	100%	50%	100%	75%
25	DLFL15AUG110.00CEW3	2.50	98000	22.90	98000	2	2	6	100%	33%	100%	37%
26	DLFL15JUN160.00PEW1	29.50	8000	54.50	8000	2	2	2	100%	100%	100%	100%
27	DRRL15AUG4200.00CEW1	23.80	10875	95.00	10875	2	2	4	100%	50%	100%	50%
28	ENGI15AUG225.00CEW1	10.20	102000	17.00	102000	2	2	2	100%	100%	100%	100%

Sl. No	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	Number of non genuine trades executed by Entity in the Contract	Total number of trades executed by the Entity in the Contract	Total number of trades executed in the contract	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Entity 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
29	GMRI15JUL18.00PE	1.60	39000	3.40	39000	2	2	8	100%	25%	100%	6%
30	GOIL15JUN420.00PEW2	52.90	7007	88.60	7007	2	2	4	100%	50%	100%	50%
31	HAIL15AUG350.00PEW1	42.90	32000	56.80	32000	2	2	4	100%	50%	100%	94%
32	HAIL15JUN350.00PE	37.73	60000	54.45	60000	3	3	3	100%	100%	100%	100%
33	HDIL15AUG70.00CEW3	12.25	50000	20.70	50000	2	2	2	100%	100%	100%	100%
34	HNDL15AUG105.00PEW2	2.35	722000	6.55	722000	2	2	39	100%	5%	100%	54%
35	HXTL15JUL240.00CEW2	7.60	128000	14.65	128000	2	2	2	100%	100%	100%	100%
36	HXTL15JUL255.00CE	10.20	156000	19.00	156000	2	2	2	100%	100%	100%	100%
37	IBRL15JUN75.00PEW3	18.10	48000	32.70	48000	2	2	4	100%	50%	100%	71%
38	IBRL15MAY90.00PEW1	20.80	36000	34.70	36000	2	2	2	100%	100%	100%	100%
39	ICIC15AUG420.00PEW1	65.25	6000	111.15	6000	2	2	2	100%	100%	100%	100%
40	ICIC15JUL420.00PEW2	62.95	2000	112.95	2000	2	2	2	100%	100%	100%	100%
41	ICIC15MAY390.00PE	45.55	23750	79.25	23750	2	2	2	100%	100%	100%	100%
42	IDBI15AUG65.00CEW3	4.00	172000	7.15	172000	2	2	5	100%	40%	100%	52%
43	IDBI15JUL45.00CEW2	10.90	136000	20.50	136000	2	2	2	100%	100%	100%	100%
44	IDBI15JUL45.00CEW4	11.50	8000	19.60	8000	2	2	2	100%	100%	100%	100%
45	IFCI15APR30.00CE	1.50	352000	2.90	352000	2	2	10	100%	20%	100%	92%
46	IFCI15AUG22.00CEW1	1.80	48000	3.75	48000	2	2	14	100%	14%	100%	5%
47	IOBL15AUG32.00CEW1	3.65	40000	7.40	40000	2	2	13	100%	15%	100%	26%
48	IOCL15AUG500.00PEW1	43.50	112000	73.85	112000	4	4	4	100%	100%	100%	100%
49	IOCL15JUL300.00CE	95.70	9000	162.35	9000	2	2	2	100%	100%	100%	100%
50	IOCL15JUL300.00CEW3	83.25	2000	133.25	2000	2	2	4	100%	50%	100%	29%
51	IOCL15JUL500.00PE	26.59	21000	46.60	21000	3	3	3	100%	100%	100%	100%
52	JAIA15JUN26.00PEW1	5.70	88000	13.35	88000	2	2	4	100%	50%	100%	38%
53	JAIA15MAY34.00PEW1	8.50	80000	14.90	80000	2	2	2	100%	100%	100%	100%
54	JISL15AUG80.00PEW2	5.70	16000	8.55	16000	2	2	14	100%	14%	100%	3%
55	JPPW15JUN16.00PEW2	5.75	150000	10.40	150000	2	2	6	100%	33%	100%	83%
56	JPPW15MAY16.00PEW3	5.00	270000	8.70	270000	2	2	2	100%	100%	100%	100%

Sl. No	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	Number of non genuine trades executed by Entity in the Contract	Total number of trades executed by the Entity in the Contract	Total number of trades executed in the contract	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Entity 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
57	JPPW15MAY18.00PE	6.40	240000	10.70	240000	2	2	4	100%	50%	100%	73%
58	KARB15JUN160.00PEW1	11.10	88000	21.25	88000	2	2	4	100%	50%	100%	64%
59	KSCL15AUG490.00CEW3	19.90	25000	43.00	25000	2	2	2	100%	100%	100%	100%
60	LNTF15AUG30.00CEW1	23.85	200000	41.35	200000	2	2	2	100%	100%	100%	100%
61	LNTF15JUL110.00PEW2	25.65	4000	44.65	4000	2	2	2	100%	100%	100%	100%
62	LNTF15JUL55.00CEW2	9.30	284000	16.35	284000	2	2	4	100%	50%	100%	74%
63	LNTF15JUN110.00PEW1	27.60	48000	47.40	48000	2	2	2	100%	100%	100%	100%
64	LNTF15JUN115.00PE	55.00	4000	31.25	4000	2	2	2	100%	100%	100%	100%
65	LNTF15MAY105.00PEW3	23.60	40000	38.85	40000	2	2	2	100%	100%	100%	100%
66	LNTF15MAY115.00PE	31.05	48000	51.90	48000	2	2	2	100%	100%	100%	100%
67	LNTF15MAY80.00PEW1	10.40	56000	18.40	56000	2	2	2	100%	100%	100%	100%
68	MCRS15JUN260.00PEW1	8.90	110000	18.00	110000	2	2	2	100%	100%	100%	100%
69	MPSL15AUG320.00CEW2	3.55	82000	14.55	82000	2	2	2	100%	100%	100%	100%
70	NMDC15JUN155.00PEW1	16.90	8000	32.75	8000	2	2	2	100%	100%	100%	100%
71	ONGC15JUL310.00PEW4	10.80	79000	23.45	79000	2	2	2	100%	100%	100%	100%
72	PAGE15JUL12800.00CEW3	1099.00	125	2200.00	125	2	2	2	100%	100%	100%	100%
73	PFCL15JUN290.00PEW1	11.80	106000	21.25	106000	2	2	2	100%	100%	100%	100%
74	PTCI15JUN95.00PEW1	15.50	88000	26.85	88000	2	2	2	100%	100%	100%	100%
75	PTCI15MAY95.00PEW3	15.70	88000	27.10	88000	2	2	2	100%	100%	100%	100%
76	SAIL15AUG40.00CEW1	10.05	60000	17.20	60000	2	2	4	100%	50%	100%	43%
77	SAIL15AUG40.00CEW2	12.95	172000	21.00	172000	2	2	2	100%	100%	100%	100%
78	SAIL15AUG70.00CEW1	0.05	32000	2.30	32000	2	2	6	100%	33%	100%	12%
79	SAIL15AUG85.00PEW1	15.80	32000	28.30	32000	2	2	4	100%	50%	100%	22%
80	SAIL15JUN90.00PEW1	15.20	84000	28.30	84000	2	2	4	100%	50%	100%	60%
81	SAIL15MAY45.00CE	12.70	44000	21.10	44000	2	2	10	100%	20%	100%	24%
82	SAIL15MAY95.00PE	17.50	72000	30.25	72000	2	2	2	100%	100%	100%	100%
83	SHTF15JUL720.00CEW2	109.85	3750	216.55	3750	2	2	2	100%	100%	100%	100%
84	SOIB15AUG20.00CEW3	2.85	315000	4.50	315000	2	2	2	100%	100%	100%	100%

Sl. No	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	Number of non genuine trades executed by Entity in the Contract	Total number of trades executed by the Entity in the Contract	Total number of trades executed in the contract	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Entity 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
85	SOIB15AUG26.00PEW2	3.15	90000	4.50	90000	2	2	6	100%	33%	100%	17%
86	SOIB15AUG38.00PEW1	8.65	306000	14.55	306000	2	2	8	100%	25%	100%	39%
87	SOIB15AUG44.00PEW1	12.35	378000	20.30	378000	2	2	2	100%	100%	100%	100%
88	SOIB15JUL12.00CE	6.80	45000	11.25	45000	2	2	12	100%	17%	100%	6%
89	SOIB15JUL38.00PEW2	10.00	18000	15.00	18000	2	2	2	100%	100%	100%	100%
90	SOIB15JUL40.00PE	10.20	270000	17.60	270000	2	2	2	100%	100%	100%	100%
91	SOIB15JUL44.00PE	12.65	234000	21.00	234000	2	2	2	100%	100%	100%	100%
92	SOIB15JUN12.00CEW2	6.60	99000	11.15	99000	2	2	2	100%	100%	100%	100%
93	SOIB15JUN40.00PE	10.00	63000	16.35	63000	2	2	2	100%	100%	100%	100%
94	SOIB15JUN40.00PEW2	10.15	126000	17.30	126000	2	2	4	100%	50%	100%	45%
95	SYND15JUL90.00CEW2	6.35	2000	14.80	2000	2	2	4	100%	50%	100%	1%
96	TATP15MAY105.00PE	17.40	56000	31.65	56000	2	2	2	100%	100%	100%	100%
97	TISC15JUL350.00PEW3	40.85	35000	71.00	35000	2	2	2	100%	100%	100%	100%
98	UCOB15APR90.00PE	15.90	40000	26.50	40000	2	2	4	100%	50%	100%	67%
99	UCOB15JUN85.00PEW1	12.60	52000	22.20	52000	2	2	4	100%	50%	100%	57%
100	UNIT15MAY26.00PEW1	7.05	54000	12.60	54000	2	2	2	100%	100%	100%	100%
101	UPHL15AUG540.00CEW2	11.55	52500	30.60	52500	2	2	4	100%	50%	100%	83%
102	VEDL15AUG195.00PEW1	39.90	22000	65.90	22000	2	2	2	100%	100%	100%	100%
103	VEDL15JUL215.00PEW1	23.40	30000	40.40	30000	2	2	8	100%	25%	100%	44%
104	ZEEL15JUL320.00CEW2	30.40	96000	53.40	96000	2	2	2	100%	100%	100%	100%
105	ZEEL15JUN280.00CEW1	23.95	4000	49.50	4000	2	2	4	100%	50%	100%	2%

18. Before I proceed further, it is necessary to understand what an Option Contracts is and various factors which influence the price of the Options. Options are financial derivative sold by an option writer to an option buyer. The contract offers the buyer the right, but not the obligation, to buy (call option) or sell (put option) the underlying asset at an agreed-upon price during a certain period of time or on a specific date. The factors which

influence the Options prices are underlying price, strike price, time until expiration, volatility, interest rates and dividends. There are various market based models (Black and Scholes Model) which throw an indicative price of the Option after inputting the various parameters mentioned above. I note that the seller of option contract will be the writer of the contract where the risk involved would be unlimited, as theoretically writer of options is obliged to honor the contract should the buyer exercise such option. Similarly, buyer of Option will have limited risk to the extent of premium paid. Therefore, both buyer and seller of options should ideally deal in options contracts considering various market parameters as mentioned above.

19. With above background in mind, I shall now proceed to deal with the transactions executed by Noticee in some of the instances of alleged non-genuine trades.

I. Scrip Name: ADPW15JUN50.00PEW2, Trade Date: 05/06/2015

CLIENTNAME	CP_CLIENTNAME	TRADE_TIME	TRADE_RATE	TRADED_QTY
R.S. ISPAT LIMITED	MORISSON TRADERS AND DEVELOPMENTS PVT LTD	09:54:36.442323	10.8	24000
MORISSON TRADERS AND DEVELOPMENTS PVT LTD	R.S. ISPAT LIMITED	10:29:28.132498	18.1	24000

(a) I note from the above table that during the investigation period, total 2 trades for 48,000 units were executed in the "ADPW15JUN50.00PEW2" contract on 05/06/2015 wherein the Noticee was party to all of the said trades. While dealing in the said contract on 05/06/2015, the Noticee at 09:54:36 hrs entered into 1 buy trade with counterparty viz., Morisson Traders and Developments Pvt., Ltd., for 24,000 units at the rate of ₹ 10.80 per unit. Thereafter, on the same day, within 35 miuntes from the above trade, the Noticee at 10:29:28 hrs entered into 1 sell trade with the same counterparty for total 24,000 units each at ₹ 18.10 per unit.

(b) From the above, it is noted that while dealing in the said contract during the investigation period, the Noticee executed total 2 reversal trades (1 buy trade + 1 sell trade) with the same counterparties viz., Morisson

Traders and Developments Pvt., Ltd., on the same day for the same quantity.

(c) Thus, the Noticee, through its dealing in the contract viz, "ADPW15JUN50.00PEW2" during the investigation period, executed 2 non genuine trades which is 100% of the total trades from the market in the said contract during the investigation period, and thereby, the Noticee generated artificial volume of 48,000 units which is 100% of the volume traded in the said contract from the market during the investigation period.

II. Scrip Name: CARN15JUL160.00CEW1, Trade Date: 02/07/2015

CLIENTNAME	CP_CLIENTNAME	TRADE_TIME	TRADE_RATE	TRADED_QTY
R.S. ISPAT LIMITED	PARISH KIRIT BHAI PATEL	14:34:54.212171	14.4	108000
PARISH KIRIT BHAI PATEL	R.S. ISPAT LIMITED	14:42:24.106323	23.6	108000

(a) I note from the above table that during the investigation period, total 2 trades for 2,16,000 units were executed in the "CARN15JUL160.00CEW1" contract on 02/07/2015 wherein the Noticee was party to all of the said trades. While dealing in the said contract on 02/07/2015, the Noticee at 14:34:54 hrs entered into 1 buy trade with counterparty viz., Parish Kirit Bhai Patel for 1,08,000 units at the rate of ₹ 14.40 per unit. Thereafter, on the same day, within 8 minutes from the above trade, the Noticee at 14:42:24 hrs entered into 1 sell trade with the same counterparty for total 1,08,000 units each at ₹ 23.60 per unit.

(b) From the above, it is noted that while dealing in the said contract during the investigation period, the Noticee executed total 2 reversal trades (1 buy trade + 1 sell trade) with the same counterparties viz., Parish Kirit Bhai Patel on the same day for the same quantity.

(c) Thus, the Noticee, through its dealing in the contract viz, "CARN15JUL160.00CEW1" during the investigation period, executed 2 non genuine trades which is 100% of the total trades from the market in the said contract during the investigation period, and thereby, the Noticee generated artificial volume of 2,16,000 units which is 100% of the volume traded in the said contract from the market during the investigation period.

III. Scrip Name: LNTF15AUG30.00CEW1, Trade Date: 31/07/2015

CLIENTNAME	CP_CLIENTNAME	TRADE_TIME	TRADE_RATE	TRADED_QTY
R.S. ISPAT LIMITED	NEXTEL VINIMAY PRIVATE LIMITED	11:19:03.178608	23.85	200000
NEXTEL VINIMAY PRIVATE LIMITED	R.S. ISPAT LIMITED	11:27:34.696824	41.35	200000

(a) I note from the above table that during the investigation period, total 2 trades for 4,00,000 units were executed in the "LNTF15AUG30.00CEW1" contract on 31/07/2015 wherein the Noticee was party to all of the said trades. While dealing in the said contract on 31/07/2015, the Noticee at 11:19:04 hrs entered into 1 buy trade with counter party viz., Nextel Vinimay Private Ltd., for 2,00,000 units at the rate of ₹ 23.85 per unit. Thereafter, on the same day, within 8 minutes from the above trade, the Noticee at 11:27:24 hrs entered into 1 sell trade with the same counterparty for a total 2,00,000 units at ₹ 41.35 per unit.

(b) From the above, it is noted that while dealing in the said contract during the investigation period, the Noticee executed total 2 reversal trades (1 buy trade + 1 sell trade) with the same counterparty viz., Nextel Vinimay Private Ltd., on the same day, for the same quantity.

(c) Thus, the Noticee, through its dealing in the contract viz, "LNTF15AUG30.00CEW1," executed 2 non genuine trades which is 100% of the total trades from the market in the said contract during the investigation period, and thereby, the Noticee generated artificial volume of 4,00,000 units which is 100% of the volume traded in the said contract from the market during the investigation period.

20. From the above pattern of trades, I note that the Noticee had bought and sold option contracts with the same counter parties and also reversed its trades in less than few minutes from its earlier buy / sell trades, at substantial price difference. Similar modus operandi as mentioned above was observed in respect of the trades executed by the Noticee in the remaining contracts, which were non-genuine. Such pattern of dealings suggests beyond doubt that they were not driven by market factors as none of the parameters (underlying stock price, volatility, etc.,) for Option pricing, as mentioned above paragraphs,

have undergone any change during the currency of trades. I note that the underlying stock price did not change to substantiate corresponding changes in the option price in a span of less than one minute. Therefore, I conclude that aforesaid trades of Noticee were non genuine and have created false or misleading appearance of trading in terms of artificial volume in stock options and therefore manipulative, deceptive in nature.

21. It is summarized from the above findings that the Noticee had executed non-genuine trades in 105 contracts, wherein in respect of 63 contracts, all the trades were non genuine trades and contributed to 100% artificial volumes. The number of non-genuine trades of the Noticee had contributed to the total number of trades from the market in the above contracts, which was in the range of 5% to 100% of the trades that happened in the aforementioned contracts were due to non-genuine trades executed by the Noticee. The volumes generated by the Noticee in each of the above 105 contracts were artificial volume, and have contributed in the range of 2% to 100% of the total volume from the market in said contracts. Non genuine trades executed by the Noticee in above contracts had significant differential in buy rates and sell rates considering that the trades were reversed on same day.

22. I note that derivative contracts by its very nature derives its value from various factors including underlying price. The transactions of the Noticee as mentioned in above paras clearly demonstrates that option contracts bought / sold were immediately reversed within span of few seconds / minutes at substantially different price, though there was no corresponding price changes in the underlying stock price. Further analysis of such trades also indicates that price differentials have been deliberately structured for manipulative purpose as one party to the contract had deliberately foregone profitable proposition at the time of executing trade. For example, the Noticee bought put option contract of “UCOB15JUN85.00PEW1”, on June 1, 2015 at ₹ 12.60 for 52,000 units. As per the terms of contract, the Noticee had bought Right to Sell Option at ₹ 85 for a premium of ₹ 12.60. This means the Noticee will incur profit (IN THE MONEY) if the underlying price of the scrip is less than ₹ 72.40

{Strike Price (₹ 85) - Premium (₹ 12.60)}. I note that the underlying stock price of UCO Bank (UCOB) on equity segment on June 1, 2015 closed at ₹ 60.45. Thus, it is apparent that the Noticee was already in profit of ₹ 11.95 (difference of Strike Price – Spot Price after deduction of Premium) at the time of buying the contract. This implies that seller counterparty i.e., Rohan Finance & Securities Ltd., had sold at ₹ 12.60 knowing fully well that it was already loosing ₹ 11.95 at the time of Contract and the Noticee was also fully aware that it was already in the money by ₹ 11.95. If the above trade is seen in the context of immediate reversal of trades within few minutes of such trade with the same counterparty for the same quantity at a substantially difference, without corresponding change in the underlying stock price defies economic rationale and therefore such trades are non-genuine. Any rational investor would never deal in the market to deliberately register loss to facilitate buyer to profit at the time of entering trades. Had the counterparties for trades of the Noticee different, intraday squaring of positions would not have been possible as no genuine counter party investor would ever forego profits. The fact the counterparties are same corroborates that the trades were not genuine and executed for manipulative purpose. I also note that profits made by the Noticee was exactly same to the loss made by the counterparty which ratifies the manipulative scheme of operations.

23. Considering the fact that all these reversal transactions were carried out through a screen based trading platform on a segment with hundreds of different contracts, the placement of orders repeatedly within a time span of less than few minutes and a significantly high percentage of matching of these orders, appear to be practically impossible unless there is a prior understanding or a pre-meditated plan between the two entities executing them. The repeated sell/buy of illiquid stock options by the Noticee and subsequent reversal trades with the same set of entities for the same quantity, within a short span of time with a significant difference in buy and sell value of stock options, in itself, exhibits abnormal market behaviour and defies economic rationality. I note from the above trading pattern of the Noticee that it was deliberately making blatant misuse of trading

platform for creating artificial volume in the illiquid stock options and generated profit through its reversal trades in stock options. I note that the rationale for such transactions entered by the Noticee are not genuine and irrational.

24. I am of the considered view that the scheme, plan, device and artifice employed by the Noticee in this case of executing reversal trades in illiquid stock options contracts at irrational, unrealistic and unreasonable prices, tantamount to fraud on the securities market in as much as it involves non-genuine/ manipulative transactions in securities and misuse of the securities market.

25. The non-genuine and deceptive transactions of these entities are, prima-facie, covered under the definition of 'fraud' and the dealings of the Noticee as discussed herein above were "fraudulent", as defined under regulation 2(1)(c) of the SEBI (PFUTP) Regulations, 2003 and prohibited under the provisions of Regulations 3(a), (b), (c) and (d) and 4(1) and 4(2)(a) SEBI (PFUTP) Regulations, thereof.

26. Further, with respect to the reversal of trades carried out by the Noticee, I note that the Hon'ble Supreme Court in the matter of SEBI vs. Rakhi Trading Private Ltd., in Civil appeals no., 1969 of 2011 with Civil Appeal Nos., 3174-3177 of 2011 and Civil Appeal No., 3180 of 2011 decided on February 8, 2018 had observed that *"the price discovery system itself was affected by synchronization and rapid reverse trade, which also had the impact of excluding other investors from participating in the market. The Supreme Court, therefore found that the traders having engaged in a fraudulent and unfair trade practice while dealing in securities, are hence liable to be proceeded against for violation of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations".* The Apex Court also observed that "*considering the reversal transactions, quantity, price and time and sale, parties being persistent in the number of such trade transactions with huge price variations, it will be too naïve 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.”

27. Keeping in mind the dicta of the Hon’ble Supreme Court as reproduced above; I see no reason to take a different view in the present case. In view of the foregoing, I hold that the Noticee had indulged in execution of reversal trades in Stock Options with same entities on the same day, which are non-genuine in nature and have created false or misleading appearance of trading in terms of artificial volumes.

28. I note that in the screen based trading, the manipulative or fraudulent intent can be inferred from various factors such as conduct of the party, pattern of transactions, etc., In this context, I deem it appropriate to refer to the Hon’ble SAT order dated July 14, 2006, in the case of Ketan Parekh vs. SEBI (Appeal no. 2/2004), wherein, Hon’ble SAT has observed 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."

29. Further, I would like to rely on the judgement of Hon’ble Supreme Court in the matter of SEBI vs. Rakhi Trading Private Ltd., in Civil appeals no., 1969 of 2011 with Civil Appeal Nos., 3174-3177 of 2011 and Civil Appeal No., 3180 of 2011 decided on February 8, 2018, wherein the Apex Court upheld that “*the entities were engaged in a fraudulent and unfair trade practice while dealing in Options and hence were liable for violation of SEBI (PFUTP) Regulations”.* The Hon’ble Apex Court has also observed that in the absence of direct proof of meeting of minds, the test should be one of preponderance of probability and also stated that the conclusion has to be gathered various circumstances

like volume of trade, period of persistence of trading, particulars of buy and sell orders, proximity of time between the two and such other relevant factors.

30. In line with the aforesaid judgements of Hon’ble SAT and Hon’ble Supreme Court, I note from the foregoing findings that the trading pattern of the Noticee in terms of volume of reversal trades, proximity of buy/sell and subsequent reversal evidences the indulgence of the Noticee beyond a reasonable doubt of the manipulative intent in creation of artificial volume. Further, consistent pattern of dealings by Noticee only in such options contracts which are illiquid clearly demonstrates that the manipulative intent to use stock exchange platform to carry out non-genuine trades with the aim to execute such trades for various manipulative purposes. I also note that Income Tax Provisions allows set off / carry forward of capital loss against the other capital gains which would enable reduction of tax burden to that extend. The possibility of avoidance of Income Tax by the Noticee cannot be ruled out especially when the trades executed on the stock exchange platform are non-genuine and artificial.

31. In this regard, I would like to rely on the judgement of Hon’ble Supreme Court in the matter of SEBI vs. Rakhi Trading Private Ltd., in Civil appeals no., 1969 of 2011 with Civil Appeal Nos., 3174-3177 of 2011 and Civil Appeal No., 3180 of 2011 decided on February 8, 2018, where Apex Court stated at Para 35 and Para 41 of that said Order that *“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”. “The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed the price nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity and transparency of the stock market.”*

32. From the foregoing, it is established that the Noticee by indulging in reversal trades on the stock exchange platform which are manipulative / unfair / fraudulent / non-genuine, in nature, had created artificial volumes in the contracts. In view of above, I conclude that the Noticee had violated the provisions of Regulations 3 (a), 3(b), 3(c), 3 (d), 4 (1) and 4 (2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.

ISSUE -2: Does the violation, if any, attract monetary penalty under Section 15HA of SEBI Act.?

33. Pursuant to detailed analysis as brought out above, it is established that reversal trades are not normal transactions and it clearly demonstrates beyond reasonable doubt that the Noticee had intentionally executed these trades and manipulated the volume by artificial trading pattern in 105 contracts. Out of the 105 contracts, in respect of 63 contracts, all the trades were non genuine trades, which contributed to 100% artificial volume.

34. I am of the view that the misuse of stock options as shown above not only displays an unreal picture of market activity to other investors but also defeats the basic premise of screen based electronic trading system and price discovery mechanism by repeated execution of pre decided reversal trades at irrational / arbitrary prices. Moreover, the impact of such trading on the traded volume and the price of stock options contracts is huge. Such activity deliberately or otherwise damages market integrity apart from presenting wrong picture of liquidity to gullible investors which could affect their trading/investment decisions. Options as financial instruments, ordinarily, provide hedging avenues to investors. The trading pattern of the Noticee in the instant matter was abnormal and was designed to create artificial volumes in the illiquid stock options, fail to justify any of the normal strategies of hedging / speculation / arbitrage. In my view, the abuse of such financial instruments, which are made available to the investors for the purpose of protection of their investment portfolios from the risks of adverse price movement, cannot be tolerated and needs to be dealt with strictly.

35. I find that the Noticee by indulging in execution of reversal trades in Stock Options with same entities on the same day, had created artificial volume, leading to false and misleading appearance of trading in the illiquid stock options at BSE and therefore violated the provisions of Regulations 3 (a), 3(b), 3(c), 3 (d), 4 (1), and 4 (2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003. Accordingly, the Noticee is liable for monetary penalty under Section 15HA of SEBI Act, the provisions of which are furnished hereunder.

Section 15HA of SEBI Act - Penalty for fraudulent and unfair trade practices

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

ISSUE – 3: If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

36. While determining the quantum of monetary penalty under Section 15HA of SEBI Act, I have considered the factors stipulated in Section 15-J of SEBI Act, which reads as under:

Section 15J - Factors to be taken into account by the Adjudicating Officer

While adjudging quantum of penalty under section 15 - I, the Adjudicating Officer shall have due regard to the following factors, namely:

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

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

(c) the repetitive nature of the default.

37. I note from the facts of the case that the first leg of trades of Noticee were reversed within few minutes of such trades, with the same counter party, at such option prices which no rational investor would undertake, as explained in above paras. Consequent to such manipulative trades, both the parties of the trades could structure and generate profits / loss in their accounts wherein profit / loss made by one entity was exactly equal to the loss / profit made by the counterparty.

38. Considering the above, I am of the view that it will be appropriate to take into account the payoff of transactions between the two parties together, rather than viewing it independently. Therefore, in respect of the non-genuine trades carried out by the Noticee which resulted in creation of artificial volume in Illiquid Stock Options, it is not possible to quantify the amount of disproportionate gain or unfair advantage made by the Noticee. Further, there is also no material on record to assess the amount of loss caused to investors as a result of the Noticee's default. The persistent trading pattern of the Noticee, which was fraudulent and deceptive, affects the normal price discovery mechanism in the securities market. People who indulge in manipulative, fraudulent and deceptive transaction, or abet the carrying out of such transaction which are fraudulent and deceptive should be suitably penalized for such acts of omissions and commissions.

ORDER

39. After taking into consideration the nature and gravity of the violations established in the preceding paragraphs and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI Adjudication Rules, 1995, I hereby impose a penalty of ₹ 25,00,000 (Rupees Twenty Five Lakhs Only) on the Noticee i.e., R S Ispat Ltd., under Section 15HA of the SEBI Act, 1992, for indulging in execution of reversal trades in Stock Options with same entities on the same day, thereby creating artificial volume, leading to false and misleading appearance of trading in the illiquid stock options at BSE

40. The said penalty imposed on the Noticee, as mentioned above, shall commensurate with the violation committed and acts as a deterrent factor for the Noticee and others in protecting the interest of investors.

41. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through e-payment facility into Bank Account the details of which are given below:

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

42. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the General Manager, Enforcement Department-1, DRA-I, SEBI, in the format as given in table below

Case Name	
Name of Payee	
Date of payment	
Amount Paid	
Transaction No	
Bank Details in which payment is made	
Payment is made for	Penalty

43. In terms of rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee i.e., R S Ispat Ltd., and also to SEBI.

Date: 27 November 2018
Place: Mumbai

B J DILIP
Adjudicating Officer