BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/BM/LD /2022-23/17970)

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:

Rajib Rajbanshi
(PAN: AQEPR0750Q)

In the matter of

Trading in illiquid stock options at BSE

FACTS OF THE CASE

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

2. Pursuant to investigation, it was observed that total of 2,91,744 trades comprising 81.40% of all the trades executed in stock options segment of BSE during the IP were allegedly non genuine trades. The aforesaid alleged non-genuine trades resulted into creation of artificial volume in stock options segment of BSE during the IP. It was observed that vide order dated November 29, 2019, the Adjudicating Officer of SEBI had imposed a

penalty of Rs. 10,00,000 (Rupees Ten Lakh only) on Rajbanshi Trading (hereinafter referred to as "Noticee") 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. The Noticee challenged the said order before Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT") and Hon'ble SAT vide order dated March 3, 2022 noted that "…*neither the show cause notice nor the notice for hearing was served upon the appellant. Consequently, the entire proceedings were initiated ex-parte*." Therefore, the matter was remitted to the Adjudicating Officer to pass a fresh order in accordance with law after giving an opportunity of hearing to the appellant.

APPOINTMENT OF ADJUDICATING OFFICER

3. The undersigned was appointed as the Adjudicating Officer in the matter, conveyed vide communique dated March 16, 2022 under Section 19 read with Section 15-I of the Securities and Exchange Board India Act, 1992 (hereinafter referred to as "SEBI Act") read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to conduct adjudication proceedings in the manner specified under rule 4 of Adjudication Rules read with section 15I(1) and (2) of SEBI Act and if satisfied that penalty is liable, impose such penalty as deemed fit in terms of rule 5 of Adjudication Rules and section 15HA of the SEBI Act for the alleged violation of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations").

SHOW CAUSE NOTICE, HEARING AND REPLY

4. Show Cause Notice ref. SEBI/HO/EAD-7/BJD/NJMR/23036/2018 dated August 16, 2018 (hereinafter referred to as 'SCN') was issued by the

erstwhile Adjudicating Officer to the Noticee in terms of Rule 4 of the Adjudication Rules requiring the Noticee to show cause as to why an inquiry should not be held against him and why penalty, if any, should not be imposed on the Noticee under the provisions of section 15HA of the SEBI Act. As per the directions of Hon'ble SAT, the Noticee through his authorized representative was served a copy of the SCN on March 22, 2022.

5. It was inter alia alleged in the SCN that the Noticee had executed 288 non-genuine trades in 55 Stock Options contract which resulted in artificial volume of total 2,81,17,500 units. Summary of dealings of the Noticee in the said Options contracts, in which the Noticee allegedly executed non-genuine trades during the I.P, is as follows:

S. No	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	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	ANBK15JUL60.00CEW1	17.00	60000	8.90	60000	2	2	4	100%	50%	100%	47%
2	APLT15MAR165.00CEW1	5.30	202000	10.61	202000	7	7	18	100%	39%	100%	62%
3	ARVI15MAR280.00CEW3	10.80	481000	20.85	481000	8	8	8	100%	100%	100%	100%
4	AXIS15APR520.00CEW4	18.80	294000	35.80	294000	4	4	6	100%	67%	100%	95%
5	BIOC15MAR410.00CEW1	11.11	125000	18.40	125000	7	7	26	100%	27%	100%	21%
6	BIOC15MAR410.00CEW3	21.15	624000	37.80	624000	10	10	25	100%	40%	100%	52%
7	CANB15FEB420.00PE	10.80	175000	23.57	175000	12	12	21	100%	57%	100%	47%
8	CANB15MAR370.00CEW2	22.10	126000	38.30	126000	8	8	8	100%	100%	100%	100%
9	CANB15MAR370.00CEW3	25.60	358000	39.20	358000	7	7	7	100%	100%	100%	100%
10	CANB15MAR390.00CEW2	10.10	252000	19.08	252000	7	7	12	100%	58%	100%	44%
11	CANB15MAR400.00CEW1	11.40	252000	23.36	252000	10	10	10	100%	100%	100%	100%

S. No	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	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
12	CESC15APR620.00PE	14.00	88000	48.00	88000	2	2	10	100%	20%	100%	53%
13	COAL15APR380.00PE	16.50	200000	30.00	200000	4	4	20	100%	20%	100%	27%
14	COAL15MAR380.00PEW1	4.70	160000	10.95	160000	6	6	6	100%	100%	100%	100%
15	COAL15MAR390.00PEW2	11.50	136000	22.33	136000	8	8	11	100%	73%	100%	31%
16	COAL15MAR400.00PEW1	12.55	340000	27.69	340000	15	15	15	100%	100%	100%	100%
17	DISH15MAR65.00CEW2	10.90	484000	19.53	484000	9	9	34	100%	26%	100%	48%
18	DLFL15MAR130.00CEW2	12.01	182000	20.40	182000	7	7	17	100%	41%	100%	38%
19	DRRL15APR3400.00PE	6.00	72875	54.00	72875	2	2	14	100%	14%	100%	34%
20	EXID15JUL155.00PEW3	10.10	98000	5.00	98000	2	2	4	100%	50%	100%	80%
21	GMRI15JUL20.00PEW2	5.50	195000	2.90	195000	2	2	2	100%	100%	100%	100%
22	GMRI15JUL22.00PEW3	7.50	286000	4.00	286000	2	2	2	100%	100%	100%	100%
23	GMRI15JUL8.00CEW2	6.50	208000	4.40	208000	2	2	4	100%	50%	100%	33%
24	GRSM15APR3550.00PE	5.00	22875	48.00	22875	2	2	8	100%	25%	100%	11%
25	HDFC15APR1290.00CE	49.00	40000	99.00	40000	2	2	4	100%	50%	100%	50%
26	HDFC15APR1320.00PE	10.00	41250	41.00	41250	2	2	4	100%	50%	100%	58%
27	HDFC15APR1380.00CE	2.00	91750	16.00	91750	2	2	4	100%	50%	100%	75%
28	HPCL15APR640.00PE	6.60	131500	15.60	131500	2	2	47	100%	4%	100%	32%
29	HXTL15FEB250.00CE	10.20	160000	21.04	160000	9	9	12	100%	75%	100%	89%
30	HXTL15MAR255.00CEW1	8.00	150000	18.11	150000	3	3	8	100%	38%	100%	43%
31	HXTL15MAR290.00PE	9.40	356000	18.03	356000	7	7	18	100%	39%	100%	66%
32	HXTL15MAR310.00PEW2	29.34	112000	49.40	112000	8	8	8	100%	100%	100%	100%
33	IDEA15MAR140.00CEW1	10.23	162000	22.50	162000	6	6	13	100%	46%	100%	11%
34	IFCI15JUL20.00CEW2	6.25	176000	4.55	176000	2	2	6	100%	33%	100%	46%
35	IIBK15APR900.00PE	12.00	250000	32.00	250000	4	4	12	100%	33%	100%	53%
36	INCM15MAR120.00PEW3	12.40	556000	21.23	556000	8	8	37	100%	22%	100%	34%

S. No	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	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
37	IOBL15JUL30.00CEW1	7.90	120000	5.40	120000	2	2	2	100%	100%	100%	100%
38	IOCL15APR370.00PE	10.00	32000	24.00	32000	2	2	4	100%	50%	100%	15%
39	JPPW15JUL12.00CEW3	1.55	1444000	0.05	1444000	4	4	6	100%	67%	100%	85%
40	JPPW15JUL12.00PEW1	5.10	209000	3.00	209000	2	2	2	100%	100%	100%	100%
41	JPPW15JUL4.00CEW3	3.00	152000	2.00	152000	2	2	2	100%	100%	100%	100%
42	JPPW15JUL4.00PEW3	1.35	1539000	0.05	1539000	2	2	2	100%	100%	100%	100%
43	KARB15MAR140.00PEW1	3.70	252000	6.40	252000	7	7	7	100%	100%	100%	100%
44	LICH15MAR470.00CEW1	11.45	112000	24.41	112000	5	6	7	83%	71%	99%	99%
45	LNTF15JUL50.00CEW2	18.00	64000	11.90	64000	2	2	2	100%	100%	100%	100%
46	MARU15APR3800.00CEW3	35.00	72500	55.00	72500	2	2	2	100%	100%	100%	100%
47	NHPC15JUL12.00CEW2	7.90	242000	5.00	242000	2	2	6	100%	33%	100%	56%
48	OBNK15MAR220.00CEW2	8.60	335000	17.87	335000	6	6	10	100%	60%	100%	45%
49	PFCL15APR280.00PE	4.00	150000	14.00	150000	2	2	6	100%	33%	100%	79%
50	PFCL15MAR270.00CEW2	10.80	502000	19.80	502000	8	8	33	100%	24%	100%	43%
51	PFCL15MAR300.00PE	11.60	183000	23.25	183000	6	6	15	100%	40%	100%	58%
52	SMIL15MAR420.00CEW3	15.20	645000	30.81	645000	11	11	11	100%	100%	100%	100%
53	VOLT15FEB230.00CE	20.77	154000	34.60	154000	10	10	10	100%	100%	100%	100%
54	YESB15APR880.00PE	40.00	54000	77.00	54000	2	2	8	100%	25%	100%	23%
55	ZEEL15FEB370.00PE	12.90	150000	27.90	150000	11	11	11	100%	100%	100%	100%

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

a) Noticee had executed alleged non genuine trades in 55 contracts, wherein in 19 contracts all the trades were non genuine trades.

b) No. of alleged non-genuine trades of Noticee had significantly contributed to the total no. of trades from the market in the above contracts, as a substantial 4% to 100% of the trades that happened in the aforementioned contracts were due to non-genuine trades executed by the Noticee.

c) A substantial 11% to 100% of volume generated by the Noticee in each of the above contracts was artificial volume, and further artificial volume generated by him also contributed to significant contribution of the total volume from the market in said contracts.

d) Non genuine trades executed by Noticee in above contracts had significant differential in buy rates and sell rates considering that the trades were reversed on same day.

7. The Noticee, vide email dated April 2, 2022 replied to the SCN stating, inter alia, the following:

- *"In this matter, please note that my client has not executed any trade in the Securities Market. His name and documents has been misused. In the statement given by Mr. Devesh Upadhaya (Pg. No. 68 - 120 in SAT Appeal Book, copy enclosed) before Income Tax Authorities, he has confessed that he had used names of several persons including the Noticee for executing trades in the securities market.*
- *The Noticee is the resident of West Bengal. The Noticee is presently in the business of selling fish and hardly earning Rs. 6000/- to Rs. 8000/- to meet his family day to day expenses. The Noticee's father had expired and he is the sole earner of his family.*
- *The Noticee had never executed any trade in the Securities Market including in Stock Options segment at BSE. On perusal of the Trade Log data, it is revealed that in the account of Rajbanshi Trading and Rajib Rajbangshi, total Rs. 10,82,02,675 profit has been generated. It is beyond the capacity of the Noticee to even imagine the figures of profit provided in the Trade Log data. How can a person like Noticee who is earing Rs. 6000 to Rs. 8000 per month and living in a remote area can execute trades in couple of hundred crores Rupees? The matter require reinvestigation.*
- *The Noticee is not having any firm named Rajbanshi Trading. Indeed, the Noticee don't have proprietor / partnership firm in any name including Rajbanshi Trading.*
- *The Noticee for the first time came to know about the present proceeding in May, 2021 when the bank account of the Noticee has been attached for Recovery of penalty amount imposed against M/s Rajbanshi Trading.*

- *The Noticee submits that the Noticee has never traded in the Securities Market and has no knowledge about the Securities Market. The Noticee listen the name of SEBI for the first time when the bank account of Noticee has been attached by the SEBI for recovery of the penalty amount imposed in the Adjudication Order dated 29-11-2019. The Noticee has very clean record and never indulged in any fraudulent and manipulative activities in any field.*
- *The Noticee further submits that the Noticee has neither received nor paid a single penny to any Broker (s) for execution of trade in the name of the Noticee and/or M/s Rajbanshi Trading. Indeed, the Noticee has no connection at all with M/s Rajbanshi Trading.*
- *With the help of the Advocate of the Noticee, the Noticee came to know that the Noticee's name and documents has been misused for opening of Trading Account(s) by one Mr. Devesh Upadhyaya in connivance with the Broker(s) i.e. Odyssey Securities Private Limited and Concord Vinimay Private Limited. The same modus operendi has been used in case of Mr. Avijit Shah who has been exonerated from same set of allegations recently vide Adjudication Order dated 27-01-2022.*
- *The Noticee further submits that Broker(s) Odyssey Securities Private Limited and Concord Vinimay Private Limited in connivance with Mr. Devesh Upadhyaya has forged the signature of the Noticee on KYC document(s) and executed trades in the trading account held in the name of M/s Rajbanshi Trading. The Noticee submits that the Noticee has never visited the office of any Stock Brokers to open the Trading Account in the name of M/s Rajbanshi Trading. Indeed, the Noticee for the first time listen the name of M/s Rajbanshi Trading when the Bank Official informed the Noticee about the Adjudication Order dated 29-11-2019. The Noticee was shocked and surprised to know about misuse of his PAN No. by Mr. Devesh Upadhyaya and/or Broker(s) for manipulative trading purposes."*

8. The Noticee further submitted copy of the appeal memorandum that was filed with Hon'ble SAT. In the interest of natural justice, the Noticee was given an opportunity of personal hearing on July 12, 2022. The Noticee, through its Authorised Representative (hereinafter referred to as "AR") appeared for the hearing on the scheduled date and time through video-conferencing mode and reiterated the submissions made vide email dated April 2, 2022.

CONSIDERATION OF ISSUES AND FINDINGS:

9. I have carefully perused the charges levelled against the Noticee, its reply and the documents / material available on record. The issues that arise for consideration in the present case are:

(a) Whether the Noticee has violated 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, 1992?

(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, 1992?

10. Before moving forward, the relevant provisions of law allegedly violated by the Noticee and as mentioned in the SCN are reproduced below:--

PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

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

provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

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

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

11. I note that pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, Interim order was passed by SEBI on August 20, 2015 which was confirmed vide Orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation relating to stock options segment of BSE which was completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock option segment during the investigation period. The proceedings initiated vide the aforementioned Interim Order were disposed of vide Final Order dated April 05, 2018 considering that appropriate action was initiated against the said 14,720 entities in a phased manner.

12. I note that allegation against the Noticee is that, while dealing in the stock option contracts at BSE during the IP, he had executed reversal trades which were allegedly non-genuine and the same had resulted in generation of artificial volume in stock option contracts at BSE. Reversal trades are considered to be those trades in which an entity reverses it's buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non-genuine trades as they are not executed in the normal course of trading, lack basic trading rationale, lead to false or misleading appearance

of trading in terms of generation of artificial volumes and hence are deceptive and manipulative.

13. I have considered the allegation levelled in the SCN, Hon'ble SAT order dated March 3, 2022, written/ oral submissions of the Noticee made before me and the relevant material/ documents brought on record. From the reply of the Noticee, I note that the Noticee has disputed the execution of trades as alleged in the SCN. Noticee further submitted that he had neither traded in the securities market nor he had opened any account with any broker and his signature was misused. He only came to know of the proceedings initiated by SEBI when his bank accounts were attached by the Recovery Officer for non-payment of penalty. Noticee also submitted during the personal hearing that he does not own any firm by the name of Rajbangshi Trading. He had also requested that proceedings may be continued in the name of Rajib Rajbanshi. On enquiring why no FIR was filed, the Authorised Representative of the Noticee submitted that the Noticee has very limited financial resources and has no knowledge of the securities market. Moreover, in matters relating to securities market, the police authorities don't help as they do not have the understanding of the securities market.

14. Noticee has placed reliance upon the statement of one Mr. Devesh Upadhyay made before the DCIT on September 22, 2017 under oath, in the cases of Saraogi Group of Individuals. It is observed from the copy of the statement placed before me of Mr. Devesh Upadhyay that his income consists of commission earned by providing accommodation entries to various beneficiaries in the form of bogus share capital including exorbitant premium, unsecured loans, pre-arranged accommodation entry for bogus LTCG/ STCL or business loss etc. from various companies running directly under his control. He further stated that Rajbangshi Trading (PAN: AQEPR0750Q, proprietor: Noticee) was managed and controlled by him.

15. Noticee placed reliance upon the statement of Mr. Devesh Upadhyay made before DCIT, first time before Hon'ble SAT and thereafter, before me during instant proceedings. In view of the new facts placed in the current proceedings, it cannot be considered with certainty that he placed the orders for reversal trades in the stock options at BSE. When there is ambiguity regarding the execution of the trades by the Noticee, it cannot be established that there was a prior meeting of minds with the counterparty to execute the reversal trades at a pre-determined price. I have also perused the bank statement of the Noticee submitted by him. I find that the Noticee made deposits in his account in the range of Rs. 16 to Rs. 10,000/- during the IP. From the SCN, I find that the Noticee had allegedly made a profit of Rs. 10,86,84,125. However, his bank statement is not supporting the said allegation.

16. Therefore, in view of facts of the matter, I find that the evidence is not sufficient enough to lead to a conclusion that the Noticee has employed any manipulative and deceptive device in contravention of the PFUTP Regulations and executed reversal trades. The charges as stated in the SCN are not established and accordingly, the SCN is disposed of.

17. In terms of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee and also to SEBI.

Place: Mumbai	**BARNALI MUKHERJEE**
Date: July 19, 2022	**ADJUDICATING OFFICER**