BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/JS/DP/2025-26/31758]

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

In respect of:
Ms. Ritu Agarwal
(PAN: ACBPC0253E)

In the matter of dealings in Illiquid Stocks Options on BSE

BACKGORUND OF THE CASE

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

2. Investigation by SEBI revealed that during the IP, a total of 2,91,744 trades comprising 81.41% of all the trades executed in stock options segment of BSE were trades involving reversal of buy and sell positions by the clients and counterparties in a contract. In these trades, entities reversed their buy or sell position in a contract with subsequent sell or buy position with the same counter party. These reversal trades were alleged to be non-genuine as they lacked basic trading rationale and allegedly lead to false or misleading appearance of trading leading to creation of artificial volume in those contracts. In view of the same, such reversal trades were alleged to be deceptive and manipulative in nature.

3. During the IP, 14,720 entities were found to have executed non-genuine trades in BSE's stock options segment. It was observed that Ms. Ritu Agarwal (hereinafter referred to as the **"Noticee"**) was one of the entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. Noticee's trades were alleged to be non-genuine in nature which created false or misleading appearance of trading in terms of artificial volumes in stock options. Therefore, her trades were alleged to be manipulative and deceptive in nature. In view of the same, SEBI initiated adjudication proceedings against the Noticee for alleged violation of the provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

APPOINTMENT OF ADJUDICATING OFFICER

4. Pursuant to transfer to the cases from erstwhile Adjudicating Officer (hereinafter referred to as "**AO**"), the undersigned was appointed as AO in the matter vide order dated April 03, 2025, under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the **"SEBI Act"**) read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Rules"**), to inquiry into and adjudge under the provisions of section 15HA of the SEBI Act for the alleged violations by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice dated October 27, 2021 (hereinafter referred to as "**SCN**") was served to the Noticee under rule 4(1) of Rules to show cause as to why an inquiry should not be held and penalty, if any, should not be imposed upon her for the alleged violations of the provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations.

6. It was alleged in the SCN that the Noticee was indulged in one reversal trade through two non-genuine trades in one stock options contract creating artificial

volume of 50,000 units. Summary of the dealings of Noticee in the said options contracts, in which the Noticee allegedly executed non-genuine reversal trades during the IP, is as follows:

Table No. 1

Contract name	**Avg. buy rate (₹)**	**Total buy volume (no. of units)**	**Avg. sell rate (₹)**	**Total sell volume (no. of units)**	**% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract**	**% of Artificial volume generated by the Noticee in the contract to Total volume in the contract**
A	**B**	**C**	**D**	**E**	**F**	**G**
BHEL15FEB280.00PE	20.3	25000	30.2	25000	100%	16.56%

7. The aforesaid reversal trade is illustrated through the dealings of the Noticee in one contract, viz., 'BHEL15FEB280.00PE during the IP as follows:
   (a) During the IP, 2 trades for 50,000 units were executed by the Noticee in the said contract on February 12, 2015;
   (b) While dealing in the said contract on February 12, 2015, at 15:10:08 hours, Noticee entered into a sell trade with the counterparty 'Surabhakti Commodities Pvt. Ltd.' for 25,000 units at Rs. 30.2/- per unit. At 15:10:12 hours, Noticee entered into a buy trade with the same counterparty for 25,000 units at Rs. 20.3/- per unit;
   (c) The Noticee's two trades while dealing in the abovementioned contract during the IP generated artificial volume of 50,000 units, which constituted 16.56% of total market volume in the said contract during the IP;
   (d) The Noticee executed buy and sell trades with a significant price difference of Rs. 9.9/- within a span of 4 seconds.

8. The SCN was duly served to the Noticee through Speed Post Acknowledgement Due (hereinafter referred to as “**SPAD**”). Subsequently, vide hearing notice dated February 03, 2022, Noticee was granted an opportunity of hearing before the AO on February 23, 2022. However, the Noticee did not appear for the hearing.

9. Vide letter dated February 03, 2025, Noticee replied to the SCN and made the following submissions:
    a. Noticee executed 2 trades on the BSE in which she earned some profit by trading 50000 quantities under contract, viz., BHEL15 FEB 280.00PE of stock option which were purchased and sold on the same day as she got the opportunity to square off the trade in profit. By no standards this can be termed as non-genuine trade. She had earned a minuscule profit of Rs. 247098.18 and it was a one-off transaction. The trade done by Noticee was a regular way of how transactions are done, i.e., she purchased and got an opportunity to sell at a profit.
    b. That, while trading in an illiquid option there are more chances of getting the trade squared off with the same party. Noticee as an investor asked her broker to buy or sell which he did on her behalf on the exchange platform. She was not in a position to see the screen nor can the broker identify with whom the deal got punched as the details are not shared on the screen by the stock exchange. Since, the trading system is anonymous, it will be very naive to draw conclusions that the parties knew each other.
    c. There is a more than six and half year delay in issuance of SCN. Even though there is no period of limitation prescribed in the (SEBI) Act and Regulations in the issuance of an SCN or for completion of the adjudication proceedings, the authority is required to exercise its powers within a reasonable period as held recently in Adjudicating Officer, Securities and Exchange Board of India v. Bhavesh Pabari (2019) 5 sec 90. In the instant case, because the power to adjudicate has not been

exercised within a reasonable period therefore, no penalty could be imposed.

d. Trading in 50000 units cannot by any means be considered as creating of artificial volume. Because as SEBI contended that 81.41 % of trades were completed then it means that the contract was highly liquid and not illiquid and consecutively Noticee cannot be penalized for generating artificial trade volume.

e. The trades were executed very much within the limits provided by the exchange and within the price that was appearing of the underlying asset, otherwise it could not have been executed. As mentioned in the notice, a trader while trading in illiquid options does not know who he/she is trading with, even if it is a broker. The implication that about 291744 trades comprising of various people within galaxy of brokers kept trading, know each other seems a little farfetched imagination.

f. Reliance has been made on the judgement of the Hon'ble Supreme Court in the matter of SEBI v. Kishore Ajmera [(2016) 6 SCC 368] wherein, the Apex Court held in para 26 of the judgment that "... According to us, knowledge of who the 2nd party/ client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naive to rest the conclusions on the said basis which overlooks a meeting of minds elsewhere". Thus, meeting of minds and knowledge of who the other party is very important which is apparently missing in Noticee's case.

g. The alleged trades are of the year 2015; for which Noticee got a notice in the year 2021. Such proceedings are ex-facie vitiated in law, and is a complete abuse of process. Such a long delay in initiation of the proceedings by itself poses grave difficulties and extreme hardship for Noticee's defence, highly prejudiced by such inordinate delay on the part of SEBI and may not be in a position to locate or lay hands on relevant material / information. In this regard, reference has been made to the judgment of Hon'ble SAT in the matter of Libord Finance Limited v. SEBI

[Appeal No. 37/2008, SAT order dated 31.03.2008], wherein Hon'ble SAT has made the following observation - "*Before concluding, we cannot resist observing that there has been an inordinate delay in initiating action against the appellant. It is alleged to have committed the irregularities in the earlier part of the year 1996 and the show-cause notice was admittedly issued in June 2004. How could anyone file a proper reply after a lapse of more than eight years. This long delay itself causes grave injustice to the delinquent and results in the violation of the principles of natural justice. Such delays defeat the very purpose of the proceedings*."

10. Vide notice of hearing dated March 07, 2022, Noticee was granted an opportunity of hearing on April 06, 2022, however, Noticee did not appear for the hearing.

11. Vide Post SCN Intimation (hereinafter referred to as **"PSI"**) dated August 10, 2022, Noticee was informed that SEBI had introduced a Settlement Scheme, i.e., SEBI Settlement Scheme, 2022 (hereinafter referred to as "**Settlement Scheme 2022**") in terms of regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as "**Settlement Regulations**"). It was informed that the Settlement Scheme 2022 provides a one-time opportunity to the entities against whom proceedings were initiated and appeals against the said proceedings were pending. The scheme commenced from August 22, 2022 and remained open for a period of 3 months. The PSI was served to the Noticee through SPAD and email.

12. Subsequently, vide public notice dated November 21, 2022, it was advertised/informed that "*Considering the interest of entities in availing the Scheme, the competent authority has extended the period of the Scheme till January 21, 2023*".

13. However, the Noticee did not avail the Settlement Scheme 2022. Therefore, the adjudication proceedings against her were resumed. Accordingly, vide notice of hearing dated May 18, 2023, Noticee was granted an opportunity of hearing on May 30, 2023, however, Noticee did not avail the said opportunity as well.

14. Subsequently, vide another notice of hearing dated July 03, 2023, Noticee was granted one more opportunity of hearing on July 13, 2023. Noticee appeared for the hearing on July 18, 2023 through videoconferencing and submitted that she is a housewife and is willing to avail the settlement.

15. Subsequently, a second PSI dated March 06, 2024 was issued to the Noticee, wherein it was informed that SEBI introduced another Settlement Scheme, i.e., SEBI Settlement Scheme, 2024 (hereinafter referred to as "**Settlement Scheme 2024**") in terms of regulation 26 of Settlement Regulations. It was informed to the Noticee that the Settlement Scheme 2024 provided an opportunity to the entities against whom proceedings were initiated and appeals against the said proceedings were pending. The applicable period of the scheme was from March 11, 2024 to May 10, 2024. The second PSI was served to the Noticee through SPAD and email. The Settlement Scheme 2024 was extended till June 10, 2024 by SEBI.

16. It was observed that Noticee did not avail the Settlement Scheme 2024, therefore, the adjudication proceedings against her were resumed. Accordingly, vide notice of hearing dated October 11, 2024, Noticee was granted another opportunity of hearing by erstwhile AO on November 05, 2025, however, she did not avail the said opportunity.

17. Pursuant to appointment of the undersigned as AO, vide notice of hearing dated July 28, 2025, Noticee was granted a fresh opportunity of hearing on August 12, 2025. On August 12, 2025, Mr. Sunil Kumar Agarwal (Husband and Authorised Representative) along with the Noticee appeared for the hearing and submitted

that she would like to avail the settlement and she was informed that the settlement scheme was closed.

CONSIDERATION OF ISSUES AND EVIDENCE

18. I have perused the allegations levelled against the Noticee in the SCN, her replies, submissions made during personal hearing and the material available on record. In the instant matter, the following issues arise for consideration and determination:
    I. Whether the Noticee violated the provisions of regulations 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations?
    II. Do the violations, if any, on part of the Noticee attract monetary penalty under section 15HA of SEBI Act?
    III. 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?

19. In his regard, it is pertinent to refer to the relevant provisions of PFUTP Regulations which are alleged to have been violated by the Noticee, as under:

Relevant provisions of 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 recognised 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 recognised 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 recognised stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder."

"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;"

20. Before proceeding to the merits of the case, it is appropriate to deal with the following preliminary issues raised by the Noticee.

21. Noticee has submitted that there was a long delay in initiation of the proceedings which poses grave difficulties and extreme hardships in her defense and she is highly prejudiced by such inordinate delay on the part of SEBI and may not be in a position to locate or lay hands on relevant material/information. In this regard, I note that pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, an 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 options segment during the IP. 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 v. SEBI, the Hon'ble 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".*

22. A Settlement Scheme was framed under the Settlement Regulations, which provided one-time opportunity for settlement of the 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 in the said scheme. Further, another settlement scheme, i.e., Settlement Scheme 2022 was introduced from

August 22, 2022 to January 21, 2023. Finally, a third settlement scheme, i.e., Settlement Scheme 2024 was introduced from March 11, 2024 to June 10, 2024.

23. It is further noted that there are no timelines prescribed in the SEBI Act for the purpose of identifying trades as non-genuine. In this regard, it is pertinent to note that, in the matter of *SEBI v. Bhavesh Pabari* (2019) SCC Online SC 294, the Hon'ble Supreme Court, *inter alia*, held that:

    "There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."

24. Pursuant to appointment of AO on September 27, 2021 in the instant matter, SCN dated October 27, 2021 was issued to the Noticee. Subsequently, vide PSI dated August 10, 2022, Noticee was informed regarding Settlement Scheme 2022, however, Noticee did not avail the said settlement scheme. Further, the Noticee was informed regarding the Settlement Scheme 2024, vide PSI dated March 06, 2024. Noticee did not avail the third settlement scheme as well. Noticee was granted multiple opportunities of hearing, which she did not avail. Pursuant to appointment of the undersigned as AO, vide notice of hearing dated July 28, 2025, Noticee was granted a fresh opportunity of hearing on August 12, 2025, which the Noticee availed. Hence, considering the facts in the foregoing paragraphs, I note that there has been no inordinate delay in initiation of the proceedings as contended by the Noticee.

25. Further, Noticee submitted that she is willing to settle the matter through a settlement scheme. In this regard, during hearing, Noticee was informed that the settlement schemes in the ISO matter were closed and currently there is no active settlement scheme.

26. Therefore, the preliminary issues raised by the Noticee are not acceptable. I shall now proceed to address the key issues that arise for consideration, in light of the facts of the case and the submissions made by the Noticee.

Issue No. 1: Whether the Noticee violated the provisions of regulations 3(a), (b), (c), (d) and Regulation 4(1) and 4(2)(a) of PFUTP Regulations?

27. I note that it was alleged in the SCN that the Noticee, while dealing in the stock options contract at BSE during the IP, had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock options contract at BSE. The said reversal trades were alleged to be non-genuine trades as they were 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, were deceptive and manipulative.

28. From the documents on record, it is noted that the Noticee was one of the entities who had indulged in creating artificial volume of 50,000 units through 2 non-genuine reversal trades in 1 stock options contract during the IP. The summary of trades is given below:

Table No. 1

Contract name	Avg. buy rate (₹)	Total buy volume (no. of units)	Avg. sell rate (₹)	Total sell volume (no. of units)	% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract	% of Artificial volume generated by the Noticee in the contract to Total volume in the contract
BHEL15FEB280.00PE	20.3	25000	30.2	25000	100%	16.56%

29. On February 12, 2015, the Noticee, at 15:10:08 hours, entered into a sell trade in a contract, viz., 'BHEL15FEB280.00PE' with counterparty 'Surabhakti

Commodities Pvt. Ltd.' for 25,000 units at Rs. 30.2/- per unit. On the same day, at 15:10:12 hours, Noticee entered into a buy trade of same contract with the same counterparty for 25,000 units at Rs. 20.3/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of 2 trades (1 buy trade and 1 sell trade) with same counterparty, viz., Surabhakti Commodities Pvt. Ltd. on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's 2 trades while dealing in the aforesaid contract during the IP generated artificial volume of 50,000 units, which made up 16.56% of total market volume in the said contract during the IP.

30. Noticee further submitted that she placed orders through the anonymous exchange mechanism within the permissible price bands without any intent to manipulate price or volume, there was no warning anywhere to not to reverse the transaction with the same counterparty on the same day and she was not aware that her trades were in the nature of reversal as alleged, BSE has full proof surveillance system in place, BSE has power to annul the alleged fraudulent trades and questioned as to why BSE or SEBI failed to cancel the alleged trades at that point of time itself if the trades were non-genuine. In this regard, it is noted that the responsibility of ensuring the genuineness of trades rests with the Noticee. Noticee is expected to act with due diligence and cannot shift responsibility for its own trading decisions on the stock exchange or SEBI. Further, Noticee admitted that all the impugned trades were executed by it through stock broker on the platform of the stock exchange and the trades were settled as per the norms of the stock exchange and stock broker issued contract note to it, therefore, Noticee was well aware of the impugned non-genuine reversal trades and cannot claim that it was not aware that the trades were in the nature of reversal and hence it cannot shift the liability on stock exchange or SEBI. Therefore, the contentions of the Noticee in this regard are not tenable.

31. Noticee contended that she placed orders through the anonymous exchange mechanism, trades were settled as per the norms of the stock exchange, the stock

broker issued contract note for the impugned trades and all payments were made by cheque/banking channels, all taxes including STT, stamp duty and other dues such as transaction charges, turnover fees and brokerage, etc., were paid, she never defaulted in meeting the payment or delivery obligations on any occasion, the price range was within the permitted limit by SEBI/BSE and trades were not done with parties not permitted to trade with. In this regard, it is noted that in the present proceedings, genuineness of the reversal trades executed by the Noticee is in question and not that how the trades were placed or whether the trades were settled as per the norms of the stock exchange or whether Noticee received contract note or whether statutory due were paid or not. Further, SCN neither alleged that the Noticee's trades were not in the price range set by BSE nor that the trades were done with parties not permitted to trade with, hence, the said submission of Noticee is irrelevant. The manner in which impugned trades were executed by the Noticee indicates that there was pre-determination of the prices and timings of trades between the counterparties while executing the trades and the trades were reversed with same counterparty within an hour with significant price difference. Hence, this submission of the Noticee is not tenable.

32. In this regard, I would like to refer to the judgment of Hon'ble Supreme Court in the matter of *SEBI v. Rakhi Trading Private Limited*, Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011, decided on February 8, 2018, wherein it was held that *"……...Orchestrated trades are a misuse of the market mechanism. It is playing the market and it affects the market integrity.*

………The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed the price nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity and transparency of the stock market."

Therefore, it is noted that the synchronization and reversal trades affects the price discovery system and have an adverse impact on the fairness, integrity and transparency of the stock market.

33. Noticee further contended that the trades executed in the stock options segment were carried out in the normal course of business, based on the understanding of the market and available information at the time, all trades were done legally on the platform of the stock exchange under surveillance of SEBI, and it had no arrangement, agreement, or understanding with any counterparty to execute matched or reversal trades and was unaware of the identity of counterparties and on the touchstone of time gap between placement of order and difference in prices, such trades cannot be termed non-genuine. In this regard, I note that the non-genuineness of the transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within an hour, the Noticee reversed the position with the same counterparty with significant price difference on the same day. It is further noted that for the sell trade of the Noticee in the said contract, the time difference in her order time (15:10:08) and order time of the counterparty for the said trade (15:10:07), was only 1 second. Similarly, for buy trade of the Noticee in the said contract, there was no time difference in her order time (15:10:12) and order time of the counterparty for the said trade (15:10:12). Further, the fact that the transaction in the particular contract was reversed with the same counterparty indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid options contract, there was negligible trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in price of the said contract, 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. Thus, it is observed that Noticee had indulged in reversal trades with her counterparty in the stock options segment of BSE and the same were non-genuine trades.

34. Noticee further submitted that essential feature of a reversal trade is 'meeting of mind', of buyer and seller, which is possible only if the buyer and seller are known to each other, however, trading on stock exchanges takes place anonymously and identity of buyer and seller is not known to anyone. In this regard, I note that it is not mere coincidence that the Noticee could match its trades with the same counterparty with whom she had undertaken first leg of the respective trades. The fact that the transactions in a particular contract were reversed with the same counterparty within an hour and orders were placed by Noticee and her counterparty to the trade within few seconds to minutes, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. It is further noted that direct evidence is not forthcoming in the present matter as regards to meeting of minds or collusion with other entities, *inter alia*, the counterparties or agents/fronts. However, trading behaviour as noted above make it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level.

35. In this regard, reliance is placed on the judgement of Hon'ble Supreme Court in the matter of *SEBI v. Kishore R Ajmera* (AIR 2016 SC 1079), wherein it was held that:

"...*According to us, knowledge of who the 2nd party / client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naïve to rest the final conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming...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.*

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."

36. Therefore, applying the ratio of the above judgment, it is observed that the execution of trades by the Noticee in the illiquid options segment with such precision in terms of order placement, time, price, etc., and also the fact that the transactions were reversed with the same counterparty clearly indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. The only reason for the wide variation in price of the same contract, within short span of time was a clear indication that there was pre-determination in the prices by the counterparties. Thus, the nature of trading, as brought out above, clearly indicates an element of prior meeting of minds and therefore, a collusion of the Noticee with its counterparty to carry out the trades at pre-determined prices.

37. Therefore, the trading behaviour of the Noticee confirms that such trades were not normal, indicating that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in respective contract. In view of the above, I find that the allegation of violation of regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) of PFUTP Regulations by the Noticee stands established.

Issue No. 2: Do the violations, if any, on part of the Noticee attract monetary penalty under section 15HA of SEBI Act?

38. In the findings made in foregoing paragraphs, it has been established that the Noticee executed non-genuine reversal trades, which created false and misleading appearance of trading, thereby generated artificial volumes in the stock options segment of BSE during the IP, therefore, Noticee violated the provisions of regulations 3(a), (b), (c) and (d) and regulation 4(1) and 4(2)(a) of the PFUTP Regulations.

39. Therefore, considering the above findings and the judgement of Hon'ble Supreme Court in the matter of *SEBI v. Shriram Mutual Fund* [2006] 68 SCL 216 (SC) decided on May 23, 2006, wherein it was 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. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.",* I am convinced that it is a fit case for imposition of monetary penalty under the provisions of section 15HA of SEBI Act, which reads as under:

   "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."

Issue No. 3: 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?

40. While determining the quantum of penalty under section 15HA of the SEBI Act, the following factors as stipulated in section 15J of the SEBI Act are taken into account-

"Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or 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."

41. As established above, the trades by the Noticee were non-genuine in nature and created a misleading appearance of trading in the aforesaid contract. I note that when the impact of artificial volume created by the two counterparties is seen as a whole, it is not possible, from the material on record, to quantify the amount of disproportionate gain or unfair advantage resulting from the artificial trades between the counter parties or the consequent loss caused to investors as a result of the default. Further, the material available on record does not demonstrate any repetitive default on the part of the Noticee. However, considering that the two non-genuine trades entered by the Noticee in one options contract led to creation of artificial trading volumes which had the effect of distorting the market mechanism in the stock options segment of BSE, I find that the aforesaid violations were detrimental to the integrity of securities market and therefore, the quantum of penalty must be commensurate with the serious nature of the aforesaid violations.

ORDER

42. Taking into account the facts and circumstances of the case, material available on record, submissions of the Noticee, findings hereinabove and factors mentioned in section 15J of the SEBI Act, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose monetary penalty of ₹5,00,000/- (Rupees Five Lakh only) on the Noticee (Ritu Agarwal) under section 15HA of SEBI Act for the violation of regulations 3(a), (b), (c) and

(d), 4(1), 4(2)(a) of PFUTP Regulations. I am of the view that the said penalty is commensurate with the violations committed by Noticee.

43. The Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order in either of the way, such as by following the path at SEBI website www.sebi.gov.in:

ENFORCEMENT >Orders >Orders of AO> PAYNOW;

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

45. In terms of the provisions of rule 6 of the Rules, a copy of this order is being sent to the Noticee and to SEBI.

JAI SEBASTIAN
Digitally signed by JAI SEBASTIAN
Date: 2025.10.30 17:05:02 +05'30'

Place: Mumbai **JAI SEBASTIAN**
Date: October 30, 2025 **ADJUDICATING OFFICER**