BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER Ref No.: Order/AP/VS/2019-20/7158]

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

In respect of:

Global Earth Properties and Developers Private Limited
(PAN No.: PAN: AACCG0708N)
Arihant Building, 15th Road
Khar (west), Mumbai, Maharashtra – 400052

In the matter of dealing in Illiquid Stock Options at BSE

1. Securities and Exchange Board of India ('SEBI') observed large scale reversal of trades in the Stock Options Segment of the BSE Limited (hereinafter be referred to as 'BSE') and, pursuant to this, it conducted investigation into the trading activities of certain entities in illiquid Stock Options at the BSE for the period April 01, 2014 to September 30, 2015 (hereinafter be referred to as 'the Investigation Period'). Investigation revealed that during the Investigation Period, a total of 2,91,643 trades (comprising 81.38% of all the trades executed in the Stock Options Segment of BSE) involved reversal of buy and sell positions by the clients and counterparties in a contract.

2. The reversal trades are considered non genuine trades if it involves an entity reversing its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. In this regard, artificial volume is considered as the volume (no. of units) reversed in non-genuine trades, comprising both original volume and reversed volume while keeping out the volume which is not reversed. These alleged 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. It was further noted that said alleged non genuine trades were not restricted to any specific contract or between any specific set of entities. Global Earth Properties and Developers Private Limited (hereinafter referred to as 'the Noticee') was one of the several entities which were indulged in execution of such alleged non-genuine trades.

3. It was observed from the trade log that the Noticee had executed a total of 94 such trades in 29 unique contracts which allegedly led to creation of artificial volume of total 1,91,26,7550 units. It is further observed that the Noticee, by executing non genuine trades during the relevant period, registered a negative close out difference of ₹3,14,82,500/- approx. The trades entered by the Noticee were reversed on the same day within a very short span of time with same counterparty at a substantial price difference

without any basis for significant change in the contract price which indicates that these trades are artificial and are non-genuine in nature. The summary of dealings of Noticee in such 29 Stock Options contracts is as follows:

Table 1 – Summary of dealings of the Noticee in contracts wherein the Noticee executed non-genuine trades

S. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of 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	ADPW15MAR52.00CEW2	4.90	928000	2.20	928000	100%	4%	100%	25%
2	ADPW15MAR58.00PEW2	3.30	1280000	1.35	1280000	100%	14%	100%	31%
3	AMBC15MAR235.00CE	23.00	111000	14.00	111000	100%	20%	100%	15%
4	BHRT15FEB340.00CE	17.00	83000	11.00	83000	100%	50%	100%	49%
5	CARN15FEB265.00PE	15.50	126000	7.50	126000	100%	36%	100%	39%
6	DISH15MAR85.00CEW3	3.60	356000	0.80	356000	100%	3%	100%	8%
7	DISH15MAR85.00PE	3.15	356000	0.35	356000	100%	7%	100%	13%
8	DRRL15APR3700.00CEW4	33.00	31875	3.00	31875	100%	100%	100%	100%
9	HDIL15FEB95.00CEW2	21.60	12000	9.30	12000	100%	25%	100%	33%
10	HDIL15MAR115.00PE	6.20	160000	0.60	160000	100%	11%	100%	10%
11	INCM15FEB100.00PE	3.10	666000	0.10	666000	100%	50%	100%	79%
12	JISL15MAR55.00PEW2	2.56	404000	0.05	404000	100%	50%	100%	16%
13	JPPW15FEB16.00CEW1	1.90	270000	0.05	270000	100%	100%	100%	100%
14	JSWE15MAR115.00CEW3	4.20	248000	0.20	248000	100%	10%	100%	11%
15	KARB15FEB115.00PEW3	22.80	88000	0.05	88000	100%	50%	100%	98%
16	KARB15FEB120.00PEW3	47.97	24000	0.05	24000	100%	100%	100%	100%
17	KARB15MAR130.00PE	0.35	256000	4.25	256000	100%	13%	100%	13%
18	LNTF15FEB15.00PEW1	2.44	2060000	0.05	1652000	88%	88%	89%	89%
19	LNTF15FEB75.00CEW2	2.25	136000	0.05	136000	100%	17%	100%	14%
20	LNTF15FEB80.00CEW2	2.00	20000	0.05	20000	100%	6%	100%	1%
21	LNTF15FEB85.00CEW2	2.25	456000	0.05	456000	100%	100%	100%	100%
22	NHPC15FEB16.00PEW2	0.74	310000	0.10	310000	100%	38%	100%	44%
23	ONGC15MAR300.00CE	14.35	305000	7.80	305000	100%	50%	100%	80%
24	PFCL15MAR310.00CEW2	4.50	297000	0.80	297000	100%	100%	100%	100%
25	RPOW15FEB50.00PE	1.71	428000	0.05	428000	75%	43%	7%	3%
26	SAIL15FEB70.00PEW3	2.30	200000	0.30	200000	100%	21%	100%	18%
27	SYND15FEB120.00PE	5.40	370000	1.35	370000	100%	33%	100%	88%

S. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of 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
28	TISC15MAR330.00CE	9.00	384500	2.50	384500	100%	18%	100%	25%
29	YESB15FEB600.00CE	284.50	5000	223.20	5000	100%	56%	100%	50%

4. From the above table it was observed that:-
   a. The Noticee has executed alleged non-genuine trades in above 29 contracts, wherein in 27 contracts, 100% trades were non-genuine trades.

   b. The alleged non-genuine trades have contributed significantly when compared with the total number of trades of the market in the above contracts. The non-genuine trades of the Noticee ranged from 3% to 100% of the total trades that had happened in the aforementioned contracts.

   c. The whole volume of 1,91,26,750 units generated by the Noticee in all of the above contracts due to its non-genuine trades were artificial volume, and further this artificial volume, generated by the Noticee, also contributed significantly to the extent of 1% to 100% of the total volume in said contracts in the market.

   d. These alleged 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.

   e. The Noticee has allegedly engaged in the non-genuine transactions in the option segment of BSE for the purpose creating false appearance of trading.

5. Based on above findings of the investigation, the competent authority in SEBI *prima facie* felt satisfied that there are sufficient grounds to inquire and adjudicate the alleged violations of the provision of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations by the Noticee and appointed Shri Biju S, Chief General Manager as Adjudicating Officer vide order dated May 29, 2018 to inquire and adjudge under rule 5 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as 'Adjudication Rules') and under section 15HA of the SEBI Act, for the aforesaid alleged violations by the Noticee. Pursuant to the transfer of Shri Biju S, vide *communication-*

order dated July 06, 2018 Shri Satya Ranjan Prasad, Chief General Manager (erstwhile AO) was appointed as Adjudicating Officer in the matter. The text of these provisions of PFUTP Regulations are as follows:

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.

6. After receipt of records of these proceedings, it was noted that the erstwhile AO had issued the notice to show cause vide letter no. EAD-4/ADJ/SRP/HKS/OW/P/28672/1/2018 dated October 12, 2018 ('the SCN') to the Noticee in terms of rule 4(1) of the Adjudication Rules read with section 15I of the SEBI Act to the Noticee calling upon it to show cause as to why an inquiry should not be held against it in terms of rule 4 of the Adjudication Rules and penalty be not imposed under Section 15HA of the SEBI Act for the aforesaid alleged violations. Vide letter dated November 14, 2018, the Noticee had denied the allegation as alleged in the SCN and requested for inspection of documents such as – copy of investigation report alongwith all annexure thereto, copies of all correspondences between SEBI and BSE with respect to matter and all other documents relied upon while issuing the SCN
7. Thereafter, vide *communication order* dated May 22, 2019, Shri Santosh Shukla, Chief General Manager was appointed as Adjudicating Officer pursuant to transfer of erstwhile AO. On October 10, 2019, the Enforcement Department informed about completion of inspection of documents by the Noticee's authorized representative Mr. Meit Shah, Advocate ("AR") on September 25, 2019. The Noticee had

vide its letter dated October 22, 2019 informed that it have filed an application for settlement under SEBI (Settlement Proceedings) Regulation, 2018 and provided the copy of acknowledgment of covering letter of application for settlement filed with SEBI. SEB vide email dated November 22, 2019 informed that the Noticee' application for settlement has been returned.

8. Subsequently, vide *communication order* dated January 07, 2020, this case has been transferred to undersigned with advise that except for the change of the Adjudicating Officer the other terms and conditions of the original orders *'shall remain unchanged and shall be in full force and effect'* and that the "*Adjudicating Officer shall proceed in accordance with the terms of reference made in the original orders".* It is noted from the record that post inspection of documents and after non-consideration of Noticee's settlement application also, no reply to the SCN had been filed by the Noticee. Therefore, in the interest of principle of natural justice, vide notice dated January 09, 2020 an opportunity of hearing was granted to the Noticee on January 29, 2020 in terms of rule 4(3) of the Adjudicating Rules. The Noticee was also allowed to file reply if it so desired before the date of hearing. On the scheduled date, Mr. Meit Shah appeared before me and made oral submissions on behalf of the Noticee and requested to grant time of 15 days to file written submission. The Noticee's vide its letter dated February 14, 2020 filed reply in this matter.

9. I have considered the allegation levelled in the SCN, reply / submission of the Noticee and the relevant material brought on record. The Noticee has contended that SEBI has not provided it with all the relevant documents, reports and had not provided inspection of the said documents. In this regard, I note that all the relied upon copies of the documents in the matter were provided to the Noticee along with the SCN. Therefore, the contention of the Noticee is not acceptable and hence rejected. Moreover, in this context, it is a settled position of law that only the relied upon documents has to be provided for inspection to the Noticee and the same position has been upheld by the Hon'ble Supreme Court in the matter of *Kanwar Natwar Singh v. Directorate of Enforcement [(2010) 2 SCC 497], Chandrama Tewari Vs. Union of India, Through General Manager, Eastern Railways, (1988) 1 SCR 1102* and *M/s Haryana Financial Corporation vs. Kailashchand Ahuja* [2008(9) SCC31], Hon'ble Delhi High Court Delhi High Court in its order dated 30.08.18 in the matter of *PRAR Holding Private Limited Vs. SEBI* and also by the Hon'ble SAT in number of its rulings. In the recent ruling of Hon'ble SAT in the case of *Shruti Vora Vs. Securities and Exchange Board of India, in* Appeal Number 28 of 2020 decided on February 12, 2020 held that *"…The contention that the appellant is entitled for copies of all the documents in possession of the AO which has not been relied upon at the preliminary stage when the AO has not formed any opinion as to whether any inquiry at all is required to be held cannot be accepted. A bare reading of the provisions of the Act and the Rules as referred to above do not provide supply of documents upon which no reliance has been placed by the AO, nor even the principles of natural justice require supply of such documents which has not been relied upon by the AO. We are of the opinion that we cannot compel the AO to deviate from the*

prescribed procedure and supply of such documents which is not warranted in law. In our view, on a reading of the Act and the Rules we find that there is no duty cast upon the AO to disclose or provide all the documents in his possession especially when such documents are not being relied upon…"

10. Further, I note that the Noticee has contended that Investigation Report and its inspection was not provided to it during the instant proceedings, I note that the basis of the allegations as made in the investigation report has been mentioned in the SCN and it is the findings of the investigation that are basis of charge against the Noticee and are relied upon in these proceedings. Also, Hon'ble SAT in its aforesaid order dated February 12, 2020 held that "….*In the instant case, the show cause notice relies upon certain documents which have been made available. Thus the investigation report is not required to be supplied."* I am, therefore, of the view that since the copies of the relevant and relied upon material which is the trade log containing the trades of the Noticee were given to the it along with the SCN, no prejudice is caused to the Noticee on this account. Further, the Noticee's reliance in aforementioned rulings regarding not following principles of natural justice is out of place and is not tenable. I, therefore, do not find any merit in the contentions of the Noticee.

11. From the reply of the Noticee, I note that the Noticee has not disputed the execution and subsequent reversal of trades as alleged in the SCN. According to the Noticee, it had traded in contracts of certain underlying scrips which make up index of BSE. In this regard, it is matter of common knowledge that the fraudulent trading in illiquid Stock Options cannot be justified merely because the impugned trading by the Noticee in illiquid Stock Option was in respect of scrips which make up index of BSE.

12. With regard to the merit of allegation it is worth mentioning that reversal trades are considered non-genuine if they involve an entity reversing its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. In this regard, artificial volume is considered as the volume (no. of units) reversed in non-genuine trades, comprising both original volume and reversed volume while keeping out the volume which is not reversed. Admittedly, the Noticee had indulged in 94 such reversal trades in 29 unique contracts during the Investigation Period involving reversal of trades with same entity with whom it had done buy/ sell transaction, within very small span of time, respectively, in a synchronized manner. It is noted from the trade log relied upon in the matter that the Noticee and counterparty (ies) both had placed their respective sell-buy and buy–sell orders within few minutes of each other. Further, each trade involved matching of time, price and quantity of units. To illustrate, the Noticee had executed total 2 trades during Investigation period in the contract "PFCL15MAR310.00CEW2" and in all these instances trading happened only on March 03, 2015. The Noticee, at 11:51:39 hrs placed a sell order for 2,97,000 units of contract at a price of ₹0.80. This sell

order of the Noticee got matched with buy order of another entity named Bhushan Airways Services Private Limited, which itself had placed the buy order for a 2,97,000 units in the same contract at 11:51:39 hrs within few milliseconds of the sell order placed by the Noticee. Thereafter, on the same day, within 6 seconds from the above trade, the Noticee, at 11:51:45 hrs placed a buy order for 2,97,000 units of aforesaid contract at a price of ₹4.50. This buy order of the Noticee got matched with the sell order of Bhushan Airways Services Private Limited, which itself had placed a sell order for 2,97,000 units in the same contract at 11:51:45 hrs i.e. within few milliseconds of the buy order placed by the Noticee. Thus the sell order placed by the Noticee at ₹0.80 was reversed with the same counterparty at ₹4.50, within few seconds. These trades of the Noticee are detailed in the following table:

Table 2: Trades of the Noticee in the contract of "PFCL15MAR310.00CEW2"

Sl.	Date	Buyer	Seller	Buy Order Time	Sell Order Time	Trade Time	Trade Rate (Rs.)	Trade Quantity
1	26/02/2015	Bhushan Airways Services Private Limited,	Global Earth Properties and Developers Private Limited Private Limited	11:51:39.620808	11:51:39.529788	11:51:39.620808	0.80	2,97,000
2	26/02/2015	Global Earth Properties and Developers Private Limited Private Limited	Bhushan Airways Services Private Limited,	11:51:45.930344	11:51:45.820513	11:51:45.930344	4.50	2,97,000
		Total						**5,94,000**

13. A similar *modus operandi* was adopted by the Noticee in respect of remaining 92 trades in other 28 unique contracts. It is observed from the trading of the Noticee that in most of the trades the buy order and sell order has been entered in quick succession of each other. In all the 94 trades of the Noticee the time taken by the Noticee for reversing its non-genuine trades within few minutes. The buy orders placed by the Noticee were matched with sell orders of counterparties and sell orders placed by the Noticee were matched with buy orders of counterparties in terms of number of units and price and time. Thus, the total volume generated through such non genuine trades was 1,91,26,750 units of the 29 Stock Options contracts. Such reversal of trades in quick succession with substantial price difference indicate towards employing of a manipulative device in connection with its dealing in said illiquid Stock Options contracts.

14. I note that the Noticee in its reply submitted that it had traded in stock options on anonymous and electronic trading platform of stock exchange, which is provided by stock exchange, and its orders were matched in normal course and moreover SEBI has failed to show any nexus between it and counter party. I am of the view that the transactions in a particular contract were reversed with the same counterparties indicates a prior meeting of mind with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid option contracts, there was no trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contracts, within a short span of time, is a clear indication that there was pre-determination in the prices

by the counterparties while executing the trades. Thus, it is observed that Noticee had indulged in reversal trades with it counter parties in the stock options segment of BSE and the same were non-genuine trades. Therefore, the Noticee's contentions are not acceptable and hence rejected.

15. Further, with regard to the reversal 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., 31743177 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"*.

16. With regard to reversal transactions, Hon'ble Supreme Court in the matter of *SEBI v Rakhi Trading Private Limited (Supra)*, further held that - "*Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities…..*" In the same matter, Hon'ble Supreme Court further held that- *"….quantity, time and significant variation of prices, without major variation in the underlying price of the securities clearly indicate that Respondent's trades are not genuine and had only misleading appearance of trading in the securities market*". In view of said Hon'ble Supreme Court judgment, 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 counterparty (ies) on the same day, which are non-genuine in nature and have created false or misleading appearance of trading in terms of artificial volumes.

17. The Noticee has contended that it has no knowledge about who were the counterparty (ies) to its trades as it was trading in anonymous platform of BSE at price ranges that were permitted by BSE and SEBI and the obligations arising out of it have been settled through the clearing mechanism of the BSE. I note that, it is not mere coincidence that the Noticee could match its trades with the same counterparty with whom it had undertaken first leg of the respective trades. I note that though direct evidence is not available in the present matter as regards to meeting of minds or collusion of the Noticee with other entities. The genuineness of trading has to be determined based upon circumstantial evidence involving multiple factors such as trading pattern, liquidity and volatility in the scrip /contract, etc. In this context, the Hon'ble SAT vide its order dated July 14, 2006, in the case of Ketan Parekh vs. SEBI (Appeal no.

2/2004) 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."*

18. Further, in *SEBI v Kishore R Ajmera (AIR 2016 SC 1079)*, Hon'ble Supreme Court held that - *"…in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive...".* The Hon'ble Supreme Court further observed that – "*It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.*"

19. The trading pattern as found in this case in illiquid Stock Options cannot occur just by accident or coincidence. The trading behavior of the Noticee in this case makes it clear that aforesaid trades of the Noticee could not have been possible without prior meeting of minds. The synchronized trading by the Noticee with same counterparty at same time for same quantity at same price and reversal of transaction with wide variation in price of the reversed trades in the same contract in a short time without any basis, all indicate that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in the contracts in question. Considering the aforesaid facts and circumstances, I am of a view that the Noticee's reliance upon judgments of Hon'ble SAT in the matter of *M/s. Jagruti Securities Ltd. vs. SEBI* (Appeal No. 102 of 2006, Date of decision October 02, 2008) and *S.P.J. Stock Brokers Pvt Ltd. vs. SEBI* (Appeal No. 52 of 2013. Date of decision September 04, 2013) regarding prior meeting of minds, is of no help to it. In view of the fact that these options contracts were illiquid in nature, having very small volume in trading, the Noticee created artificial volumes in Stock Options which was manipulative and deceptive in nature. Once the Noticee has been found to have indulged in such reversal transactions in illiquid Stock Options it is liable for its acts and omissions and

it is immaterial whether the counterparties to its trades have been charged or not. Thus, I reject such contentions of the Noticee.

20. 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, clearly demonstrates the manipulative practice by the Noticee by using the stock exchange platform to carry out non-genuine trades with the aim to execute such trades for various manipulative purposes.

21. I note that the Hon'ble Supreme Court in the matter of *SEBI vs. Rakhi Trading Private Ltd.* (*supra*), also held 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."*

22. I note that the Noticee had contended that in any business activity in stock market, one can either make profit or loss, the Noticee had traded in option segment taking into account of its 'risk and reward' parameters. In this regard, I am of the view that in totality of the circumstances as observed above it is not acceptable that the Noticee has not employed any manipulative and deceptive device in contravention of the SEBI Act or the rules and the regulations made there under. Further, the non-genuine and deceptive trades as found in this case are covered under the definition of '*fraud*' and dealing of Noticee were '*fraudulent*' as defined under Regulation 2(1)(c) of PFUTP Regulations. The investigation has shown amount of profit / loss of the counterparties to the trades as a result of such non-genuine trades. The violation by the Noticee is creation of artificial trading volumes by trading between two counterparties and wider market is not involved in the trades, the trades are such that one of the counterparty books a profit while the other counterparty books a loss. Hence, it would be appropriate to consider the impact of these transactions between the counterparties in totality. When the impact of artificial volumes created by the two counterparties is seen as a whole, the making loss or profit is immaterial as the charge in this case is of creating false or misleading appearance of trading in the aforementioned contract. In view of the same, I find no merit in such contentions of the Noticee.

23. In view of the aforesaid facts and circumstances, it cannot be ignored that synchronization of trades in pre-determined manner as found in this case had an adverse impact on the fairness, integrity and transparency in the securities market. In view of the above, I find that the allegation of violation of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations by the Noticee stands established.

Thus, I hold that the Noticee liable for penalty under Section 15HA of the SEBI Act which reads as under:-

"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."

24. While determining the quantum of penalty, it is important to consider the factors stipulated in Section 15J of the SEBI Act which reads as follows: -

    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."

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

25. Having regard to the factors listed in section 15J, it is noted that it is not possible to determine the consequent loss caused to investors as a result of the default as found in this case. It is worth considering that generally, there is NIL or negligible participation of the public in the trading in such illiquid Stock Option contracts. 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. However, considering the fact that the trades of the Noticee in 29 Stock Option contracts which resulted into artificial volume in range of 1% to 100%, generated out of the 94 non-genuine trades of the Noticee, I am of the view that such trades had created a misleading appearance of trading in the scrip. In these circumstance I am of the view that for the market abuse and fraudulent practices by the Noticee monetary penalty needs to be imposed under section 15HA of the SEBI Act.

26. Taking into consideration all the facts and circumstances of the case including the aforesaid 15J factors and exercising the powers conferred upon me under section 15I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose, a monetary penalty of ₹6,00,000/-(Rupees Six Lakh only) upon Noticee viz. Global Earth Properties and Developers Private Limited under section 15HA of the SEBI

Act. In my view, the said penalty is commensurate with the violation committed by the Noticee in this case.

27. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order in either of the way of demand draft in favour of "*SEBI - Penalties Remittable to Government of India*", payable at Mumbai, or by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT > Orders > Orders of AO > PAY NOW; OR by using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in

28. The Demand Draft or details and confirmation of e-payment made in the format as given in table below shall be sent to *"The Division Chief, EFD-DRA-I, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C- 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051."* and also to e-mail id:- tad@sebi.gov.in

1	Case Name	
2	Name of the 'Payer/Noticee'	
3	Date of Payment	
4	Amount Paid	
5	Transaction No.	
6	Bank Details in which payment is made	
7	Payment is made for (like penalties/disgorgement / recovery/ settlement amount and legal charges along with order details)	

29. 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, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia,* by attachment and sale of movable and immovable properties.

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

Date: March 04, 2020
Place: Mumbai

Amit Pradhan
Adjudicating Officer