BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. MC/DPS/2018-19/44]

UNDER SECTION 15-I (2) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995.

In respect of –

1. **Jay Jyoti India Pvt Ltd** (PAN: AAACJ8822E) having address at – H No. 9 Bhojanagar, Indore, Madhya Pradesh, India, 452001 and C 39 Rajanigandha Co Op Hsg Soc, Goregaon West, Mumbai, Mumbai, 400062.

In the matter of Dealing in Illiquid options on the BSE.

BACKGROUND

1. The Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted an investigation into the trading activity in illiquid Stock options at BSE for the period between April 1, 2014 to September 30, 2015 (hereinafter referred to as the "**Investigation Period**") after observing large scale reversal of trades in the Stock Options segment of the Bombay Stock Exchange Ltd. (hereinafter referred to as "**BSE**").

2. Investigation revealed that during the Investigation Period, a total of 2,91,643 trades comprising 81.38% of all the trades executed in BSE Stock Options Segment were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. Jay Jyoti India Pvt Ltd ("**the Noticee**") was one such client whose reversal trades involved squaring off transactions with significant difference in the sell value and buy value of the transactions. The aforesaid reversal trades allegedly resulted into generation of artificial volumes by the aforesaid clients and counterparties, leading to allegations that

the Noticee had violated Regulation 3(a),(b),(c),(d) and Regulation 4(1), 4(2)(a) SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as "**PFUTP Regulations, 2003**").

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI initiated adjudication proceedings and appointed the undersigned as Adjudicating Officer (hereinafter referred to as "**AO**") under section 15-I of the SEBI Act read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter be referred to as the "**Adjudication Rules**") vide order dated May 31, 2018, to inquire into, and adjudge under section 15 HA of the SEBI Act, the alleged violations of the aforesaid provisions of the PFUTP Regulations, 2003, by the Noticee. The appointment of the AO was communicated vide order dated June 4, 2018.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice No. EAD5/MC/DPS/28558/1/2018 dated October 11, 2018 (hereinafter referred to as "**SCN**"), was issued to the Noticee in terms of Rule 4 (1) of the Adjudication Rules, to show cause as to why an inquiry should not be held and penalty not be imposed against the Noticee in terms of section 15 HA of the SEBI Act, for alleged violation of Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of the PFUTP Regulations, 2003.

5. The allegations levelled against the Noticee in the SCN are summarized as below:
    a) The Noticee was one of the entities which indulged in reversal trades which allegedly created false and misleading appearance of trading, generating artificial volumes in the Stock Options Segment of BSE during the Investigation Period.

b) The Noticee is alleged to have engaged in 260 such reversal trades in 126 unique contracts, which led to generation of alleged artificial volume of 2596750 units, between April 11, 2014 and May 13, 2015.

c) The trades entered by the Noticee were reversed on the same day with same counterparties 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.

d) A summary of dealings of Noticee in 126 Stock Options contracts in which Noticee allegedly executed non genuine reversal trades during the Investigation Period, provided in the SCN is reproduced below-

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	ADE 17 APR 2014 CALL 320	136.00	8000	118.00	8000	100%	100%
2	ADE 17 APR 2014 CALL 380	71.00	8000	42.00	8000	100%	100%
3	ADE 17 APR 2014 CALL 390	80.00	10000	48.55	10000	100%	100%
4	ADEL APR 2014 CALL 390	59.45	6000	25.45	6000	100%	100%
5	ADEL14JUL410.00CEW1	48.00	9000	27.00	9000	100%	100%
6	ADEL14MAY480.00CEW4	55.00	5000	35.00	5000	100%	100%
7	ADEL14MAY480.00PEW2	64.50	8000	52.00	8000	100%	100%
8	AHEL14MAY800.00CEW2	151.00	3000	119.00	3000	100%	100%
9	ALBK14MAY70.00CEW2	35.50	16000	25.50	16000	100%	100%
10	ALBK14MAY75.00CEW2	20.85	16000	15.60	16000	100%	100%
11	APL 17 APR 2014 CALL 130	43.35	16000	31.00	16000	100%	100%
12	APLT14MAY140.00CEW3	38.35	8000	25.00	8000	100%	100%
13	ARV 17 APR 2014 CALL 150	42.00	16000	31.50	16000	100%	100%
14	ARVI14JUN200.00CE	36.00	18000	22.50	18000	100%	100%
15	BHEL14MAY160.00CEW3	34.35	6000	24.00	6000	100%	100%
16	BHEL14MAY240.00CEW4	35.00	12000	26.00	12000	100%	100%
17	BIOC APR 2014 PUT 540	71.00	10000	50.00	10000	100%	100%
18	BIOC14JUL500.00CEW1	34.00	16000	16.50	16000	100%	100%
19	BIOC14JUN430.00CEW2	63.00	9000	43.00	9000	100%	100%
20	BIOC14JUN460.00CE	64.50	12000	48.00	12000	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)	% 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
21	BIOC14MAY440.00CEW3	37.50	8000	21.00	8000	100%	100%
22	BOBL14JUN820.00CEW1	69.00	10000	37.00	10000	100%	100%
23	BOBL14OCT820.00CEW1	87.00	2000	45.50	2000	100%	100%
24	BOI 17 APR 2014 CALL 200	37.00	8000	24.00	8000	100%	100%
25	BOIL14JUN250.00CEW3	63.00	10000	38.00	10000	100%	100%
26	BOIL14JUN260.00CEW1	66.50	10000	46.50	10000	100%	100%
27	BOIL14MAY200.00CEW3	46.00	8000	32.50	8000	100%	100%
28	BOIL14MAY240.00CEW3	42.00	7000	25.00	7000	100%	100%
29	BOIL14SEP250.00CEW1	47.50	6000	37.50	6000	100%	100%
30	BPCL APR 2014 PUT 520	40.00	6000	26.00	6000	100%	100%
31	BPCL14JUN500.00CE	61.00	5000	41.00	5000	100%	100%
32	BPCL14JUN530.00CE	41.00	7000	26.00	7000	100%	100%
33	BPCL14MAY460.00CEW3	64.00	6500	48.00	6500	100%	100%
34	CANB14JUN400.00CE	33.45	10000	19.50	10000	100%	100%
35	CANB14JUN440.00CEW2	39.00	8000	23.00	8000	100%	50%
36	CANB14MAY220.00CEW2	90.99	17000	68.74	17000	100%	100%
37	CANB14MAY240.00CEW3	48.00	8000	35.00	8000	100%	100%
38	CANB14MAY260.00CEW2	27.85	8000	14.80	8000	100%	100%
39	CANB14MAY260.00CEW3	52.00	10000	41.80	10000	100%	100%
40	CENT14JUN480.00CE	58.90	6000	39.50	6000	100%	100%
41	CENT14JUN500.00CE	71.00	6000	53.00	6000	100%	100%
42	CENT14JUN520.00CEW2	44.50	10000	28.00	10000	100%	100%
43	CESC14JUL640.00CEW1	74.00	8000	42.50	8000	100%	100%
44	CESC14JUN540.00CE	75.00	7000	47.00	7000	100%	100%
45	CRGL14MAY160.00CE	28.25	10000	18.00	10000	100%	100%
46	DABU15MAY300.00PEW2	37.67	85000	26.28	85000	48%	32%
47	DLFL14JUL190.00CEW3	39.00	10000	19.85	10000	100%	100%
48	GAIL14JUN340.00CEW1	51.00	9000	39.00	9000	100%	100%
49	GAIL14MAY380.00CEW4	48.00	6000	32.00	6000	100%	100%
50	HDIL14MAY45.00CEW3	29.35	16000	20.90	16000	100%	100%
51	HNDL14MAY110.00CEW2	31.40	20000	21.50	20000	100%	100%
52	HNDL14MAY130.00CE	23.25	10000	13.25	10000	100%	100%
53	HPCL14JUN400.00CEW1	17.90	7000	6.75	7000	100%	100%

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54	IBRL14MAY55.00CEW3	12.20	24000	8.25	24000	100%	100%
55	IDFC14MAY90.00CEW3	25.90	10000	19.00	10000	100%	100%
56	IIBK14JUN500.00CEW1	48.50	10000	30.00	10000	100%	100%
57	INGL14JUL300.00CEW1	62.00	10000	46.50	10000	100%	100%
58	INGL14JUN300.00CE	50.50	10000	35.50	10000	100%	100%
59	IRB 17 APR 2014 CALL 95	20.60	20000	15.60	20000	100%	100%
60	IRBI14MAY90.00CEW2	35.40	12000	26.90	12000	100%	100%
61	ITCL14JUN390.00PE	71.00	12000	53.00	12000	100%	100%
62	JISL14JUL90.00CEW3	27.00	20000	16.00	20000	100%	100%
63	JISL14MAY70.00CEW3	23.60	16000	16.90	16000	100%	100%
64	JSP 17 APR 2014 CALL 230	55.00	7000	40.00	7000	100%	100%
65	JSPL14MAY270.00CE	40.00	15000	26.67	15000	100%	100%
66	JUST14MAY1380.00PEW2	338.00	2125	273.00	2125	100%	100%
67	JUST14MAY810.00CEW2	265.00	1250	180.00	1250	100%	100%
68	KARB14MAY100.00CEW3	33.00	14000	26.00	14000	100%	100%
69	KARB14MAY120.00CE	31.00	6000	21.00	6000	100%	100%
70	KOTB14JUN820.00CEW1	66.00	3500	35.50	3500	100%	100%
71	LICH14JUN280.00CE	46.00	11000	36.00	11000	100%	100%
72	LICH14MAY280.00CE	44.00	5000	28.00	5000	100%	100%
73	LICH14OCT280.00CEW1	51.00	10000	37.50	10000	100%	100%
74	MCRS14MAY250.00CE	38.00	3000	21.00	3000	100%	100%
75	MFSL14JUN230.00CE	53.00	9000	42.50	9000	100%	100%
76	MFSL14MAY240.00CEW4	60.00	8000	47.00	8000	100%	100%
77	MPSL14JUL220.00CEW3	50.00	10000	30.40	10000	100%	100%
78	MPSL14MAY200.00CE	21.95	24000	13.72	24000	100%	100%
79	OBNK APR 2014 CALL 200	45.00	10000	35.00	10000	100%	100%
80	OBNK14APR200.00CEW5	50.50	10000	40.20	10000	100%	100%
81	OBNK14JUN270.00CE	42.50	20000	29.00	20000	100%	100%
82	OBNK14JUN290.00CEW3	64.00	10000	37.00	10000	100%	100%
83	ONGC14JUN360.00CE	59.00	10000	47.00	10000	100%	100%
84	ONGC14JUN400.00CE	46.00	10000	33.00	10000	100%	100%
85	ONGC14MAY300.00CEW2	40.90	7000	30.00	7000	100%	100%
86	PFCL14JUL270.00CEW1	46.50	12000	30.00	12000	100%	100%

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87	PFCL14JUN250.00CE	66.00	10000	44.50	10000	100%	100%
88	PFCL14JUN270.00CE	32.00	16000	22.00	16000	100%	100%
89	PFCL14JUN280.00CE	44.50	16000	32.50	16000	100%	100%
90	PFCL14MAY175.00CEW3	37.55	10000	29.50	10000	100%	100%
91	PLNG14MAY130.00CE	25.50	8000	15.00	8000	100%	100%
92	PNBK14OCT800.00CEW1	91.50	2500	45.50	2500	100%	100%
93	RANB APR 2014 CALL 410	72.00	10000	56.00	10000	100%	100%
94	RECL14JUN290.00CEW1	51.00	10000	31.00	10000	100%	50%
95	RECL14JUN300.00CE	48.50	10000	38.00	10000	100%	100%
96	RECL14JUN310.00CEW3	50.00	10000	26.85	10000	100%	100%
97	RECL14MAY300.00CE	43.50	12000	27.00	12000	100%	100%
98	RECL14MAY300.00CEW4	40.00	6000	19.00	6000	100%	100%
99	RELI14MAY840.00CE	132.30	5000	56.65	5000	100%	54%
100	RLNF14JUN660.00CE	74.00	7000	45.00	7000	100%	100%
101	SHTF APR 2014 CALL 640	192.00	4500	146.00	4500	100%	100%
102	SUNT14JUN380.00CEW1	44.00	5000	24.00	5000	100%	100%
103	SUNT14MAY380.00CEW4	53.00	8000	28.00	8000	100%	100%
104	SYND14JUN130.00CEW3	36.00	12000	25.00	12000	100%	100%
105	SYND14MAY85.00CEW2	23.50	16000	14.20	16000	100%	100%
106	SYND14MAY90.00CEW3	27.50	12000	19.00	12000	100%	100%
107	TAM 17 APR 2014 CALL 370	61.00	7000	43.00	7000	100%	100%
108	TCOM14JUN330.00CE	47.00	9000	36.00	9000	100%	100%
109	TISC14JUN430.00CEW1	63.50	5000	42.50	5000	100%	100%
110	TITA14MAY270.00CEW4	52.85	8000	39.00	8000	100%	100%
111	UBIL14MAY120.00CEW2	28.50	10000	17.50	10000	100%	100%
112	UCOB14MAY60.00CEW3	19.90	20000	14.50	20000	100%	100%
113	UPHL14APR170.00CEW5	63.00	6000	47.00	6000	100%	100%
114	UPHL14JUL280.00CEW1	65.00	12000	46.50	12000	100%	100%
115	UPHL14JUN280.00CE	32.00	20000	22.00	20000	100%	67%
116	UPHL14MAY200.00CEW2	85.50	10000	76.50	10000	100%	100%
117	UPHL14MAY245.00CEW2	43.00	8000	24.70	8000	100%	100%
118	UPHL14MAY250.00CEW3	30.00	24000	17.15	24000	100%	100%
119	UPHL14MAY270.00CEW2	12.00	10000	2.00	10000	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)	% 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
120	VOL 17 APR 2014 CALL 130	35.00	16000	25.00	16000	100%	100%
121	YES 17 APR 2014 CALL 370	77.00	8000	46.00	8000	100%	100%
122	YESB14JUN520.00CE	39.50	9000	27.00	9000	100%	100%
123	YESB14JUN540.00CEW1	36.00	7000	20.00	7000	100%	100%
124	ZEEL14JUN250.00CE	36.00	10000	26.00	10000	100%	100%
125	ZEEL14MAY250.00CEW4	45.00	10000	30.00	10000	100%	100%
126	ZEEL14OCT260.00CEW1	57.50	5000	43.50	5000	100%	100%

6. By indulging in execution of aforesaid non-genuine reversal trades, the Noticee was alleged to have violated regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of the PFUTP Regulations, 2003, text of which has been reproduced below:-

"*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"

7. The aforesaid SCN was issued through Speed Post Acknowledgement Due (SPAD) to the Noticee on October 11, 2018 at the two addresses i.e. Jay Jyoti India Pvt Ltd, H No. 9 Bhojanagar, Indore, Madhya Pradesh, India, 452001 which was delivered to the Noticee on October 18, 2018 and Jay Jyoti India Pvt Ltd, C 39 Rajanigandha Co Op Hsg Soc, Goregaon West, Mumbai, Mumbai, 400062, which returned undelivered with remark, "Door Locked – Intimation served / unclaimed". SCN was also communicated / served to Noticee through email dated October 15, 2018 at email IDs: jayganga126@gmail.com; audia1234@gmail.com; audia123@gmail.com; avdia1234@gmail.com; darak757@gmail.com; jaijyoti10@rediffmail.com; jayjyoti10@rediffmail.com; jayjyoti10@rediffmail.com; sudhir_123@rediffmail.com, which was duly digitally signed by the undersigned. I note that at paragraph 12 of the SCN, the Noticee was advised "to furnish its reply, if any, towards the SCN within 14 days of its receipt, failing which, it shall be presumed that the Noticee has no reply to submit and the matter will be proceeded on the basis of the material available on record". However, no reply was received from the Noticee in respect of the SCN.

8. An opportunity of personal hearing was provided to the Noticee on November 15, 2018 *vide* Notice of Hearing dated November 02, 2018. Noticee vide email dated November 12, 2018, requested for all documents relied upon by SEBI in the captioned matter while issuing the said SCN. In this regard, Noticee was informed vide email dated November 13, 2018 that all information considered relevant for the purpose of the allegations levelled against the Noticee, including relevant extracts of the investigation report, trade and order log/data and other information collected during investigation which is relevant was provided to the Noticee in the SCN and Annexures thereto. No statements have been recorded in the matter. Therefore, Noticee was informed vide email dated November 13, 2018 that all relevant information and *requisite documents on the basis of which charges have been framed against the Noticee* have already

been provided to the Noticee. Another opportunity of hearing was provided to the Noticee on November 26, 2018 vide said email. Hearing on November 26, 2018 was attended by the Authorised Representative of the Noticee (AR) – Mr. Aditya Khanna. AR of the Noticee reiterated the submissions made in its reply dated November 15, 2018 and submitted that it will be providing additional submissions, before the next date of hearing i.e. on December 10, 2018. Accordingly, Noticee vide letter dated December 10, 2018 submitted the additional submissions i.e. details of transactions, contract notes and ledger statements. However, no one appeared on behalf of the Noticee on the given date i.e. December 10, 2018.

9. Noticee vide email dated November 22, 2018 submitted the scanned copy of its reply dated November 15, 2018. The submissions made by the Noticee are summarized below:-
    (a) The allegations in the SCN are denied.
    (b) SCN has not shown how its conduct has resulted in harming the interest of Investors or the securities market. It is difficult to understand as to how the trade and transactions executed on screen based trading through the price order matching mechanism of the Exchange, through a Broker without the knowledge who the counter party or his broker is, under the legal contract note and upon making payment of lawful consideration can be detrimental to the interest of other investors or the securities market. It is pertinent to note here that all the transactions are executed through the Broker under the valid and legal Contract Notes, and for which we have made payments of the lawful consideration through Cheques. Therefore all the transactions as mentioned in the Notice are incapable of doing any harm to the interest of investors or securities market.
    (c) We have neither directly nor indirectly used or employed, 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.

(d) We have neither directly nor indirectly employed 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.

(e) We have neither directly nor indirectly engaged in any act, practice, course of business which operates or would operate as fraud or deceit upon any personin 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.

(f) We have not dealt in securities in a fraudulent manner or indulged in an unfair trade practice, involving fraud. Further it is denied that we have by funding our own preferential allotment has created an appearance of receipt of funds for preferential allotment and has engaged in the fraudulent schemes of issuing warrants on a preferential basis without receipt of actual consideration from the allottees.

(g) We have not indulged in any act which creates false or misleading appearance of trading in the securities market.

(h) The Notice has not stated about any profit which has been made us. Therefore it will be unfair to subject us to unwarranted directions under PFUTP Regulations and the SEBI Act.These submissions assume more significance for the fact that on a screen based trading through the price order matching mechanism of the exchange, itis not possible for the party or its broker to know who the counter party is and when the trade is executed,their names or codes do not appear on the screen. A unique feature of the stock exchange is that the securities are bought and sold among the unknowns who never get to meet and they are traded at the price determined by the forces of demand and supply. In the instant case, no link between the parties has been established.

(i) It is submitted that serious allegation of violation of PFUTP Regulations cannot be alleged on the basis of mere surmises and conjectures and based on the erroneous interpretation of data, as has been done in the instant case. The same is also clear from the decisions given by various courts in numerous cases and relied on judgements of *Union of India vs. H.C. Geo/ (AIR 1964 SC 364} the Hon'ble Court*, *in L.D. Jaisinghan/ vs. Naraindas N Punjabi {1976) 1. SCC 354: AIR 1976 SC 373 at P.376, Hon'ble Court {Razikram vs. J.S. Chauhan - AIR 1975 SC 667: (1975) 4 SCC 769), Sea Customs Act and Land Customs Act (Ambalal vs. Union of India,AIR 1.961 SC 264) and Seth Gulabchand vs. Seth Kudilal (AIR 1966 SC 1734).*

CONSIDERATION OF ISSUES AND FINDINGS

10. The issues that arise for consideration in the instant matter are:

Issue No. I Whether reversal trades in illiquid Stock options carried out by the Noticee during the Investigation Period were in violation of regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of the PFUTP Regulations, 2003?

Issue No. II If yes, whether Noticee is liable for imposition of monetary penalty under Section 15HA of SEBI Act?

Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

Issue No. I **Whether reversal trades in illiquid Stock options carried out by the Noticee during the Investigation Period were in violation of regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of the PFUTP Regulations, 2003?**

11. The allegation that the Noticee carried out reversal trades is directly supported by evidence from the trade log records in Annexures B and C of the SCN.

Between April 11, 2014 and May 13, 2015, the Noticee is seen to have indulged in 260 reversal trades in 126 contracts.

12. To illustrate, on April 11, 2014, the Noticee bought 10000 units each from the counterparty - Geeta Sadhwani at Rs. 80 per unit of the contract named "ADE 17 APR 2014 CALL 390". Within 1 minute 29 seconds, the Noticee sold back 10000 units to the same counterparty - Geeta Sadhwani at Rs. 48.55 per unit in the same contract. There was a price difference of Rs.31.45 in the price of the same contract in less than 2 minutes. It is also noted that the orders for both trades were synchronized to the same second. It is noted that while dealing in the said contract during the investigation period, the Noticee executed a total of 2 trades (1 buy trade and 1 sell trade). This made up 100 % of the total market volume for this contract during the investigation period, thereby allegedly generating artificial volume of 20000 units.

13. A similar modus operandi is seen to have adopted by the Noticee with respect to trades on April 11, 15, 17, 23, 25, May 2, 5, 6, 7, 8, 9, 12, 14, 15, 20, 21, 22, 26, 27, 28, 29, 30, June 2, 4, 12, 13, 20, 23, 24, 25, 26, 27, 30, July 1, 11, September 3, 26, 30 and May 13, 2015 i.e on 39 days. It is also noted that out of 260 reversal trades, in 252 reversal trades the time difference between sell order and buy order was less than 1 second and in remain 8 reversal trades the time difference between sell order and buy order was less than 4 second. Therefore in all the 260 reversal trades the time difference between sell order and buy order was less than 1 minute indicating the buy and sell orders were synchronised in all the reversal trades.

14. Noticee in its reply submitted that it is difficult to understand as to how the trade and transactions executed on screen based trading through the price order matching mechanism of the Exchange, through a Broker without the knowledge who the counter party or his broker is, under the legal contract note and upon making payment of lawful consideration can be detrimental to the interest of other investors or the securities market. Noticee further submitted that it is

pertinent to note here that all the transactions are executed through the Broker under the valid and legal Contract Notes, and for which we have made payments of the lawful consideration through Cheques. Therefore all the transactions as mentioned in the Notice are incapable of doing any harm to the interest of investors or securities market. It had neither directly nor indirectly used or employed, 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 and not indulged in any act which creates false or misleading appearance of trading in the securities market. Further in a screen based trading through the price order matching mechanism of the exchange, it is not possible for the party or its broker to know who the counter party is and when the trade is executed, their names or codes do not appear on the screen.

15. I have considered the aforementioned submissions of the Noticee. At this juncture, I find it relevant to refer to the decision of the Hon'ble Supreme Court in the matter of Securities and Exchange Board of India v. Kishore R. Ajmera [(2016) 6 SCC 368 : AIR 2016 SC 1079] wherein, the Supreme Court has held, "…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. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned…."

16. I also find it relevant to refer to the decision of the Supreme Court in the matter of Securities and Exchange Board of India v. Rakhi Trading Private Limited (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 dated February 08, 2018) wherein, the Hon'ble Supreme Court while cumulatively analysing the reversal

transactions 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 hand only misleading appearance of trading in the securities market…..".

17. In this context, I note that buy and sell orders in all the 260 reversal trades were synchronized to seconds, with maximum time difference between sell order and buy order was less than 4 seconds. Applying the ratio of the Supreme Court in the matter of Kishore R. Ajmera (supra) and Rakhi Trading (supra), I note that while synchronised trades may occur by accident in a liquid stock, execution of synchronised trades in an illiquid market with anonymous trading indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. I am also of the view that there is also no justification for the wide variation in prices of the same contract within seconds, except for an element of pre-determination in the prices by both counterparties when reversing the trade. Thus, the nature of trading as brought out above clearly indicates an element of prior meeting of minds and hence collusion to carry out trades at pre-determined prices. Therefore the reliance on judgements of Union of India vs. H.C. Geo/ (AIR 1964 SC 364} the Hon'ble Court, in L.D. Jaisinghan/ vs. Naraindas N Punjabi {1976) 1. SCC 354: AIR 1976 SC 373 at P.376, Hon'ble Court {Razikram vs. J.S. Chauhan - AIR 1975 SC 667: (1975) 4 SCC 769), Sea Customs Act and Land Customs Act (Ambalal vs. Union of India,AIR 1.961 SC 264) and Seth Gulabchand vs. Seth Kudilal (AIR 1966 SC 1734) is not helpful to the Noticee.

18. I note that as stated in the SCN, the Noticee generated a total trading volume of 2596750 units through such reversal between April 11, 2014 and May 13, 2015 in 126 separate contracts as per the table reproduced below:-

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	ADE 17 APR 2014 CALL 320	136.00	8000	118.00	8000	100%	100%
2	ADE 17 APR 2014 CALL 380	71.00	8000	42.00	8000	100%	100%
3	ADE 17 APR 2014 CALL 390	80.00	10000	48.55	10000	100%	100%
4	ADEL APR 2014 CALL 390	59.45	6000	25.45	6000	100%	100%
5	ADEL14JUL410.00CEW1	48.00	9000	27.00	9000	100%	100%
6	ADEL14MAY480.00CEW4	55.00	5000	35.00	5000	100%	100%
7	ADEL14MAY480.00PEW2	64.50	8000	52.00	8000	100%	100%
8	AHEL14MAY800.00CEW2	151.00	3000	119.00	3000	100%	100%
9	ALBK14MAY70.00CEW2	35.50	16000	25.50	16000	100%	100%
10	ALBK14MAY75.00CEW2	20.85	16000	15.60	16000	100%	100%
11	APL 17 APR 2014 CALL 130	43.35	16000	31.00	16000	100%	100%
12	APLT14MAY140.00CEW3	38.35	8000	25.00	8000	100%	100%
13	ARV 17 APR 2014 CALL 150	42.00	16000	31.50	16000	100%	100%
14	ARVI14JUN200.00CE	36.00	18000	22.50	18000	100%	100%
15	BHEL14MAY160.00CEW3	34.35	6000	24.00	6000	100%	100%
16	BHEL14MAY240.00CEW4	35.00	12000	26.00	12000	100%	100%
17	BIOC APR 2014 PUT 540	71.00	10000	50.00	10000	100%	100%
18	BIOC14JUL500.00CEW1	34.00	16000	16.50	16000	100%	100%
19	BIOC14JUN430.00CEW2	63.00	9000	43.00	9000	100%	100%
20	BIOC14JUN460.00CE	64.50	12000	48.00	12000	100%	100%
21	BIOC14MAY440.00CEW3	37.50	8000	21.00	8000	100%	100%
22	BOBL14JUN820.00CEW1	69.00	10000	37.00	10000	100%	100%
23	BOBL14OCT820.00CEW1	87.00	2000	45.50	2000	100%	100%
24	BOI 17 APR 2014 CALL 200	37.00	8000	24.00	8000	100%	100%
25	BOIL14JUN250.00CEW3	63.00	10000	38.00	10000	100%	100%
26	BOIL14JUN260.00CEW1	66.50	10000	46.50	10000	100%	100%
27	BOIL14MAY200.00CEW3	46.00	8000	32.50	8000	100%	100%
28	BOIL14MAY240.00CEW3	42.00	7000	25.00	7000	100%	100%
29	BOIL14SEP250.00CEW1	47.50	6000	37.50	6000	100%	100%
30	BPCL APR 2014 PUT 520	40.00	6000	26.00	6000	100%	100%
31	BPCL14JUN500.00CE	61.00	5000	41.00	5000	100%	100%
32	BPCL14JUN530.00CE	41.00	7000	26.00	7000	100%	100%
33	BPCL14MAY460.00CEW3	64.00	6500	48.00	6500	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)	% 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
34	CANB14JUN400.00CE	33.45	10000	19.50	10000	100%	100%
35	CANB14JUN440.00CEW2	39.00	8000	23.00	8000	100%	50%
36	CANB14MAY220.00CEW2	90.99	17000	68.74	17000	100%	100%
37	CANB14MAY240.00CEW3	48.00	8000	35.00	8000	100%	100%
38	CANB14MAY260.00CEW2	27.85	8000	14.80	8000	100%	100%
39	CANB14MAY260.00CEW3	52.00	10000	41.80	10000	100%	100%
40	CENT14JUN480.00CE	58.90	6000	39.50	6000	100%	100%
41	CENT14JUN500.00CE	71.00	6000	53.00	6000	100%	100%
42	CENT14JUN520.00CEW2	44.50	10000	28.00	10000	100%	100%
43	CESC14JUL640.00CEW1	74.00	8000	42.50	8000	100%	100%
44	CESC14JUN540.00CE	75.00	7000	47.00	7000	100%	100%
45	CRGL14MAY160.00CE	28.25	10000	18.00	10000	100%	100%
46	DABU15MAY300.00PEW2	37.67	85000	26.28	85000	48%	32%
47	DLFL14JUL190.00CEW3	39.00	10000	19.85	10000	100%	100%
48	GAIL14JUN340.00CEW1	51.00	9000	39.00	9000	100%	100%
49	GAIL14MAY380.00CEW4	48.00	6000	32.00	6000	100%	100%
50	HDIL14MAY45.00CEW3	29.35	16000	20.90	16000	100%	100%
51	HNDL14MAY110.00CEW2	31.40	20000	21.50	20000	100%	100%
52	HNDL14MAY130.00CE	23.25	10000	13.25	10000	100%	100%
53	HPCL14JUN400.00CEW1	17.90	7000	6.75	7000	100%	100%
54	IBRL14MAY55.00CEW3	12.20	24000	8.25	24000	100%	100%
55	IDFC14MAY90.00CEW3	25.90	10000	19.00	10000	100%	100%
56	IIBK14JUN500.00CEW1	48.50	10000	30.00	10000	100%	100%
57	INGL14JUL300.00CEW1	62.00	10000	46.50	10000	100%	100%
58	INGL14JUN300.00CE	50.50	10000	35.50	10000	100%	100%
59	IRB 17 APR 2014 CALL 95	20.60	20000	15.60	20000	100%	100%
60	IRBI14MAY90.00CEW2	35.40	12000	26.90	12000	100%	100%
61	ITCL14JUN390.00PE	71.00	12000	53.00	12000	100%	100%
62	JISL14JUL90.00CEW3	27.00	20000	16.00	20000	100%	100%
63	JISL14MAY70.00CEW3	23.60	16000	16.90	16000	100%	100%
64	JSP 17 APR 2014 CALL 230	55.00	7000	40.00	7000	100%	100%
65	JSPL14MAY270.00CE	40.00	15000	26.67	15000	100%	100%
66	JUST14MAY1380.00PEW2	338.00	2125	273.00	2125	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)	% 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
67	JUST14MAY810.00CEW2	265.00	1250	180.00	1250	100%	100%
68	KARB14MAY100.00CEW3	33.00	14000	26.00	14000	100%	100%
69	KARB14MAY120.00CE	31.00	6000	21.00	6000	100%	100%
70	KOTB14JUN820.00CEW1	66.00	3500	35.50	3500	100%	100%
71	LICH14JUN280.00CE	46.00	11000	36.00	11000	100%	100%
72	LICH14MAY280.00CE	44.00	5000	28.00	5000	100%	100%
73	LICH14OCT280.00CEW1	51.00	10000	37.50	10000	100%	100%
74	MCRS14MAY250.00CE	38.00	3000	21.00	3000	100%	100%
75	MFSL14JUN230.00CE	53.00	9000	42.50	9000	100%	100%
76	MFSL14MAY240.00CEW4	60.00	8000	47.00	8000	100%	100%
77	MPSL14JUL220.00CEW3	50.00	10000	30.40	10000	100%	100%
78	MPSL14MAY200.00CE	21.95	24000	13.72	24000	100%	100%
79	OBNK APR 2014 CALL 200	45.00	10000	35.00	10000	100%	100%
80	OBNK14APR200.00CEW5	50.50	10000	40.20	10000	100%	100%
81	OBNK14JUN270.00CE	42.50	20000	29.00	20000	100%	100%
82	OBNK14JUN290.00CEW3	64.00	10000	37.00	10000	100%	100%
83	ONGC14JUN360.00CE	59.00	10000	47.00	10000	100%	100%
84	ONGC14JUN400.00CE	46.00	10000	33.00	10000	100%	100%
85	ONGC14MAY300.00CEW2	40.90	7000	30.00	7000	100%	100%
86	PFCL14JUL270.00CEW1	46.50	12000	30.00	12000	100%	100%
87	PFCL14JUN250.00CE	66.00	10000	44.50	10000	100%	100%
88	PFCL14JUN270.00CE	32.00	16000	22.00	16000	100%	100%
89	PFCL14JUN280.00CE	44.50	16000	32.50	16000	100%	100%
90	PFCL14MAY175.00CEW3	37.55	10000	29.50	10000	100%	100%
91	PLNG14MAY130.00CE	25.50	8000	15.00	8000	100%	100%
92	PNBK14OCT800.00CEW1	91.50	2500	45.50	2500	100%	100%
93	RANB APR 2014 CALL 410	72.00	10000	56.00	10000	100%	100%
94	RECL14JUN290.00CEW1	51.00	10000	31.00	10000	100%	50%
95	RECL14JUN300.00CE	48.50	10000	38.00	10000	100%	100%
96	RECL14JUN310.00CEW3	50.00	10000	26.85	10000	100%	100%
97	RECL14MAY300.00CE	43.50	12000	27.00	12000	100%	100%
98	RECL14MAY300.00CEW4	40.00	6000	19.00	6000	100%	100%
99	RELI14MAY840.00CE	132.30	5000	56.65	5000	100%	54%

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
100	RLNF14JUN660.00CE	74.00	7000	45.00	7000	100%	100%
101	SHTF APR 2014 CALL 640	192.00	4500	146.00	4500	100%	100%
102	SUNT14JUN380.00CEW1	44.00	5000	24.00	5000	100%	100%
103	SUNT14MAY380.00CEW4	53.00	8000	28.00	8000	100%	100%
104	SYND14JUN130.00CEW3	36.00	12000	25.00	12000	100%	100%
105	SYND14MAY85.00CEW2	23.50	16000	14.20	16000	100%	100%
106	SYND14MAY90.00CEW3	27.50	12000	19.00	12000	100%	100%
107	TAM 17 APR 2014 CALL 370	61.00	7000	43.00	7000	100%	100%
108	TCOM14JUN330.00CE	47.00	9000	36.00	9000	100%	100%
109	TISC14JUN430.00CEW1	63.50	5000	42.50	5000	100%	100%
110	TITA14MAY270.00CEW4	52.85	8000	39.00	8000	100%	100%
111	UBIL14MAY120.00CEW2	28.50	10000	17.50	10000	100%	100%
112	UCOB14MAY60.00CEW3	19.90	20000	14.50	20000	100%	100%
113	UPHL14APR170.00CEW5	63.00	6000	47.00	6000	100%	100%
114	UPHL14JUL280.00CEW1	65.00	12000	46.50	12000	100%	100%
115	UPHL14JUN280.00CE	32.00	20000	22.00	20000	100%	67%
116	UPHL14MAY200.00CEW2	85.50	10000	76.50	10000	100%	100%
117	UPHL14MAY245.00CEW2	43.00	8000	24.70	8000	100%	100%
118	UPHL14MAY250.00CEW3	30.00	24000	17.15	24000	100%	100%
119	UPHL14MAY270.00CEW2	12.00	10000	2.00	10000	100%	100%
120	VOL 17 APR 2014 CALL 130	35.00	16000	25.00	16000	100%	100%
121	YES 17 APR 2014 CALL 370	77.00	8000	46.00	8000	100%	100%
122	YESB14JUN520.00CE	39.50	9000	27.00	9000	100%	100%
123	YESB14JUN540.00CEW1	36.00	7000	20.00	7000	100%	100%
124	ZEEL14JUN250.00CE	36.00	10000	26.00	10000	100%	100%
125	ZEEL14MAY250.00CEW4	45.00	10000	30.00	10000	100%	100%
126	ZEEL14OCT260.00CEW1	57.50	5000	43.50	5000	100%	100%

19. From the table above, I note that the Noticee on average contributed 98% of the volume in the 126 contracts traded, which established that there was negligible public participation in the contracts.

20. The manner of placing buy and sell orders in a synchronised manner within seconds of each other, reversal of the trades within a short time on the same day, and wide variation in prices of the trades in the same contract in a short time without any basis for such wide variation, all indicate that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in respective contracts. By engaging in such trades, the Noticee violated provisions of Regulation 4(2)(a) of PFUTP Regulations, 2003 which states that dealing in securities will be deemed to be a fraudulent and unfair trade practice if it involves "*indulging in an act which creates false or misleading appearance of trading in the securities market*".

21. The Noticee, by engaging in non-genuine transactions which created a misleading impression of trading in respective contracts, dealt in the stock options contracts in a fraudulent manner in violation of Regulation 3(a) and 4(1) of the PFUTP Regulations, 2003.

22. I find it relevant to note here that in the matter of ***Securities and Exchange Board of India*** v. ***Rakhi Trading Private Limited*** (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 08, 2018), which was a similar case involving execution of reversal trades in index options, the Hon'ble Supreme Court observed that "…*the traders thus 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…"*

Issue No. II **If yes, whether Noticee is liable for imposition of monetary penalty under Section 15HA of SEBI Act?**

&

Issue No. III **If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the**

factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

23. As it has been established that the Noticee violated provisions of Regulations 3(a), 4(1) and 4(2) (a) of the PFUTP Regulations, 2003; hence the Noticee is liable for imposition of monetary penalty under Section 15 HA of the SEBI Act.

24. While determining the quantum of penalty under Section 15HA of the SEBI Act, the following factors stipulated in Section 15J of the SEBI Act, have to be given due regard:

    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.

25. As established above, the trades by the Noticee were non genuine in nature and created a misleading appearance of trading. I note that the trading was in illiquid stock option contracts where there was nil or negligible participation by the public. Investigation has shown amount of profit / loss of the counterparties to the trades as a result of the non-genuine trades. However, considering that 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 two counterparties in totality. When the impact of artificial volumes created by the two counterparties is seen as a whole, it is not possible from material available on record to quantify the amount of disproportionate gain or unfair advantage resulting from the artificial trades between the counterparties or the consequent loss caused to investors as a result of the default. I further note that the Noticee contributed around 0.09% of the artificial reversal trades in the market during the Investigation Period.

26. The Noticee has contributed to artificial volumes in 126 contracts through 260 reversal trades on 39 days during the Investigation Period. Therefore, taking into account the facts and circumstances of this matter, and the proportion of trading by the Noticee as compared to the total volume of reversal trades in the market during the Investigation Period, I am of the view that a penalty of ₹25,00,000/- will be commensurate with the violations committed by the Noticee.

ORDER

27. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15I (2) of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a penalty of ₹25,00,000/- (Rupees Twenty Five Lakh only) upon the Noticee, i.e. Jay Jyoti India Pvt Ltd, under Section 15HA of the SEBI Act, for violation of regulations 3(a), 4(1), 4(2)(a) of the PFUTP Regulations, 2003.

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

Account No. for remittance of penalties levied by Adjudication Officer	
Bank Name	State Bank of India
Branch	Bandra-Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No.	31465271959

29. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid to the Enforcement Department – Division of Regulatory Action – I of SEBI. The Noticee shall provide the following details while forwarding DD/ payment information:

   a) Name and PAN of the entity (Noticee)

b) Name of the case / matter
c) Purpose of Payment – Payment of penalty under AO proceedings
d) Bank Name and Account Number
e) Transaction Number

30. Copies of this Adjudication Order is being sent to the Noticee and also to SEBI in terms of Rule 6 of the Adjudication Rules.

DATE: DECEMBER 28, 2018
PLACE: MUMBAI

MANINDER CHEEMA
ADJUDICATING OFFICER