

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/BS/RG/2023-24/28442]**

**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:

Saroj Devi Bajoria

PAN: ADHPB8727F

In the matter of dealing in Illiquid Stocks Options at BSE

A. FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”), observed large scale reversal of trades in the Illiquid Stock Options (hereinafter referred to as “**ISO**”) segment of Bombay Stock Exchange (hereinafter referred to as “**BSE**”) leading to creation of artificial volume. Reversal trades are those trades in which an entity reverse its buy or sell positions in a contract with subsequent sell or buy position with the same counter party. The said reversal trades are alleged to be non-genuine trades as they lack basic trading rationale and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume. In view of the same, such reversal trades are alleged to be deceptive and manipulative in nature. On account of the same, SEBI conducted an investigation into the trading activities of certain entities in Illiquid Stock Options at BSE for the period April 1, 2014 to September 30, 2015 (hereinafter referred to as “**Investigation Period/IP**”)

2. Pursuant to investigation by SEBI, it was observed that during IP, total 2,91,744 trades comprising substantial 81.38% of all the trades executed in Stock Options of BSE were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's Stock Options segment during the investigation period. The proceedings initiated against a first set of 59 entities, were disposed off vide final Order dated April 05, 2018, without any further directions, observing that the Adjudicating Officer shall continue the proceedings in accordance with the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "**SEBI Act**") and SEBI (Procedure for Holding and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**Adjudication Rules**") and pass appropriate order on merits.
3. In the meantime, the Hon'ble Securities Appellate Tribunal (SAT), vide its Order dated October 14, 2019, in the case of R. S. Ispat Ltd Vs SEBI, *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*".
4. Accordingly, a Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided a one-time opportunity for settlement of proceedings in the Illiquid Stock Options matters. The said scheme was kept open from August 01, 2020 till December 31, 2020. Finally, adjudication proceedings were initiated against those entities who did not avail the opportunity of settlement. It was observed that **Ms. Saroj Devi Bajoria** (hereinafter referred to as the "**Noticee**") was one of the various entities who indulged in execution of reversal trades in Stock Options segment of BSE during the Investigation Period. As the Noticee did not avail the opportunity for settlement, SEBI initiated adjudication proceedings against the Noticee for 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 relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

5. It was alleged that the Noticee was one of the entities that indulged in creating artificial volume of 2,38,000 units through 3 non-genuine trades in 1 Stock Option contract. The aforesaid reversal trade occurred through the dealings of the Noticee in one contract viz. “UNIT14SEP30.00CEW3” during the investigation period is illustrated as follows:
- a. During the investigation period, 3 trades for 1,02,000 units, 17,000 units and 1,19,000 units were executed by the Noticee in the said contract on September 12, 2014.
 - b. While dealing in the said contract on September 12, 2014, at 15:01:56 hours, the Noticee entered into two sell trades with the counterparty Tarang Stock Broking Pvt. Ltd. for 1,02,000 units at Rs. 1.05/- per unit and for 17,000 units at Rs. 0.5/- per unit. At 15:18:51 hours, the Noticee entered into a buy trade with the same counterparty for 1,19,000 units at Rs. 0.1/- per unit.
 - c. The Noticee’s 3 trades while dealing in the abovementioned contract during the investigation period generated artificial volume of 2,38,000 units, which made up 20.59% of total market volume in the said contract during this period.
6. In view of the foregoing, it was alleged that the Noticee had entered into a reversal trade in BSE ISO and this reversal trade was non-genuine in nature. Such trade created false and misleading appearance of trading leading to artificial volume in Stock Options and therefore were manipulative and deceptive in nature. The Noticee was alleged to have violated regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) of PFUTP Regulations.
7. During the course of the hearing in a group of appeals, the Hon’ble SAT, vide its Order dated May 13, 2022, inter alia held that “SEBI should reconsider and seriously give a thought in coming out with a fresh Scheme under Clause 26 of the Settlement Regulations, 2018. Such scheme can be a onetime scheme for this

class of person. The terms of settlement should be attractive so that it could attract the noticees/entities to come forward and settle the matter which will ameliorate the harassment of penalty proceedings to the noticees and at the same time would help to clear the backlog of these pending matters before various AOs”.

8. Accordingly, SEBI introduced a Settlement Scheme i.e. SEBI Settlement Scheme, 2022 (hereinafter referred to as “**Settlement Scheme 2022**”) in terms of Regulation 26 of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”). The Scheme provided a onetime opportunity to the entities against whom proceedings had been initiated and appeals against the said proceedings are pending before any forum or authority.
9. I note that Noticee did not avail settlement under the Settlement Scheme in 2020 or 2022 and therefore, Adjudication proceedings have been revived against the Noticee.

B. APPOINTMENT OF ADJUDICATING OFFICER

10. Vide an order of the Competent Authority, SEBI, dated July 06, 2021, SEBI initiated adjudication under Section 15-I of SEBI Act read with Rule 3 of Adjudication Rules to inquire and adjudge under section 15HA of SEBI Act. Subsequently, the undersigned was appointed as the Adjudicating Officer vide communique dated April 24, 2023.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

11. Based on the findings by SEBI, Show Cause Notice dated January 28, 2022 (hereinafter referred to as “**SCN**”) was issued to the Noticee under Rule 4(1) of Adjudication Rules to show cause as to why an inquiry should not be held and penalty should not be imposed on 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. The aforesaid SCN was served upon the Noticee through Speed Post Acknowledgement Due (hereinafter referred to as “SPAD”).

The chronology of facts regarding the adjudication proceedings is stated below:

Date	Remark
July 06, 2021	Appointment of Shri Anshuman Das as the Adjudicating Officer.
January 28, 2022	SCN dated January 28, 2022 was served upon the Noticee through SPAD on 08 February, 2022 and through digitally signed email on 15 February, 2022.
February 24, 2022	The Noticee filed her reply to the SCN wherein the trades mentioned in the SCN were denied by the Noticee.
August 08, 2022	SEBI, vide a letter dated August 08, 2022, informed the Noticee about Settlement Scheme 2022 and the letter was served upon the Noticee through digitally signed email on August 16, 2022 and through SPAD on August 16, 2022.
November 15, 2022	The Noticee responded to the SEBI's letter dated August 08, 2022 wherein the trades mentioned in the SCN were denied by the Noticee.
December 22, 2022	The Noticee, vide a letter, disputed the trades mentioned in the SCN and expressed here unwillingness to avail the Settlement Scheme 2022.
April 24, 2023	The undersigned was appointed as the Adjudicating Officer in the captioned matter.
May 04, 2023	Hearing Notice was issued in the captioned matter for the hearing scheduled on May 17, 2023 and delivered to the Noticee through email on 09 May, 2023 and through SPAD on 15 May, 2023.
May 17, 2023	The AR of the Noticee appeared for hearing and reiterated the submissions made vide their letters dated February 24, 2022, November 15, 2022 and December 22, 2022.

12. In response to SCN, the Noticee vide her letters dated February 24, 2022, November 15, 2022 and December 22, 2022, submitted the following:

- i. The Noticee has not purchased any units in the contract UNIT14SEP30.00CEW3.*
- ii. The Noticee does not hold any trading account with Tarang Stock Broking Services Ltd.*
- iii. There were no transactions in Financial 2014-15 from the Noticee's trading account held with Eureka Stock and Share Broking Services Ltd.*
- iv. The Noticee's trading code is active only in cash segment and not active in Future & Option segment.*

D. CONSIDERATION OF ISSUES AND EVIDENCE

13. I have carefully perused the charges levelled against the Noticee in the SCN, its reply and the material / documents available on record. In the instant matter, the following issues arise for consideration and determination:-

- I. Whether the Noticee has violated regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) of PFUTP Regulations?
- II. Do the violations, if any, on the 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?

14. Before proceeding further, I would like to refer to the relevant provisions of the PFUTP Regulations:

Relevant provisions of PFUTP Regulations

Regulation 3: No person shall directly or indirectly –

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a 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 thereunder;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a 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.*

Regulation 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;*

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

15. Before I proceed with the consideration of the substantive allegations made in the SCN, it shall be relevant to, at first, address certain contentions raised by the Noticee with respect to its claim that the trades mentioned in the SCN were not executed by the Noticee. In this respect, SEBI vide an email dated 22 November, 2022 asked Bombay Stock Exchange (hereinafter referred to as “BSE”) to recheck

the trade details mentioned in the SCN. BSE, vide their email dated 23 November, 2022, provided the details of trades executed from the Noticee's account wherein it was confirmed that the trades mentioned in the SCN were indeed executed from the Noticee's account. I note that since the Noticee is the owner of the trading account through which the impugned trades were carried out, therefore, the Noticee cannot deny the trades.

16. Further, the Notice has contended that no transactions were executed in Financial 2014-15 from the Noticee's trading account held with Eureka Stock and Share Broking Services Ltd. In this regards, I would like to note that impugned trades mentioned in the SCN were executed from the Noticee's trading account held with Lalit Kumar Tulshyan. Hence the Noticee's submission is without any merits. It is also pertinent to mention that the Noticee has not initiated any legal proceedings against the broker. This aspect strengthens the allegations against the Noticee.

17. Having addressed the above question, I shall now proceed with the consideration of the allegations made in the SCN.

18. I note from the documents on record that the Noticee was one of the entities who had indulged in creating artificial volume of 2,38,000 units through 3 non-genuine trades in 1 Stock Option contract during the IP.

19. The summary of trades is given below:

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	G	H
UNIT14SEP30.00CEW3	0.1	1,19,000	0.775	1,19,000	100.00	20.59

20. To illustrate, on September 12, 2014, the Noticee entered into two sell trades at 15:01:56 hours, for 1,02,000 units at Rs. 1.05/- per unit and for 17,000 units at Rs. 0.5/- per unit with the counterparty Tarang Stock Broking Services Pvt. Ltd., for the contract named UNIT14SEP30.00CEW3. Thereafter, on the same day, at 15:18:51 hours, the Noticee entered into a buy trade with the same counterparty for 1,19,000 units at Rs. 0.1/- per unit. It is noted that while dealing in the said contract during the IP, Noticee executed total 3 trades (2 sell trades and 1 buy trade) with same counterparty viz, counterparty Tarang Stock Broking Services Pvt. Ltd. on the same day and with significant price difference in buy and sell trades. Thus, the Noticee, through its dealing in the contract viz, UNIT14SEP30.00CEW3 during the IP, executed 3 non-genuine trades and thereby, the Noticee generated artificial volume of 2,38,000 units. Also, the Noticee had bought at ₹0.1 per unit within a short span of time she bought the same at an average price of ₹0.775 per unit which indicate that this trade was definitely non-genuine trade.

21. It is not a mere coincidence that Noticee could match its trade with the same counterparty with whom she had undertaken first leg of the trade. This is the outcome of meeting of minds elsewhere and it was a deliberate attempt to deal in such a fashion. Here I would like to rely on the judgment of Hon'ble Supreme Court in SEBI v Kishore R Ajmera (AIR 2016 SC 1079), wherein it was 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."* It was further held 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.”

22. The trading behavior as noted above make it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level. In this regard, reliance is placed on 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 on similar factual situation, which interalia states 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.....”*

23. Thus, placing reliance on the aforesaid judgements and considering preponderance of probabilities, I find that the Noticee executed non-genuine trades in collusion with its counterparty in the aforesaid Illiquid Stock Options contracts and thereby abused the stock market platform by creating false and misleading appearance of trading.

24. 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 stand established.

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

25. The Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC) 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..."*.

26. Thus, the above violations makes the Noticee liable under section 15HA of SEBI Act, which reads as follows:

15HA Penalty for Fraudulent and Unfair trade practices

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

Issue 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?

27. While determining the quantum of penalty under Section 15HA of the SEBI Act, it is important to consider the factors relevantly as stipulated in Section 15J of the SEBI Act which read as under:-

Section 15J - Factors to be taken into account by the adjudicating officer
While adjudging quantum of penalty under section 15, 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.*

28. 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 said Noticee. However, considering that the violation by the Noticee led to creation of artificial trading volumes which had the effect of distorting the market mechanism in the Illiquid 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.

E. ORDER

29. In view of the above, after considering all the facts and circumstances of the case and the factors mentioned in the provisions of section 15-J of the SEBI Act, I, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, conclude that the violations alleged against the Noticee stands established in terms of the provisions of the SEBI Act. Hence, in view of the charges established under the provisions of the SEBI Act, I, hereby impose a monetary penalty of ₹ 5,00,000/- (Rupees Five Lakh only) on the Noticee, under Section 15HA of SEBI Act for violation of Regulations 3(a), (b), (c) and (d),

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

30. The Noticee shall remit/pay the said total amount of penalty jointly and 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; or by using the web link <https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html>. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

31. The said confirmation of e-payment made in the format as given in table below should be sent to "The Division Chief, EFD1 – DRA - 4, Securities and Exchange Board of India, SEBI Bhavan 2, Plot no.C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051" and also to e-mail id:- tad@sebi.gov.in.

32. 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.

33. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to SEBI.

Date: July 31, 2023
Place: Mumbai

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ADJUDICATING OFFICER