BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/AS/DP/2025-26/31374]

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:

Enarzier Commerce Pvt. Ltd.

(PAN: AAACE5701B)

In the matter of dealing in Illiquid Stocks Options at BSE

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 the trades in which an entity reverses 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 leading to 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, a total of 2,91,744 trades comprising substantial 81.40% 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. It was observed that Enarzier Commerce Pvt. Ltd. (PAN – AAACE5701B) (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 IP. Such trades were alleged to be non-genuine in nature and created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore were alleged to be manipulative and deceptive in nature. In view of the same, SEBI initiated adjudication proceedings against the Noticee for alleged violation of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI appointed Ms. Deepti Agrawal as Adjudicating Officer (AO) in the matter vide communique dated June 28, 2021, under Section 19 read with Section 15-I of SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") to inquire and adjudge under section 15HA of SEBI Act. Pursuant to transfer of cases, the undersigned was appointed as Adjudicating Officer in the matter vide communique dated September 06, 2024.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Based on the findings by SEBI, Show Cause Notice dated August 24, 2021 (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 it for the alleged violations of the provisions of

Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations for the indulging in reversal trades. .

5. It was alleged in the SCN that the Noticee had executed 2 non genuine trades in 1 Stock Options Contract. Summary of dealings of the Noticee in the said Options contracts, in which the Noticee allegedly executed non-genuine trades during the I.P, is as follows:

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
DISH15MAR95.00CEW3	**1.4**	**2940000**	**0.15**	**2940000**	**100.00**	**70.61**

6. The aforesaid reversal trade is illustrated through the dealings of the Noticee in one contract viz. " **DISH15MAR95.00CEW3**" during the investigation period as follows:
   a. During the investigation period, 2 trades for 5880000 units were executed by the Noticee in the said contract on March 16, 2015.
   b. While dealing in the said contract on March 16, 2015, at 13:55:57.92 hours, the Noticee entered into a buy trade with the counterparty Shree Hanuman Loha Limited for 2940000 units at Rs. 1.4/- per unit. The Noticee entered into a sell trade with the same counterparty at 14:25:39.89 hours for 2940000 units at Rs. 015/- per unit.
   c. The Noticee's two trades while dealing in the abovementioned contract during the investigation period generated artificial volume of 5880000 units, which

constituted 70.61% of total market volume in the said contract during this period.

7. The aforesaid SCN returned undelivered with the remark “insufficient address”.

8. Vide Post SCN Intimation (PSI), dated August 10, 2022, Noticee was informed 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 Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”). It was further informed that the Settlement Scheme, 2022 provided a one time opportunity to the entities against whom proceedings had been initiated and appeals against the said proceedings are pending before any forum or authority. The scheme commenced from August 22, 2022 and closed on November 21, 2022.

9. Pursuant to that, vide public notice dated November 21, 2022, it was advertised/informed that “*Considering the interest of entities in availing the Scheme, the competent authority has extended the period of the Scheme till January 21, 2023*”. The said PSI returned undelivered with the remark “address could not be located”.

10. It was observed that Noticee did not avail the Settlement Scheme 2022, in view of which, the adjudication proceeding against the Noticee was resumed.

11. Subsequently, second Post SCN Intimation (PSI) dated March 06, 2024, was issued to the Noticee wherein it was informed to the Noticee that SEBI introduced another Settlement Scheme i.e. SEBI Settlement Scheme, 2024 (hereinafter referred to as “**Settlement Scheme 2024**”) in terms of Regulation 26 of Settlement Regulations. It was informed that the Settlement Scheme, 2024 provided opportunity to the entities against whom proceedings had been initiated and

appeals against the said proceedings are pending before any forum or authority. The scheme commenced from March 11, 2024 to May 10, 2024.

12. Further, vide Public Notice dated May 08, 2024, the Settlement Scheme 2024 was extended till June 10, 2024 by SEBI. The said PSI returned undelivered.

13. However, Noticee did not avail the settlement scheme and therefore, the adjudication proceedings against the Noticee were resumed.

14. Since, SCN and PSIs could not be served on the Noticee, in terms of Rule 7 of Adjudication Rules, the SCN and Hearing Notice were served to the Noticee by way of publication in newspapers where the Noticee was last known to have resided. Therefore, the notice regarding issuance of SCN and Hearing Notice was published in the Times of India (English), Sanmarg (Hindi) and Aajkal (Bengali) in the Kolkata editions on November 28, 2024. It was also published in the said newspaper publications that the SCN has been published / uploaded on www.sebi.gov.in under the section “Enforcement: Unserved Summons/ Notices” and Noticee was advised to submit his reply to the SCN within 14 days from the date of the said publication. Vide the said newspaper publication, an opportunity of personal hearing was also granted to the Noticee on December 02, 2024 in person at ‘SEBI Bhavan II, C-7, G Block, BKC, Bandra (E) Mumbai 400051’ or if Noticees so desire, through online platform.

15. Vide letter dated December 3, 2024, Noticee forwarded reply to the SCN. The key submissions made by the Noticee vide said letter are as follows:
    a. *The Noticee contended that the SCN has been issued after an inordinate delay of 6 years. The SCN does not provide any explanation to justify the inordinate and unconscionable delay. In this regard, the Noticee quoted from Hon’ble Supreme Court’s decision in the matter of Mohamad Kavi Mohamad Amin v Fatmabai Ibrahim [(1997) 6 SCC 71] and also from various decisions of Hon’ble SAT, including Rajeev Bhanot & Others v SEBI [Appeal No. 396 /*

2018] and Rakesh Kathotia & Others v SEBI in Appeal No. 7 of 2016 decided by SAT on May 27, 2019.

b. *SEBI has issued SCN in the present case without any direct evidence against the Noticee without allowing the cross examination of trading members and without having any complaints of fraud in 2014 and 2015.*
c. *No adverse inference could be drawn against the Noticee as BSE had introduced trading in options. The notice acted in good faith based on the representations of the broker.*
d. *Noticee has requested for certain documents, data and cross examination of counterparties, BSE, SEBI investigation team, and counterparty broker, which has not been provided to the Noticee, and has caused Noticee grave prejudice. Noticee has further submitted that investigation report is yet to be provided and inspection is also incomplete.*
e. *It should be noted that the PFUTP Regulations in the present case are serious offences against the company which require evidence of 'fraud or deceit' to be carved out and attributed against the Noticee as they are not just ordinary default.*
f. *Noticee contended that Provisions of PFUTP Regulations do not apply to investors and SEBI is not empowered to punish investors.*
g. *There is no connection between the Noticee and the counter parties, the trades were matched through exchange's anonymous electronic order matching. Further, the SCN has failed to show any connection between the Noticee and the counter parties of the trade. As the counterparty was unknown, there was no meeting of minds. The Noticee has relied upon and quoted Hon'ble SAT's judgements in the matter of Nishit M Shah HUF v SEBI dated January 16, 2020 (Appeal No. 97 of 2019) and also the cases of S P J Stock Brokers Private Limited and H B Stockholdings Limited*
h. *They is no prohibition in law for the so called reversal of trades. As they are permissible trades.*
i. *BSE and Clearing Corporations are responsible for such trades.*

j. *Noticee stated that he is unable to trace from records whether the trades were undertaken by Noticee or on Noticee's behalf.*

k. *Noticee contended that the SCN issued by SEBI is unconstitutional and against the object clause of SEBI Act, 1992, as it has initiated investigation against an investor, based on pure conjectures and surmises.*

l. *Besides recording common allegations against the Noticee, no observation on Noticee's specific role in alleged reversal has been mentioned in the Show Cause Notice. That this approach is bad in law.*

m. *BSE, vide Notice No. 20160308-33 dated March 08, 2016, announced that it has introduced measure for prevention of reversal trades in Equity Derivative Segment w.e.f. from March 14, 2016. Thus, in case of potential reversal trade, second leg (latest leg) of a reversal trade shall automatically be cancelled by exchange in an on-line real time basis on trading system. The Noticee submitted that because on-line preventive measure and check & balance did not exist at relevant point of time to avoid inadvertent reversal trades, the reversal trades could not be considered as unlawful at the time when trades were executed.*

n. *Noticee contended that it was responsibility of brokers to stop any manipulative trades and has enclosed SEBI Circular ISD/CIR/RR/AML/1/06 dated January 18, 2006; Subject: Guidelines on Anti Money Laundering Standards, for reference. The Noticee relied upon and quoted Hon'ble SAT's judgement in the case of Marwadi Shares & Finance Limited v SEBI*

o. *Noticee submitted that SEBI has failed to protect the interest of investors by not charging BSE and the broker.*

p. *Noticee contended that Regulations 3(a), (b),(c),(d) and 4(1), 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 did not apply to the investors before the 2019 amendment of Section 11B of SEBI Act, 1992. Hence, the same are also not applicable to the Noticee.*

16. Vide hearing notice dated January 01, 2025, Noticee was granted opportunity of hearing on January 08, 2025. The AR of the Noticee appeared for the hearing on January 08, 2025 and reiterated the submissions made vide reply dated December 03, 2024.

CONSIDERATION OF ISSUES AND EVIDENCE

17. 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) and 4(1) and 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?***

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

3. Prohibition of certain dealings in securities

No person shall directly or indirectly –

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

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

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

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognised stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

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

19. Before proceeding to the merits of the case, it is pertinent to deal with the preliminary contentions with respect to delay raised by Noticee. In this regard, I note that pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, Interim order was passed by SEBI on August 20, 2015 which was confirmed vide Orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation relating to stock options segment of BSE which was completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock option segment during the investigation period. The proceedings initiated vide the aforementioned Interim Order were disposed of vide Final Order dated April 05, 2018 also considering that appropriate action was initiated against the said 14,720 entities in a phased manner. During the course of hearing in the case of R. S. Ispat Ltd Vs SEBI, the Hon'ble Securities Appellate Tribunal (SAT), vide its Order dated October 14, 2019, inter alia observed that "SEBI may consider holding a Lok Adalat

or adopting any other alternative dispute resolution process with regard to the Illiquid Stock Options".

20. A Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided one-time opportunity for settlement of proceedings in the Illiquid Stock Options matter. The said scheme was kept open from August 01, 2020 till December 31, 2020. Adjudication proceedings were initiated against those entities who had not availed of the opportunity of settlement. Further, another settlement scheme i.e. Settlement Scheme 2022 was introduced from August 22, 2022 to November 21, 2022. Finally, third settlement scheme i.e. Settlement Scheme 2024 was introduced from March 11, 2024 till June 10, 2024.

21. It is further noted that there are no timelines prescribed in the SEBI Act, 1992 for the purpose of identifying trades as non-genuine. In this regard, it is pertinent to note that, in the matter of SEBI Vs Bhavesh Pabari (2019) SCC Online SC 294, the Hon'ble Supreme Court of India has, inter alia, held that:
"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."

22. As can be seen from the narration of facts in the foregoing paragraphs, pursuant to appointment of AO on June 28, 2021, SCN dated August 24, 2021 was issued to the Noticee, vide PSI dated August 10, 2022 , Noticee was informed about the second Settlement Scheme 2022. Subsequently, the Noticee was informed regarding the Settlement Scheme 2024 vide PSI dated March 06, 2024. As the Noticee had not availed the third settlement scheme, he was provided an opportunity of personal hearing on January 08, 2025 vide notice dated January 01, 2025. Hence, there has been no delay as alleged by the Noticee.

23. The Noticee contended that cross-examination of counter-party and relevant officials of the BSE would enable Noticee to demonstrate that there was nothing amiss in its trade as they were settled in the normal course of business by the BSE. The Noticee has placed reliance on the Hon'ble Supreme Court's judgement in the case of Trilok Nath vs. Union of India [1967 SLR 759] and Hon'ble SAT's ruling in Ramalinga Raju case [SAT appeal 286 of 2014] in support of contentions in relation to cross-examination. I note that copy of relevant extracts of the investigation report was provided to the Noticee along with the SCN dated August 08, 2022. Further, it is stated that the question of cross-examining anyone may arise only if a proceeding is based on reliance upon recorded statements of persons. Thus, the right of cross-examination cannot be claimed in the instant proceeding because no statement of any party or counter-party or broker/ dealer has either been recorded or relied upon in the captioned proceeding. It is also noted that in view of sub-rule (5) of Rule 4 of the Adjudication Rules, 1995, the Adjudication proceeding is not bound by the provisions of Indian Evidence Act, 1872. Thus, cross-examination could not be granted as a matter of right in the instant proceeding.

24. Further, in the reply dated December 03, 2024, Noticee has referred to the investigation report and the trades executed by the Noticee. In this regard, it may be noted that, SEBI has relied only upon the trades for issuance of the SCN. Therefore, the Noticee cannot claim that Noticee was not provided the complete documents.

25. I note that it is alleged that the Noticee, while dealing in the stock option contracts at BSE during the IP, had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock option contracts at BSE. Reversal trades are considered to be those trades in which an entity reverses it's buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal

trades are alleged to be non-genuine trades as they are not executed in the normal course of trading, lack basic trading rationale, lead to false or misleading appearance of trading in terms of generation of artificial volumes and hence, are deceptive and manipulative.

26. From the documents on record, I note that the Noticee was one of the entities who had indulged in creating artificial volume of 5880000 units through 2 non genuine reversal trades in 1 Stock Options Contracts during IP. 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
DISH15MAR95.00CEW3	1.4	2940000	0.15	2940000	100.00	70.61

27. On March 16, 2015, the Noticee entered into 1 buy trade for 2940000 units at the rate of Rs. 1.4/- per unit at 13:55:57.923504 hours with the counterparty Shree Hanuman Loha Limited. On the same day, Noticee, at 14:25:39.890411 hours entered into 1 sell trade with same counterparty for 2940000 units at rate of Rs. 0.15/- per unit. Thus, Noticee, through its dealing in the contract viz, DISH15MAR95.00CEW3 during the IP, executed 2 non-genuine trades and thereby, the Noticee generated artificial volume of 5880000 units which made up 70.61% of total market volume in the said contract, on the aforesaid date.

28. The Noticee submitted that the broker and the stock exchange had invited and incentivized trading members and their clients to execute trades in F&O segment of the stock exchange which had illiquid securities. The Noticee stated that as a result of such incentives, lay investors such as the Noticee were lured to invest in the scheme through SEBI registered intermediaries who at the relevant time convinced the clients to participate in such transactions. I note that the Noticee's contentions imply that there is no dispute that the impugned trades were definitely executed by the Noticee. Thus, the Noticee's contentions do not establish any denial of the charges made in the SCN.

29. Noticee contended that Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) of the SEBI PFUTP Regulations, 2003 did not apply to the investors before the 2019 amendment of Section 11B of SEBI Act, 1992. I note that the amendment by the Finance Act, 2018 w.e.f. March 08, 2019 pertains to imposition of penalty under Section 11B of the SEBI Act, 1992. The imposition of penalty for violations of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003, under Adjudication proceedings has already been prescribed under Section 15HA of the SEBI Act, 1992 and applicable for all persons dealing in the security market. Hence, contention of the Noticee that the SCN issued by SEBI is unconstitutional, as it has initiated investigation against an investor, is not tenable.

30. Noticee has further contended that the trades executed were subject to regulatory supervision of BSE, and were not questioned by the BSE at that time, so the impugned trades which were cleared were genuine. The Noticee further submitted that BSE and SEBI have themselves permitted trading in options. Noticee has also contended that there was neither any mechanism to deter nor a note of caution by BSE about matching trades with same counterparty on the same day during the IP. In this regard, I note that the non-genuineness of the transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why,

within a short span of time, the Noticee reversed the position with the same counterparty with significant price difference on the same day. The fact that the transactions in a particular contract were reversed with the same counterparties indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid option contract, there was negligible trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contract, within a short span of time, is a clear indication that there was pre-determination in the prices by the counterparties while executing the trades. Thus, it is observed that Noticee had indulged in reversal trades with its counterparty in the stock options segment of BSE and the same were non-genuine trades. Thus, submissions of Noticee is devoid of merits.

31. Noticee in his reply has contended that it was not aware of the counterparty and there was no connection with the counterparty. In this regard, I note that it is not mere coincidence that the Noticee could match his trades with the same counterparty with whom he had undertaken first leg of the respective trades. The fact that the transactions in a particular contract were reversed with the same counterparty for the same quantity of units, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. It is further noted that direct evidence is not forthcoming in the present matter as regards to meeting of minds or collusion with other entities inter-alia the counterparties or agents/fronts. However, trading behaviour as noted above make it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level.

32. Here I would like to rely on the following judgement of Hon'ble Supreme Court in **SEBI v Kishore R Ajmera** (AIR 2016 SC 1079), wherein it was held that:

> "...*According to us, knowledge of who the 2nd party / client or the broker is, is not relevant at all. While the screen based trading system keeps the identity*

of the parties anonymous it will be too naïve to rest the final conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming...in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive.

It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."

33. The observations made in the aforesaid judgment of Hon'ble Supreme Court apply with full force to the facts and circumstances of the present case. Therefore, applying the ratio of the above judgments, it is observed that the execution of trades by the Noticee in the illiquid options segment with such precision in terms of order placement, time, price, quantity etc. and also the fact that the transactions

were reversed with the same counterparty clearly indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. The only reason for the wide variation in prices of the same contract, within short span of time was a clear indication that there was pre-determination in the prices by both the counterparty when executing the trades. Thus, the nature of trading, as brought out above, clearly indicates an element of prior meeting of minds and therefore, a collusion of the Noticee with its counterparty to carry out the trades at pre - determined prices.

34. It is also relevant to refer to judgement of the Hon'ble Securities Appellate Tribunal in the matter of **Ketan Parekh vs SEBI** (in Appeal No. 2 of 2004; date of decision July 14, 2006):

"In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4 (a) of the Regulations."

35. In this regard, reliance is placed on judgment of Hon'ble Supreme Court in the matter in respect 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 situations, 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….."

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

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

37. Considering the findings that the Noticee as mentioned above has executed non-genuine trades resulting in the creation of artificial volume, thereby violating the provisions of Regulation 3(a), (b), (c) & (d) & Regulation 4(1) and 4(2)(a) of the PFUTP Regulations and in terms of the judgement of Hon'ble Supreme Court of India in the matter of **SEBI Vs. Shriram Mutual Fund** [2006] 68 SCL 216 (SC) decided on May 23, 2006, wherein it was held that "*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.",* I am convinced that it is a fit case for imposition of

monetary penalty under the provisions of Section 15 HA of SEBI Act which reads as under:

Penalty for Fraudulent and Unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

Issue No. 3: If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?

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

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

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

[Explanation. —For the removal of doubts, it is clarified that the power 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.]

39. As established above, the trades by the Noticee were non-genuine in nature and created a misleading appearance of trading in the aforesaid contract. I note that when the impact of artificial volume created by the two counterparties is seen as a whole, it is not possible, from the material on record, to quantify the amount of disproportionate gain or unfair advantage resulting from the artificial trades between the counter parties or the consequent loss caused to investors as a result of the default. Further, the material available on record does not demonstrate any repetitive default on the part of the Noticee. However, considering that the 2 non-genuine trades entered by the Noticee in 1 contract 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.

ORDER

40. In view of the above, after considering all the facts and circumstances of the case and the factors mentioned in the provisions of Section 15J 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 proceedings 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 monetary penalty of **₹5,00,000/- (Rupees Five Lakh only**) on the Noticee (Enarzier Commerce Pvt. Ltd.) under section 15HA of SEBI Act for the violation of Regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) of PFUTP Regulations. I am of the view that the said penalty is commensurate with the violations committed by Noticee.

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

ENFORCEMENT >Orders >Orders of AO> PAYNOW;

42. 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.

43. 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.

ASHA SHETTY
Digitally signed by ASHA SHETTY
Date: 2025.04.09 11:34:40 +05'30'

Place: Mumbai **ASHA SHETTY**

Date: April 09, 2025 **ADJUDICATING OFFICER**