BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. MC/DPS/2019-20/ 3748]

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. **Jindal Exports and Imports Pvt Ltd** (PAN : AAACJ0474G) having address at – 110 Babar Road Opp. World Trade Centre, New Delhi – 110001 and 437 Udyog Viharphase -4, 437 Udyog Viharphase -4, Gurgaon, Haryana, India, 122001.

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. Jindal Exports And Imports Private Limited ("**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) of 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/33424/1/2018 dated December 6, 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 egulation 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 122 such reversal trades in 49 unique contracts, which led to generation of alleged artificial volume of 11047250 units, between March 4, 2015 and March 30, 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 49 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	APLT15APR160.00CEW1	4.25	50000	1.55	50000	100%	14%
2	ARVI15APR270.00CEW1	2.85	45000	0.65	45000	100%	24%
3	BATA15APR1170.00CEW1	18.75	15000	12.35	15000	100%	9%
4	BHEL15APR240.00CEW1	4.10	50000	1.35	50000	100%	12%
5	BHEL15MAR270.00PE	11.90	408000	7.00	408000	100%	44%
6	BHFL15APR1320.00CEW1	12.40	20000	7.25	20000	100%	15%
7	BIOC15APR440.00CEW1	4.85	35000	1.25	35000	100%	16%
8	BOBL15APR170.00CEW1	1.90	50000	0.15	50000	100%	11%
9	BOIL15MAR230.00PE	15.50	171000	8.50	171000	100%	9%
10	CANB15APR380.00CEW1	5.85	25000	2.25	25000	100%	10%
11	CENT15APR560.00CEW1	13.40	20000	7.25	20000	100%	9%
12	CENT15APR560.00PE	23.30	150000	9.97	150000	100%	100%
13	CENT15MAR600.00CE	10.00	112500	2.00	112500	100%	15%
14	CIPL15APR700.00CEW1	19.90	25000	13.25	25000	100%	20%
15	COAL15APR320.00CE	34.00	133000	22.00	133000	100%	50%
16	COAL15APR370.00CEW1	4.70	45000	1.35	45000	100%	14%
17	COAL15APR380.00PE	30.00	100000	16.50	100000	100%	13%
18	DABU15APR270.00CEW1	5.30	50000	2.05	50000	100%	16%
19	DABU15APR270.00PEW2	8.00	45000	2.70	45000	100%	50%
20	DIVI15APR1800.00PEW2	23.25	12500	11.05	12500	100%	24%
21	DLFL15APR160.00PEW2	4.95	48000	1.25	48000	100%	49%
22	DRRL15MAR3600.00CE	20.30	75750	0.50	75750	100%	25%

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23	EXID15MAR180.00PE	5.60	416000	1.40	416000	100%	68%
24	FEDB15APR140.00PEW2	9.95	50000	4.55	50000	100%	50%
25	FEDB15MAR150.00CE	3.65	284000	0.33	284000	100%	22%
26	GLPL15APR800.00PEW2	11.25	25000	5.25	25000	100%	33%
27	GRSM15APR3600.00PEW2	65.25	12500	51.55	12500	100%	56%
28	GRSM15MAR3650.00PE	44.94	135250	5.76	135250	100%	82%
29	GRSM15MAR3750.00CE	24.00	45375	2.00	45375	100%	37%
30	HDBK15APR1080.00CEW4	16.00	133250	1.00	133250	100%	62%
31	HDBK15APR1110.00PE	85.00	64500	54.00	64500	100%	43%
32	HDFC15APR1350.00CEW1	32.95	15000	23.50	15000	100%	13%
33	HDFC15APR1350.00PEW2	13.00	15000	5.25	15000	100%	50%
34	HDFC15MAR1290.00CE	77.00	74000	50.00	74000	100%	28%
35	HDIL15MAR120.00CEW3	4.20	500000	0.20	500000	100%	14%
36	HNDL15APR140.00PEW2	9.20	50000	5.25	50000	100%	56%
37	HPCL15MAR640.00PE	17.00	344500	8.00	344500	100%	52%
38	HXTL15APR270.00CEW1	18.90	38000	13.30	38000	100%	11%
39	IDFC15APR170.00PEW2	4.95	50000	1.55	50000	100%	66%
40	PFCL15MAR290.00CE	9.50	322000	0.50	322000	100%	22%
41	TAMO15APR540.00PEW2	13.25	50000	9.25	50000	100%	50%
42	TCHM15APR420.00PEW2	9.90	50000	4.25	50000	100%	50%
43	TITA15APR390.00PEW2	7.25	50000	3.25	50000	100%	50%
44	VOLT15MAR270.00CE	6.74	630000	0.40	630000	100%	19%
45	VOLT15MAR290.00CE	3.10	250000	0.10	250000	100%	42%
46	YESB15APR820.00CE	34.00	115500	8.00	115500	100%	31%
47	YESB15MAR780.00PE	5.50	40000	0.50	40000	100%	43%
48	YESB15MAR800.00PE	11.09	55000	3.91	55000	100%	15%
49	YESB15MAR820.00CE	25.00	23000	8.26	23000	100%	2%

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. Noticee vide letter dated January 29, 2019, submitted its reply.

8. The submissions made by the Noticee are summarized below:-

   (a) Complete materials / documents in support of the allegations have not been made available to the Noticee, only certain selective information and data have been provided to the noticee, which is contrary to the settled principles of natural justice. Copy of investigation report was also not provided to the Noticee. Noticee placed reliance on the Judgments of the Hon'ble Supreme Court in the matter of Gorkha Security Services v.Govt. (NCT of Delhi), (2014) 9 SCC 105 which held that *"the purpose* *of show cause notice is primarily to enable the Noticee to meet the grounds on which an action is proposed against it and such grounds shall be fully detailed in the show cause notice issued to the Noticee so that he can get a reasonable opportunity to rebut the same."* and judgment of Hon'ble Supreme Court in the matter of Securities and Exchange Board of India v. Price Waterhouse (civil Appeal No. 6003-6004/12), wherein the Hon'ble Apex Court held that, *"SEBI being a statutory authority is not at the liberty to withhold information. The Hon'ble Apex Court clearly directed that, all statements recorded during the course of investigation shall be provided to the respondents. Further all documents collected during investigation shall be permitted to be inspected by the respondents."*

(b) The investigation period pertained to April 01, 2014 to September 30, 2015 and that issuance of SCN after more than 3 years is beyond comprehension or remembrance of a man under normal course of business.

(c) All the alleged executed trades in stock options were settled by the clearing corporation of the exchange as per regulatory provisions and recorded in its books of account, income tax returns which clearly shows that it had executed alleged trades in genuine and bonafide manner.

(d) All its transactions were carried out on the floor of the stock exchange. In this case of screen-based trading, the automated system itself matches orders on a price-time priority basis. It is an anonymous order driven trading system of the exchanges wherein counter party was not known and hence, it was not possible for anybody to have access over identity of counter party.

(e) Noticee submitted that there is no evidence available to show that there was prior meeting of mind with any counter party or any kind of connection or relation with its counter parties. Noticee placed reliance on the judgement of the judgments of Hon'ble Securities Appellate Tribunal in the matter of *Jagruti Securities* [(2008)SCC online SAT 184] and Sanjay Agrawal vs. SEBI, order dated 18.05.2012 and also Ghanashyam Das Baheti (Supra) matter, the Division bench of Hon'ble High Court at Calcutta held that *"in order to get a temporary injunction although it is not necessary to prove concrete full proof case of fraud, but the plaintiff would be required to make out a prima facie case of fraud as to conduct of parties………"*

(f) BSE and SEBI have themselves allowed and permitted trading in options for *'far months'* with a strike price which are at large variance to current market price. The fact that such parameters are laid down is clearly indicative of fact that options will always be *'in the money'* and *'out of money'* and since regulators have themselves permitted trading in same, no adverse inference be drawn against me in this regard.

(g) No alert / warning / caution etc, of any sort was issued by the brokers / BSE /SEBI at the time of carrying out such trades. Had it been alerted, it would have taken prompt and immediate corrective measures.

(h) Only recently that BSE, vide Notice No. 2016030833 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.

(i) All its trades in option segment were within prudential norms of exchange and as per procedures and guidelines as prescribed by the BSE.

(j) Noticee denied that it used and employed a device, scheme or artifice to defraud investors while dealing in securities market and indulged in non-genuine and deceptive transactions.

(k) The synchronization of trades with counterparties was co-incidental and it did not execute trades deliberately in stock options with any respective counter party.

(l) Noticee % of contribution of alleged reversal trades of the noticee was only 0.04% in comparison with total trades in options at BSE and hence such negligible trades had not created any false or misleading appearance of trading in stock options or created artificial volume.

(m) No major movement in price of underlying scrip which itself proves that the alleged trades had no impact on market, nor distorted the equilibrium in market nor caused any loss or prejudice to investors at large.

(n) Noticee has also placed reliance on other judgments of Hon'ble Supreme Court, Canara Bank and Others vs. Debasis Das and others (20003) 4 SCC 557 and Hindustan Steel Limited v / s State of Orissa (83 ITR 26) and Hon'ble Securities Appellate Tribunal, Shri B. Ramalinga Raju V. SEBI (Appeal No. 286 of 2014 dated May 12, 2017) and Vikas Ganeshmal Bengani (Appeal No. 283 of 2009 date of decision:8.3.2010).

9. An opportunity of personal hearing was provided to the Noticee on February 13, 2019 *vide* Notice of Hearing dated January 11, 2019, delivered to the Noticee on January 18, 2019. The Hearing notice was also communicated / served to Noticee through email dated January 11, 2019 to its email Ids - jindal@jindal.bz; finance@jindal.bz and jindalexportsltd@gmail.com, which was duly digitally signed by the undersigned. It was also communicated in the Hearing Notice that if no appearance is made by the Noticee, the matter would be decided on the basis of evidence available on record in terms of Rule 4(7) of the Adjudication Rules. However, no one appeared on behalf of the Noticee on the given date i.e. February 13, 2019.

10. At this juncture, I find it relevant to refer to the observation of the Hon'ble SAT in the matter of ***Dave Harihar Kiritbhai*** v. ***Securities and Exchange Board of India*** (Appeal No. 181 of 2014 dated December 19, 2014), wherein, it observed, "…*further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to*

SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal…". Keeping the aforesaid in mind, the adjudication proceedings against the Noticee are undertaken on the basis of reply by the Noticee and material available on record.

CONSIDERATION OF ISSUES AND FINDINGS

11. 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?**

12. Before considering the issues which are to be examined in the instant adjudication proceedings, it is pertinent to address the submissions of the Noticee that relevant documents and records have not been provided

restraining Noticee from making a more meaningful rebuttal in the matter. In this regard, I observe that the SCN issued to the Noticee (along with Annexures thereto) contains trade and order details relevant to the alleged non-genuine reversal trades executed by the Noticee. The facts culled from the findings of investigation undertaken by SEBI which have led to crystallization of charges under PFUTP Regulations against the Noticee, form a part of SCN and Annexures. On perusal of the material available on record, it does not appear that the charge under the PFUTP Regulations – based on reversal of trades with significant difference in buy and sell prices, leading to generation of artificial volumes – derives from any facts extraneous to those contained in the SCN and its Annexures. Since all relevant and requisite facts on the basis of which charges have been crystalized against the Noticee are contained in the SCN and Annexures thereto, and no reliance was placed on any fact extraneous to the SCN while levying charges against the Noticee, I find that the Noticee was not crippled to represent itself at any point in time during instant adjudication proceedings. Hence the reliance by the Noticee on the judgments of Hon'ble Supreme Court in the matter of Gorkha Security Services v.Govt. (NCT of Delhi), (2014) 9 SCC 105 and SEBI v. Price Waterhouse (civil Appeal No. 6003-6004/12) is not helpful to the Noticee.

13. 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 March 4, 2015 and March 30, 2015, the Noticee is seen to have indulged in 122 reversal trades in 49 contracts.

14. To illustrate, on March 4, 2015, Noticee at 11:54:24 hrs executed 1 sell trade for 500000 units at Rs. 0.2 per unit with counterparty viz, Ram Ratan Chowdhary of the contract named "HDIL15MAR120.00CEW3". Thereafter, on the same day, after 36 minutes 33 seconds of the above trade, Noticee executed one buy trade with same counterparty for 500000 units of the same contract at the rate of Rs. 4.2 per unit with a substantial price difference of Rs.4 between the two legs of the trade.

15. A similar modus operandi is seen to have been adopted by the Noticee with respect to trades on March 5, 9 – 13, 16 – 20, 24 – 27 and 30, 2015. It is also noted that out of 122 reversal trades, in 121 reversal trades, the buy and sell orders were synchronized. Thus, 121 reversal trades of the Noticee emanated from synchronized orders which were entered simultaneously by the counterparties at matching prices and volume. The counterparty client to the two legs of the reversal trades were the same.

16. Noticee has made various contentions regarding the underlying stock of options contracts being liquid, BSE permitting far month options at strike prices at variance from the market price and that BSE not including these option contracts in its list of illiquid scips. These submissions have no bearing on the charges as the stock options contracts being illliquid is a fact, and a characteristic of the market.

17. The Noticee has made further contentions on there being no major movement in price of underlying scrip, no 'connection' or 'relation' with any of counterparties to his trade, execution of trades through the anonymous screen-based trading system, no prior meeting of minds with broking entities as well as their clients, etc. In this regard, I note that almost all the reversal trades carried out by the Noticee were synchronized between the counterparties at matching prices and volume. While such 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. 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. Hence, the aforesaid contentions of the Noticee are unacceptable.

18. In view of the facts relating to the impugned trades, and reversal with same counterparties as brought out above, the reliance by the Noticee on judgements of Jagruti Securities, SPJ Stock Brokers Pvt. Ltd., Sanjay Agrawal vs. SEBI, Hon'ble Supreme Court, Canara Bank and Others vs. Debasis Das and others (20003) 4 SCC 557 and Hindustan Steel Limited v / s State of Orissa (83 ITR 26) and Hon'ble Securities Appellate Tribunal, Shri B. Ramalinga Raju V. SEBI (Appeal No. 286 of 2014 dated May 12, 2017) and Vikas Ganeshmal Bengani (Appeal No. 283 of 2009 date of decision:8.3.2010), is not helpful to the Noticee.

19. The contentions of the Noticee that there has been no cautionary warning, advisory, communication or alarm raised by Stock Broker / BSE at any point of time or no grievance by any investor, broker, stock exchange or any other agency concerned with respect to dealing in the option segment of BSE, does not absolve the Noticee from responsibility for carrying out reversal trades which generated artificial volume without change of beneficial ownership.The trading volumes generated by the aforesaid trades of the Noticee were non-genuine and artificial. I note that the law in this regard is well-settled through the decision of the Hon'ble Supreme Court in *Securities and Exchange Board of India v. Rakhi Trading Private Limited*. The Supreme Court observed - "*The non-genuineness of these transactions is evident from the fact that there was no commercial basis to suddenly, within a matter of minutes, reverse a transaction when the value of the underlying had not undergone any significant change*." The Supreme Court also cited SAT order in the matter of *Ketan Parekh v. SEBI* (decided on 14.07.2006) which stated – "*A synchronised transaction will, however, be illegal or violative of the Regulations if it is executed with a view to manipulate the market or if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium. Any transaction executed with the intention to defeat the market mechanism whether negotiated*

or not would be illegal." I find that the reversal trades executed by the Noticee were reversed through trades synchronised with the counterparty client, and were not intended to transfer beneficial ownership, thus indicating that the trades were non-genuine and in violation of the PFUTP Regulations.

20. I note that as stated in the SCN, the Noticee generated a total trading volume of 11047250 units through such reversal between March 4, 2015 and March 30, 2015 in 49 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
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12	CENT15APR560.00PE	23.30	150000	9.97	150000	100%	100%
13	CENT15MAR600.00CE	10.00	112500	2.00	112500	100%	15%
14	CIPL15APR700.00CEW1	19.90	25000	13.25	25000	100%	20%
15	COAL15APR320.00CE	34.00	133000	22.00	133000	100%	50%
16	COAL15APR370.00CEW1	4.70	45000	1.35	45000	100%	14%
17	COAL15APR380.00PE	30.00	100000	16.50	100000	100%	13%
18	DABU15APR270.00CEW1	5.30	50000	2.05	50000	100%	16%
19	DABU15APR270.00PEW2	8.00	45000	2.70	45000	100%	50%
20	DIVI15APR1800.00PEW2	23.25	12500	11.05	12500	100%	24%
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27	GRSM15APR3600.00PEW2	65.25	12500	51.55	12500	100%	56%
28	GRSM15MAR3650.00PE	44.94	135250	5.76	135250	100%	82%
29	GRSM15MAR3750.00CE	24.00	45375	2.00	45375	100%	37%
30	HDBK15APR1080.00CEW4	16.00	133250	1.00	133250	100%	62%
31	HDBK15APR1110.00PE	85.00	64500	54.00	64500	100%	43%
32	HDFC15APR1350.00CEW1	32.95	15000	23.50	15000	100%	13%
33	HDFC15APR1350.00PEW2	13.00	15000	5.25	15000	100%	50%
34	HDFC15MAR1290.00CE	77.00	74000	50.00	74000	100%	28%
35	HDIL15MAR120.00CEW3	4.20	500000	0.20	500000	100%	14%
36	HNDL15APR140.00PEW2	9.20	50000	5.25	50000	100%	56%
37	HPCL15MAR640.00PE	17.00	344500	8.00	344500	100%	52%
38	HXTL15APR270.00CEW1	18.90	38000	13.30	38000	100%	11%
39	IDFC15APR170.00PEW2	4.95	50000	1.55	50000	100%	66%
40	PFCL15MAR290.00CE	9.50	322000	0.50	322000	100%	22%
41	TAMO15APR540.00PEW2	13.25	50000	9.25	50000	100%	50%
42	TCHM15APR420.00PEW2	9.90	50000	4.25	50000	100%	50%
43	TITA15APR390.00PEW2	7.25	50000	3.25	50000	100%	50%
44	VOLT15MAR270.00CE	6.74	630000	0.40	630000	100%	19%
45	VOLT15MAR290.00CE	3.10	250000	0.10	250000	100%	42%
46	YESB15APR820.00CE	34.00	115500	8.00	115500	100%	31%
47	YESB15MAR780.00PE	5.50	40000	0.50	40000	100%	43%
48	YESB15MAR800.00PE	11.09	55000	3.91	55000	100%	15%
49	YESB15MAR820.00CE	25.00	23000	8.26	23000	100%	2%

21. From the table above, I note that the Noticee on average contributed 33% of the volume in the 49 contracts traded. The average volume contribution of the Noticee in 15 of these 49 contracts was 59%, which indicates that there was low public participation in these contracts. The Noticee traded to a lesser extent in the remaining 34 contracts, with average volume contribution of 21%. Upon verification of facts from the material available on record, I note that the total number of clients trading in 29 of the aforesaid 34 contracts (where the

Noticee's average trading contribution was around 21%) ranged from 4 to 20 clients indicating that there was low public participation. In the remaining 5 contracts, the total number of clients ranged from 22 - 44 clients.

22. Considering 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, I find 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*".

23. 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.

24. I find it relevant to note that in the matter of *Securities and Exchange Board of India* v. *Rakhi Trading Private Limited*, 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?

25. 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.

26. 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.

27. 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 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 0.04% of the artificial reversal trades in the market during the Investigation Period.

28. The Notice has contributed to artificial volumes in 49 contracts through 122 trades on 17 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 ₹7,00,000/- will be commensurate with the violations committed by the Noticee.

ORDER

29. 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 ₹7,00,000/- (Rupees Seven Lakh only) upon the Noticee, i.e. Jindal Exports And Imports Private Limited, under Section 15HA of the SEBI Act, for violation of regulations 3(a), 4(1), 4(2)(a) of the PFUTP Regulations, 2003.

30. 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 OR through online payment facility available on the SEBI website www.sebi.gov.in on the following path, by clicking on the payment link

ENFORCEMENT → Orders → Orders of AO → PAY NOW

31. 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

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

DATE: JULY 26, 2019
PLACE: MUMBAI

MANINDER CHEEMA
ADJUDICATING OFFICER