



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D./Email

ADJUDICATING OFFICER

SEBI/ERO/P/OW/2022/42634/1

Aug 12, 2022

SATTU YADAV

PAN: AHXPY0089P

I -27 MOTI VIHAR, SARVODAYA NAGAR,
KANPUR
UTTAR PRADESH, 208025

Email Address: ahxpy0089p@mabca.in

Show Cause Notice under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in the matter of dealings in Illiquid Stock Options (ISO) at BSE

PART - A

- 1 Securities and Exchange Board of India (SEBI) has initiated Adjudication Proceedings against you (Noticee), under SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (Adjudication Rules) for allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (PFUTP Regulations), in the matter of trading in illiquid stock options at Bombay Stock Exchange Ltd. (BSE).
2. SEBI had conducted an investigation into large scale reversal of trades in Stock Options segment of the BSE during the period of April 01, 2014 to September 30, 2015 (Copy of relevant portion of Investigation Report is placed at Annexure 1).



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3. Pursuant to investigation, it was observed that during the investigation period, there were trades executed in BSE Stock Options Segment involving reversal of buy and sell positions by clients and counterparties in the same contract (refer Paragraph 6 of Investigation Report/Annexure 1). The reversal trades involved squaring off trades (either buy or sell), with significant difference in the price. You are one among the entities who indulged in reversal trades, which allegedly created false and misleading appearance of trading thereby generated artificial volumes in the Stock Options Segment of BSE during the investigation period. The trades entered in the unique contracts were reversed on the same day with same counterparties, at a price difference which had no underlying basis and without an intention of performing it or there being a change of ownership/rights in the contracts. These factors indicate that these trades were allegedly artificial and non-genuine in nature.
4. In this connection, the undersigned was appointed as Adjudicating Officer under Section 15-I of the Securities and Exchange Board of India Act, 1992 (SEBI Act) to inquire into and adjudge the alleged violations by the Noticee and determine whether penalty under Section 15HA of the SEBI Act is liable to be imposed. Copy of communication appointing undersigned as Adjudicating Officer is placed at Annexure 2.
5. All the entities identified by the investigation including you, indulged in reversal trades. Your trade details including the trade dates, name of the counterparties, time, price and volume are available in columns B, E/G, M, P and Z respectively of the Reversal Trade Data placed at Annexure 3. Additionally, a summary of your reversal trades in the Stock Options contracts executed during the investigation period is placed at Annexure 4.
6. In view of the above, it is alleged that the Noticee herein, by indulging in execution of non-genuine reversal trades in Stock Options, created false and misleading appearance of trading in securities market and thereby, violated provisions of Section 3(1)(a), (b), (c), (d), 4(1), 4(2)(a) of PFIITP Regulations.



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- 7 The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act, which reads as below:

"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."

(Emphasis Supplied)

PART – B

8. Meanwhile, SEBI has framed the SEBI Settlement Scheme, 2022 pursuant to the Order dated May 13, 2022 passed by the Hon'ble Securities Appellate Tribunal (Annexure 5), wherein the following directions were issued to SEBI:

"17. We are, thus, of the opinion 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." *(Emphasis Supplied)*

9. In compliance with the above directions of the Hon'ble Securities Appellate Tribunal, SEBI has introduced a onetime settlement scheme called the SEBI Settlement Scheme, 2022, in terms of Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of Illiquid Stock Options. The said scheme proposes payment of Settlement





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S No	Number of Contracts*	Settlement Amount (Rs.)
1	1-5	1,00,000/-
2	6-50	2,00,000/-
3	51 and above	5,00,000/- base amount + 10,000 per contract

* You may refer to the relevant Annexure/table of the SCN which contains a summary of the contracts you entered to determine the applicable slab for settlement.

10. The period of the SEBI Settlement Scheme, 2022 will commence on August 22, 2022 and will close on November 21, 2022, so as to provide an opportunity for settlement to the entities who have executed reversal trades in the stock options segment of BSE during the period April 01, 2014 to September 30, 2015, against whom enforcement proceedings have been initiated and are pending. In case you wish to avail the benefit of the said Scheme, you may access the details of the said Scheme, which would be available on the website of SEBI i.e. www.sebi.gov.in during the said period.
11. Necessary application for settlement may be filed within the validity period of the scheme and payment of the settlement amount shall be made online. Additionally, for any clarification in regard to settlement scheme, you may refer to the FAQs at SEBI website or send email to scheme2022@sebi.gov.in.
12. In case you do not wish to avail of the facility under the SEBI Settlement Scheme, 2022, the adjudication proceedings in respect of the allegations contained in Part A of the SCN shall resume. Accordingly, an inquiry shall be held against you in terms of Adjudication Rules read with section 15-I of the SEBI Act, and penalty, if any, shall be imposed under section 15HA of the SEBI Act. In such case, you are called upon to file your reply within 14 days of receipt of this Show Cause Notice.


Anshuman Das

ADJUDICATING OFFICER

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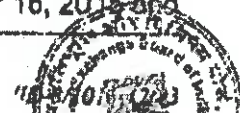
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- Enclosures: 1) Annexure 1 - Relevant Extract of Investigation Report
2) Annexure 2 - Copy of the communication appointing the
Adjudicating Officer
3) Annexure 3 - Details of all the reversal trades of the Noticee
4) Annexure 4 - Summary of reversal trades of the Noticee
5) Annexure 5 - Copy of SAT judgment dated May 13, 2022

Investigation in the matter of trading activities of certain entities in Illiquid Stock Options (02 case)

- I. An Interim order dated August 20, 2015 (hereinafter referred to as "Interim order") (placed at Annexure 1) was passed by SEBI in the matter of Illiquid Stock Options restraining 59 entities from buying, selling or dealing in the securities markets, either directly or indirectly, in any manner, till further directions. Confirmatory orders dated July 30, 2016, August 22, 2016 and August 24, 2016 (hereinafter referred to as "Confirmatory order") (placed at Annexure 2) in this regard, were passed by SEBI confirming the directions issued vide aforementioned Interim order against all 59 entities.
- II. After passing of Interim order, ISD forwarded the matter to IVD for necessary action.
- III. Subsequent to passing of aforementioned Interim order against 59 entities, SEBI also passed an Interim order dated February 17, 2016 (placed at Annexure 3) against 22 trading members in the same matter of Illiquid Stock Options. However, the said order was set aside by Hon'ble SAT vide its orders dated February 25, 2016, March 04, 2016, March 09, 2016, March 14, 2016, March 15, 2016, March 18, 2016 and April 05, 2016 (placed at Annexure 4). Thereafter, SEBI challenged the aforesaid Hon'ble SAT order in the Hon'ble Supreme Court and Hon'ble Supreme Court vide its order dated July 01, 2016 (placed at Annexure 5) directed SEBI to pass another order after hearing the concerned entities and also directed that till SEBI decides the case pending before it, the order passed by SAT shall remain operative.
- IV. Thereafter, SEBI passed another order dated August 12, 2016 (placed at Annexure 6) in the matter of trading members in Illiquid Stock Options wherein it was mentioned that reversal transactions have diminished on BSE Stock Options segment pursuant to regulatory interventions and BSE had taken various corrective measures including discontinuation of weekly stock options contracts and introduction of Reversal Trade Prevention Check system for the equity derivatives segment. In the said order, no Interim directions were issued against the 22 trading members and it was mentioned that a final view for appropriate action should be taken after completion of ongoing investigation in the matter. This matter is being dealt separately in "Investigation in the matter of certain Trading Members in Illiquid Stock Options". The present report deals with the trading activities of certain entities in Illiquid Stock Options.
- V. Pursuant to investigation by IVD, the following is noted:
 - i) The volume in the BSE's Stock Options segment increased significantly during the year 2011-12 when BSE introduced "Liquidity Enhancement Incentive Programmes" (hereinafter referred to as "LEIPS") in its derivatives segment. (Page 13-14)
 - ii) During investigation, it is observed that majority of the volume that was generated in BSE's Stock Options segment during the I.P. was artificial volume that was generated by large scale execution of reversal trades / non-genuine trades (54.68% of total market volume) by large number of entities (14720 entities). However, this generation of artificial volume was not restricted to any specific contract or between any specific set of entities. This executing of reversal trades was a market wide phenomenon that existed in BSE's Stock Options segment during the I.P. (Page 7-13)
 - iii) The aforementioned execution of reversal trades on a large scale was noticed by SEBI's surveillance system and an Interim order dated August 20, 2015 was passed against 59 top entities that had contributed to artificial volume by executing reversal trades. (Page 2-4)
 - iv) After passing of Interim order & Confirmatory order by SEBI, BSE discontinued the LEIPS scheme from the Stock Options segment with effect from October 16, 2015 and



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introduced the system of Reversal Trade Prevention check in BSE's Stock Options segment with effect from March 14, 2016. During the same time, trading in BSE's Stock Options segment declined and reduced to nil during 2016-17. (Page 14-16) ✓

- v) BSE failed to identify the reversal trades that were executed in its Stock Options segment during the I.P. and the market integrity in BSE's Stock Options segment was breached. It is noted that BSE took the corrective measures only after SEBI observed the irregular trading pattern and passed interim orders restraining several entities and trading members from accessing the securities markets. (Page 13-16). ✓

VI. Based on the findings of investigation, recommended actions are as follows:

- i) The generation of artificial volume in BSE's Stock Options segment during the I.P. by execution of reversal trades was a market wide phenomenon and not restricted to any specific contract / entity. Further, the corrective actions to address the same have also been taken by the exchange. Hence, directions issued u/s 11(1), 11(4) and 11B of SEBI Act, 1992 against 59 entities vide interim order dated August 20, 2015 and Confirmatory orders dated July 30, 2016, August 22, 2016 and August 24, 2016 may be revoked.
- ii) The matter may be referred to SEBI's Market Regulation Department (MRD) to examine the failure of BSE in ensuring market integrity in its Stock Options segment and to identify any possible policy changes to prevent such similar kind of trading pattern (contribution to volumes through reversal trades / non-genuine trades) to occur on the exchange platform.

The details of the investigation are given below:

1. **Background of the case:** As a part of ongoing surveillance, SEBI came across several instances / internal alerts wherein a set of entities were consistently making loss by their trading in options on individual stocks which are listed on the BSE. Trading of these entities appeared abnormal because they were consistently seen making significant loss by their trades which were reversed with the same counterparties either on the same day or the next day. On analysis of the stock options segment of BSE for the period April 1, 2014 to March 31, 2015, it was observed that there were several entities who consistently made significant loss and others who consistently made significant profit by executing reversal trades in stock options on the BSE. The entities that made a loss or profit of more than Rs. 5 crore in the stock option segment on account of reversal transactions were shortlisted for further examination. The following was, inter alia, observed by ISD in the examination:
 - i) The loss-making entities were trading mainly in options on individual stocks which were thinly traded. The trades by these loss-making entities, in many cases, contributed to 70% to 100% of total traded volume for the contracts on those days.
 - ii) On majority of occasions, the quantity of stock options bought and sold by the loss-making entities for a contract was identical, however, there was a significant difference in the sell value and buy value of the transactions resulting into significant loss to the loss-making entities.
 - iii) Substantial number of transactions was squared up and a major percentage of transactions thereof were trade reversals i.e. if the stock options were sold first to an entity, they would be bought back in exact quantity from the same entity or vice-versa.
 - iv) As the first leg of these reversal trades, these loss-making entities were mainly seen selling stock options without any corresponding offsetting position in the underlying scrip. In many cases, these options were sold at unreasonable low prices.





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- v) In the second leg of the reversal trades, the options once sold by an entity at unreasonably low prices were subsequently bought back on the same day or on the next trading day at substantially higher prices when compared to the first leg sell price.
 - vi) In certain instances, variations to the above pattern were seen which inter-alia included loss-making entities incurring loss by buying the options first instead of selling them.
 - vii) Further, during the period when stock options position was kept open, there was no significant change in the price of the underlying scrip to justify the difference between the prices of the two legs of the reversal trade.
 - viii) The trading done by loss-making entities in stock options in the above manner, accounted for significant proportion of their overall trading on that segment.
 - ix) The loss-making entities as well as the profit-making entities were seen trading repeatedly in deep in-the-money options and deep out-of-the-money options on individual stocks, which were thinly traded.
 - x) Majority of the profit-making entities had opened specific accounts for exclusively carrying out suspicious transactions in stock options.

Subsequent to passing of aforementioned Interim order against 59 entities, SEBI also passed an Interim order dated February 17, 2016 against 22 trading members in the same matter of Illiquid Stock Options. However, the said order was set aside by Hon'ble SAT vide its orders dated February 25, 2016, March 04, 2016, March 09, 2016, March 14, 2016, March 15, 2016, March 18, 2016 and April 05, 2016. Hon'ble SAT made the following key observations in its aforementioned orders while setting aside SEBI Interim order dated February 17, 2016:

- i) As per Table-2 set out in the impugned order, in all 12584 clients had traded through 22 stock brokers during the period from 01.04.2014 till 30.09.2015 and out of 12584 clients, 11228 clients of the 22 stockbrokers did reversal trades in the stock options segment whereby abnormal trading profit has been caused to one set of clients and abnormal loss has been caused to another set of clients. If 11228 clients of 22 stock brokers have indulged in abnormal trades which are detrimental to the interests of the securities market then the WTM of SEBI ought to have passed restraint order against those clients first and then proceed against the stock brokers to find out as to whether they were parties to the objectional trades carried out by the clients.
- ii) If SEBI finds it difficult to take action against 11228 clients who are alleged to have indulged in non-genuine trades without carrying out further investigation, then, by applying the same yard stick, SEBI could not have passed ex-parte order against the stock brokers when the investigation is still in progress.
- iii) If the prima facie view is that the trades of the 11228 clients were not genuine, then to take action against 22 stock brokers but not against the 11228 clients amounts to applying double standard i.e. one standard for the stock brokers and another standard for clients, which is not proper.

SEBI challenged the aforesaid Hon'ble SAT order in the Hon'ble Supreme Court and Hon'ble Supreme Court vide its order dated July 01, 2016 directed SEBI to pass another order after hearing the concerned entities and also directed that till SEBI decides the case pending before it, the order passed by SAT shall remain operative. Thereafter, SEBI passed another order dated August 12, 2016 in the matter of trading members in Illiquid Stock Options wherein it was mentioned that reversal transactions



have diminished on BSE Stock Options segment pursuant to regulatory interventions and BSE had taken various corrective measures including discontinuation of weekly stock options contracts and introduction of Reversal Trade Prevention Check system for the equity derivatives segment. In the said order, no interim directions were issued against the 22 trading members and it was mentioned that a final view for appropriate action should be taken after completion of ongoing investigation in the matter. This matter is being dealt separately in "Investigation in the matter of certain Trading Members in Illiquid Stock Options". The present report deals with the trading activities of certain entities in Illiquid Stock Options.

2. **Focus and Period of the Investigation:** The focus of the investigation was to ascertain whether any of the suspected entities have violated the provisions of SEBI (PFUTP) Regulations, 2003 during the period April 01, 2014 to March 31, 2015. However, SEBI in its Interim order dated August 20, 2015 in the matter of Illiquid Stock Options recorded the following: "The investigation shall also cover the examination of any other entity executing similar fictitious trades in the stock options segment." Further, SEBI in its Confirmatory order dated August 22, 2016 in the matter of Illiquid Stock Options recorded the following: "The fact that certain entities have been left out of the interim order does not signify that they are outside the scope of SEBI's investigation or have been exonerated." In view of above, the focus of the investigation is taken as "to ascertain whether any of the entities have violated the provisions of SEBI (PFUTP) Regulations, 2003".

The period of examination as taken in Interim order was April 01, 2014 to March 31, 2015. Further, SEBI in its Interim order dated February 17, 2016 in respect of Trading Members in the matter of Illiquid Stock Options had extended the examination period. The examination period as taken in the aforesaid order dated February 17, 2016 was April 01, 2014 to September 30, 2015. Since the matter of Illiquid Stock Options and Trading Members in Illiquid Stock Options are related, the period of investigation for this report is taken as April 01, 2014 to September 30, 2015 (hereinafter referred to as "Investigation Period" or "I.P.")

Further, wherever necessary, reference has been made to period outside the investigation period.

3. **Identification of Entities:** In the Interim order, the following 59 entities were identified:
Table 1 - List of entities against whom actions were taken in the Interim Order

Loss making Entities			Profit making Entities		
S No.	Entity Name	Entity PAN	S No.	Entity Name	Entity PAN
1	Adarsh Credit Co Op Society Limited	AAAJA0298J	36	N M Impex Pvt. Ltd.	AABCN0541M
2	Riddeldoshi Bullions Limited	AAACR6727L	38	Vision Sponge Iron Pvt. Ltd.	AABCV4791R
3	Bharat Jyoti Lal Patel	AAAPP6852R	37	Uman Nemanl	ABOPN7213K
4	Quest Partners	AAAFQ9174B	39	Vng Udyog Pvt. Ltd.	AABCV6318G
5	Galenon Enterprises	AAKFG7895A	38	Bhar Commodities & Futures (P) Ltd.	AAACU7802J
6	Kundan Rice Mills Limited	AAAGK7998P	40	Jai Annanya Investments Pvt. Ltd.	AABCG0769Q
7	J B Overseas	AAJFJ6651J	41	Sunshine Vintrade Pvt. Ltd.	AAUCS1804K
8	Raghey Commodities	AARFR1409D	42	Mossone Commodities Pvt. Ltd.	AADCM7184M
9	Woodland Retail Private Limited	AABCW1844A	43	Evergrowing Iron & Finvest Pvt. Ltd.	AAACE1267C
10	Jaldeep Halwasiya	AAWPH1706L	44	Rajbanshi Trading	AQEPK0750Q
11	Kundan Care Products Limited	AACCK4743R	45	Tradebulls Enterprise Pvt. Ltd.	AAECT2124M
12	Anand Mining Corporation	AAGFA0187Q	46	Avijit Saha	DCIPS3813Q
13	Mahadevshwar Mines & Metals Pvt Ltd	AAHCM1276E	47	Ketan Ramani Lal Shah Huf	AACHK0724K
14	Anantneth Vincom Private Limited	AAKCA2146A	48	Steel Crackers Pvt. Ltd.	AADCS0883F
15	Pesha Finance Pvt Ltd	AAACP8318P	49	Prime Gold International Ltd.	AACCK3755F
16	Shun Gems & Jewellers Private Limited	AAFCA5867D	50	Raj Ratan Smelters Pvt Ltd	AADCR8689N

Investigation in the matter of trading activities of certain entities in Illiquid Stock Options

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Loss making Entities			Profit making Entities		
S No.	Entity Name	Entity PAN	S No.	Entity Name	Entity PAN
17	Steel Comsec Trading Llp	ACBFS5898B	51	Sourabh H Bora	ADIPB7693R
18	Ashok Kumar Damani	ACXPD6089R	52	Eden Trading Services Pvt. Ltd.	AADEC1272A
19	Vinay Ramantlal Shah Hul	AABHV9007P	53	Mammon Concast Pvt. Ltd.	AAGCM5635G
20	Swaran Financial Private Limited	AAECS4024R	54	Bhawani Ferrous Pvt Ltd	AACCB3369A
21	Vitrag Rajendrakumar Sheth	BSUPS7339K	55	Vsp Steel Pvt Ltd	AACCT2881K
22	Savini Sons	AANFS6992C	56	Panam Steel Pvt. Ltd.	AAACP8692R
23	Gyandeep Khemka	AGBPK0640F	57	Deepak Natvarlal Pankhiyani Hul	AAJHP3260L
24	Gandiv Investment Private Limited	AACCG3017C	58	Kirni Ramji Kothari	AAEPK3218G
25	Raahi Commercial Company	AAAFR1026K	59	Umash Malani	BDHPM5310A
26	Nikhil Jalan	AADCP2042F			
27	Rakesh K Baid	AACCG3141P			
28	Open Futures And Derivatives Pvt Ltd	AABCO1138Q			
29	Pragya Commodities Private Limited	AABCP5764C			
30	Nouvelle Advisory Services Pvt Ltd	AADCN1774A			
31	Gck Stock Private Limited	AAACA5560C			
32	Om Sales Corporation	AARPY4343F			
33	Promot Commodities Ltd	AADCP1910G			
34	Gurmeet Singh	AAQP69581E			

In the above table, entities appearing at S. No. 1 to 34 were categorised as "Loss making entities" i.e. those entities that had made a loss of Rs. 5 crore or more by executing reversal transactions in BSE's stock options segment during the period April 01, 2014 to March 31, 2015. Further, entities appearing at S. No. 35 to 59 were categorised as "Profit making entities" i.e. those entities that had made a profit of Rs. 5 crore or more by executing reversal transactions in BSE's stock options segment during the period April 01, 2014 to March 31, 2015.

However, as mentioned at Para 2, in light of the directions in the Interim order, this investigation covers the entire trading happened in BSE's Stock Options segment during the I.P. This includes the trade analysis of all entities that have traded in BSE's Stock Options segment during the I.P. (including the aforementioned 59 entities).

4. Trading in BSE's Stock Options segment during the Investigation Period -

Trade data of BSE's Stock Options segment during the I.P. was obtained from BSE (placed at Annexure 7) and the following is observed:

Table 2 - Trade data of BSE's Stock Options segment during the I.P.

Total No. of unique contracts traded during the I.P.	23,885
Total No. of trades during the I.P.	3,58,372
Total No. of entities traded during the I.P.	21,652
Total traded volume during the I.P. (in no.)	1510,95,98,571
Total traded value during the I.P. (in Rs.) (based on premium turnover)	Rs. 7204.64,79.847
Total traded value during the I.P. (in Rs.) (based on nominal turnover)	Rs. 231436,80,86,489

* Premium Turnover = sum total of (Premium value * quantity of each trade) for all contracts during the I.P.

* Nominal Turnover = sum total of [(Strike Price + Premium value) * quantity of each trade] for all contracts during the I.P.

From the above table, it is observed that during the I.P., 21,652 entities traded in BSE's Stock Options segment in 23,885 different contracts with number of trades being 3,58,372 and total turnover of Rs. 7,204 crores.

5. Identification of Reversal Trade / Non Genuine trades and Reversal Trade

Quantity / Artificial volume - Reversal trades have been classified as those trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. For the sake of clarity, a contract is shortlisted (i.e. "HDIL14NOV100.00CEW2") and all trades that were executed in this contract during the I.P. is shown below:



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Table 3 - Details of trades executed in the contract "HDIL14NOV100.00CEW2" during the I.P.

S. No.	Date	Buyer	Seller	Sell Order Time	Buy Order Time	Trade Time	Trade Rate (in Rs.)	Trade Quantity	Trade Value (in Rs.)
1	12/11/2014	Ramdev Intreprojects Pvt Ltd	First Financial Services Ltd	15:21:01.64	15:24:26.73	15:24:26.73	1.1	120000	132000
2	13/11/2014	Adhemshree Financial	Shalini Jain	10:54:35.77	10:54:41.95	10:54:41.95	1.25	400000	500000
3	13/11/2014	Adhemshree Financial	Shalini Jain	10:54:28.95	10:54:41.95	10:54:41.95	0.1	4000	400
4	13/11/2014	Samarth Financial Services	Kanan Khanik Shah	12:11:12.43	12:11:41.70	12:11:41.70	1.15	48000	55200
5	13/11/2014	Samarth Financial Services	Kanan Khanik Shah	12:10:49.83	12:11:41.70	12:11:41.70	1.2	48000	57600
6	13/11/2014	Kanan Khanik Shah	Samarth Financial Services	12:13:27.35	12:13:30.75	12:13:30.75	0.05	48000	2400
7	13/11/2014	Kanan Khanik Shah	Samarth Financial Services	12:13:27.35	12:13:38.37	12:13:38.37	0.05	44000	2200
TOTAL								7,12,000	7,48,800

Below mentioned are some of the observations made from the above table:

- In total 7 trades were executed in the contract "HDIL14NOV100.00CEW2" during the I.P. Out of 7 trades, Samarth Financial Services placed a buy order of 96,000 units of Put Option of contract "HDIL14NOV100.00CEW2" on 13/11/2014 at 12:11:41 pm. This buy order got matched with pending 2 sell orders of Kanan Khanik Shah in the same contract for a total of 96,000 units. This resulted in 2 trades with total trade quantity of 96,000 units and trade value of Rs. 1,12,800.
- Thereafter, on the same day, about 2 minutes later, Samarth Financial Services placed a sell order of 92,000 units of contract "HDIL14NOV100.00CEW2" which got matched with corresponding 2 pending buy orders of Kanan Khanik Shah in the same contract for a total of same units. This resulted in 2 trades with total trade quantity of 92,000 units and trade value of Rs. 4,600.
- The remaining 3 trades in this contract during the I.P. were executed between different set of entities and were not reversed by them.
- From the above, it can be seen that total number of non genuine trades that were executed in the contract "HDIL14NOV100.00CEW2" were 4 (trades shown at S. No. 4 to 7 at Table 3) and total artificial volume generated through such non genuine trades was 1,84,000 units (48000+ 48000+ 44000+ 44000).
- The entity wise contribution to number of non genuine trades and artificial volume in the above contract is shown below:

Table 4 - Entity wise contribution to non genuine trades and artificial volume in the contract "HDIL14NOV100.00CEW2" during the I.P.

S. No.	Entity Name	Artificial volume through non genuine trades	Number of Non genuine trades	% of artificial volume generated through non genuine trades to total market volume	% of number of non genuine trades to total market trades
1	Samarth Financial Services	1,84,000	4	25.84%	57.14%
2	Kanan Khanik Shah	1,84,000	4	25.84%	57.14%
Total Non genuine trades		1,84,000	4	25.84%	57.14%

From Table 3, it is observed that trades at S. No. 4 to 7 are considered as non genuine trades. Further, out of 4 non genuine trades, Samarth Financial Services was involved in all such 4 trades (by appearing as buyer in 2 trades and as seller in 2 trades). Hence, it is concluded that Samarth Financial Services was involved in 4 non genuine trades and generated artificial volume of 1,84,000 through reversal trades. Similarly, Kanan Khanik Shah was also involved in 4 non genuine



In the matter of trading activities of certain entities in Illiquid Stock Options

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trades and generated artificial volume of 1,84,000 through reversal trades. Hence, the aforementioned two entities have violated Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) of SEBI Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations), 2003.

6. **Analysis of Reversal trades / Non genuine Trades during the I.P.** - The modus operandi that was identified in the Interim order and Confirmatory order was that certain entities had continuously made profits and certain entities had continuously made losses by reversing their trades or executing reversal trades in various Individual Stock Options contracts on BSE's Stock Options segment. In the Interim order, these reversal trades were also referred to as "non-genuine trades"

In view of the directions in the Interim order and Confirmatory order, investigation of trades has been done for all entities that had traded in BSE's Stock Options segment during the I.P. Total number of contracts during the I.P. was 23885 contracts. The details of trading in such 23885 contracts are shown in table below:

Table 5 - Details of trading in all contracts of BSE's Stock Options segment during the I.P.

Particulars	TOTAL
Number of contracts	23,885
Total Number of entities	21,652
Turnover (in Rs.)	Rs. 7,204.65 crores
Traded Quantity	1,510.96 crores
Number of trades	3,58,372
Number of Non genuine trades	2,91,643
Artificial volume generated through Non genuine trades	820.21 crore
% of Non genuine trades to total number of market trades	81.38%
% of artificial volume generated through Non genuine trades to market volume	54.68%
Number of entities involved in executing non genuine trades	14720

From the above table, the following is observed:

- Out of total trades that were executed in BSE's Stock Options segment during the I.P., 81.38% trades were Non genuine trades.
- Total artificial volume generated through such Non genuine trades was 54.68% of total traded volume in BSE's Stock Options segment during the I.P.
- Out of 21,652 entities that had traded in BSE's Stock Options segment during the I.P., 14,720 entities were involved in executing such Non genuine trades.

7. **Contract wise analysis of trade data during the I.P.** - Total number of unique contracts that were traded during the I.P. in were 23885 contracts. It may be noted that trading in one contract may or may not impact trading in another contract since contracts are unique in terms of underlying stock, strike price, expiry date etc. Further, out of 23,885 contracts, there would be certain contracts in which the number of trades would be minimal (as the total trades across all contracts during I.P. were 3,58,372). Hence, analysing trading in each contract separately would not be feasible. Therefore, the contracts are first classified based on the number of trades executed in each contract and then the analysis of separate categories of contracts is done. The contracts are categorised based on the number of trades in each contract as shown below:

Table 6 - Categories of contracts based on number of trades in each contract

S. No.	Classification of contracts by number of trades	Number of contracts	Turnover (in Rs.)	Traded Quantity	Number of trades	Number of entities traded
1	> 5000 trades	5	22,66,20,060	1,30,11,500	62,859	28
2	1001-5000 trades	56	57,88,68,089	3,19,05,375	1,04,533	80





S. No.	Classification of contracts by number of trades	Number of contracts	Turnover (in Rs.)	Traded Quantity	Number of trades	Number of entities traded
3	101-1000 trades	82	84,10,16,313	11,21,96,750	41,226	554
4	51-100 trades	136	456,84,80,084	67,28,33,375	8,854	2,065
5	41-50 trades	113	211,87,26,388	38,69,28,000	5,062	1,742
6	31-40 trades	270	421,22,93,236	91,76,18,299	9,433	3,300
7	21-30 trades	728	766,84,32,419	183,35,55,459	17,961	5,560
8	11-20 trades	2891	1709,37,05,928	405,82,66,874	41,828	10,268
9	1-10 trades	19801	3493,73,37,353	730,52,84,939	76,616	13,870
	Total Market	23885	7204,64,79,847	1510,95,95,571	3,58,372	21,852

From the above table, it is observed that maximum trading in terms of turnover had happened in contracts in which the number of trades are less than 10 trades in each contract. It is evident from the fact that out of total trading turnover of Rs. 7204 crore (approx.) in BSE's Stock Options segment during the I.P., Rs. 3493 crore (48.48% of total market) was contributed by contracts in which the number of trades was between 1-10 trades each. The total number of such contracts was 19801 contracts out of total 23885 contracts in which trading happened during the I.P.

The aforementioned classification of contracts was further classified into 2 broad categories:

- i) **Group A Contracts** - Includes all such contracts in which number of trades was more than 100 trades during the I.P. (i.e. contracts shown at S. No. 1 to 3 in above table). Since the number of trades in each of these contracts is more and consequently the number of entities trading in each of such contracts was also more. Hence, trades happened in these contracts were analysed in detail to identify any manipulative pattern.
- ii) **Group B Contracts** - Includes all such contracts in which number of trades was equal to or less than 100 trades during the I.P. (i.e. contracts shown at S. No. 4 to 9 in above table). In Group B Contracts, the number of trades happened was very less and consequently the entities trading in each of such contract was also less. In such a scenario, there is high possibility that the buy / sell orders placed by one entity get matched with the same entity or with a few entities only who had traded in such contracts. Hence, the percentage of artificial volume through reversal / non-genuine trades to total trading volume would be very high. However, this may not be called as manipulation as the number of entities trading in each of such contracts would be very few and the reversal trades are bound to happen in such scenario. Further, in Group B contracts, the chances of repetition of any manipulative pattern (in terms of reversal / circular trades) by any particular entity in a particular contract are also limited as the total number of trades happened in each contract is less (less than 100 trades).

7.1. Analysis of trades in Group A Contracts - As mentioned above, Group A contracts refers to all such contracts in which number of trades was more than 100 trades during the I.P. The number of such contracts during the I.P. was 146 contracts. The details of trading in such 146 contracts is shown in table below:

Table 7 - Details of trading in Group A contracts during the I.P.

Classification of contracts				TOTAL
Particulars	>5000 trades	1001-5000 trades	101-1000 trades	(>100 trades)
Number of contracts	8	56	82	146
Total Number of entities	28	80	554	614
Turnover (in Rs.)	Rs. 22.7 crores	Rs. 67.9 crores	Rs. 64.1 crores	Rs. 144.66 crores



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Classification of contracts	>6000 trades	1001-5000 trades	101-1000 trades	TOTAL (>100 trades)
Particulars				
Traded Quantity	1,30,11,800	3,19,05,375	11,21,98,750	15,71,13,825
Number of trades	52,859	1,04,533	41,226	1,98,618
Number of Non genuine trades	52,841	1,04,484	39,864	1,97,189
Artificial volume through Non genuine trades	1,30,07,750	3,18,94,500	4,60,73,750	8,99,76,000
% of Non genuine trades to total number of market trades	99.97%	99.95%	96.70%	99.28%
% of Artificial volume generated through Non genuine trades to total market volume	99.97%	99.97%	40.17%	57.27%
Number of entities involved in Non genuine trades	28	79	220	279

From the above table, the following is observed:

- Almost all trades that had happened in category of contracts with more than 1000 trades each were non genuine trades. Further, the artificial volume generated through such non genuine trades was also 99.97% of total trading volume in such contracts.
- In category of contracts with trades between 101-1000, the number of non genuine trades executed was 96.70%, however, the artificial volume generated through such trades was 40.17% total market trading volume in such contracts.
- On an overall basis, the number of non genuine trades during the I.P. in contracts with more than 100 trades each (Group A contracts) was 99.28% of total number of trades in such contracts which signifies that these contracts were used by the entities for only reversing their transactions.
- The total number of entities that were trading in Group A contracts was 614 entities and out of these 279 entities were indulged in executing non genuine trades.

7.2. Analysis of trades in Group B Contracts - As mentioned at Para 7, Group B contracts refers to all such contracts in which number of trades was equal to or less than 100 trades during the I.P. The number of such contracts during the I.P. was 23739 contracts. The details of trading in such 23739 contracts is shown in table below:

Table B - Details of trading in Group B contracts during the I.P.

Particulars	TOTAL (<=100 trades)
Number of contracts	23,739
Total Number of entities	21,526
Turnover (In Rs.)	Rs. 7,059.99 crores
Traded Quantity	1,495.28 crores
Number of trades	1,59,754
Number of Non genuine trades	84,454
Artificial volume generated through non genuine trades	817.21 crores
% of Non genuine trades to total number of market trades	59.12%
% of artificial volume generated through non genuine trades to total market volume	54.65%
Number of entities involved in non genuine trades	14,676

From the above table, the following is observed:

- Percentage of non genuine trades was 59.12% of total trades that were executed in Group B contracts during the I.P.
- Artificial volume generated through such non genuine trades was 54.65% of total traded volume in Group B contracts during the I.P.
- Out of 21,526 entities that had traded in Group B contracts during the I.P., 14,676 entities were involved in executing non genuine trades.



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7.3. Entities involved in executing non genuine trades across all contracts – As mentioned at Table 6 of the report, it is observed that 14,720 entities were indulged in executing non genuine trades during the I.P. A summary of non genuine trades executed by top 10 entities during the I.P. is given in table below:

Table 9 - Summary of non genuine trades executed by top 10 entities in all contracts

S. No.	Entity PAN	Entity Name	Artificial Volume	Number of Non genuine trades	% of artificial volume generated through Non genuine trades to total market volume	% of non genuine trades to total market trades
1	AAJFJ6951J	J B Overseas	30,70,27,660	4,988	2.03%	1.39%
2	AA9CN0541M	N M Impex Pvt Ltd	24,57,42,800	5,545	1.53%	1.55%
3	AADCM7194M	Motilone Commodities Pvt Ltd	22,46,08,000	339	1.49%	0.09%
4	ABOPN7213K	Umang Neman	21,85,44,000	590	1.45%	0.23%
5	AA9CV6318G	VSP Udyog Pvt Ltd	11,55,37,000	580	0.76%	0.16%
6	AAQPS9561E	Gurmeet Singh	9,01,31,204	525	0.60%	0.16%
7	AGBPK0840F	Gyandeep Khanna	8,71,60,000	100	0.56%	0.03%
8	AABCV4791R	Vision Sponge Iron Pvt Ltd	7,99,57,400	544	0.53%	0.15%
9	AAAJA0294J	Adarsh Credit Co Op Society Ltd	7,97,21,572	989	0.53%	0.27%
10	AAACE1287C	Evergrowing Iron & Finvest Pvt Ltd	7,80,58,500	253	0.52%	0.07%
Total of Top 10 entities			147,50,21,735	14,515	9.76%	4.09%
Grand Total - All Reversal / Non genuine Trades			826,20,50,828	2,91,643	54.88%	81.38%

From the above table, it is observed that top 10 entities were involved in executing non genuine trades that contributed 4.09% to total number of trades executed in BSE's Stock Options segment during the I.P. Further, the contribution of top 10 entities to artificial volume generated through non genuine trades was 9.76% to total market volume during the I.P. It was also observed that all the aforementioned 10 entities were part of those 59 entities against which directions were issued in the Interim order dated August 20, 2015.

Apart from the individual contribution of entities to market volume through non genuine trades, the contribution of various unique pairs of entities was also analysed. Here, Unique Pair of entities refers to any 2 entities who had engaged in reversal of trades among themselves. Contribution of Top 10 such pairs of entities who have contributed maximum to artificial volume by reversing their transactions across all contracts in the market during the I.P. are shown table below:

Table 10 - Artificial volume generated by top 10 pair of entities during the Investigation Period

S. No.	Entity A	Entity B	Artificial volume	% of artificial volume generated through Non genuine trades to total market volume
1	Motilone Commodities Pvt. Ltd.*	Gyandeep Khanna*	5,14,62,000	0.34%
2	Umang Neman*	Shri Sanyamal Batai Steels Ltd.	3,21,62,000	0.21%
3	Motilone Commodities Pvt. Ltd.*	Calendula Teledata Pvt. Ltd.	2,91,68,000	0.19%
4	Leenaben Sureshchandra Kachadia	Umang Mahendra Shah	2,54,28,000	0.17%
5	Vindus Holdings Ltd.	Umang Neman*	2,32,22,000	0.16%
6	Shree Ganesh Traders	Pragya Commodities Pvt. Ltd.*	2,12,58,000	0.14%
7	Sandeep Stocks Pvt. Ltd.	Pragya Commodities Pvt. Ltd.*	2,05,40,000	0.14%
8	Motilone Commodities Pvt. Ltd.*	Manoj Pincha	1,91,36,000	0.13%
9	GCK Stock Pvt. Ltd.*	Shree Ganesh Traders	1,80,72,000	0.13%
10	Gopi Kahan Malani	Manoj Pincha	1,55,53,000	0.10%
Total of Top 10 pair of entities			25,69,59,000	1.70%
Grand Total - All Reversal / Non Genuine Trades			826,20,50,828	54.88%

* Represents those entities against which directions were issued in Interim order dated August 20, 2015

From the above table, it is observed that top 10 unique pair of entities have together contributed 1.70% to market volume and none of the single unique pair of entities have contributed more than 0.34% to total market volume. On

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analysing complete trade data of all contracts during the I.P., it is observed that there were 22660 different pairs of entities who have contributed 54.68% to total market volume through non genuine trades.

7.4. Conclusion on trade analysis - The following are the key observations made at Para 7.1, 7.2 and 7.3:

- i) The percentage of non genuine trades executed to total number of trades was higher in Group A contracts (99.30% of total trades) than in Group B contracts (69.32% of total trades).
- ii) The artificial volume generated through non genuine trades was almost same for both categories of contracts (Group A contracts - 57.27% and Group B contracts - 54.65%).
- iii) Trades of all entities across all contracts are analysed and it is observed that the top most unique pair of 2 entities that have contributed to artificial volume had contributed 0.34% to total market volume and top 10 pair of entities contributed 1.70% to market volume by executing reversal trades. Hence, no concentration is seen between any specific set of entities who had contributed to artificial volume through reversal trades. However, a large number of entities (total 14720 entities) were engaged in generation of artificial volume by executing reversal trades.

In view thereof, it is concluded that majority of the volume that was generated in BSE's Stock Options segment during the I.P. was artificial volume. A total of 14720 entities were involved in executing non genuine trades thereby violating Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) of SEBI Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market Regulations, 2003. However, this artificial volume was not restricted between any specific set of entities. This execution of reversal trades was a market wide phenomenon that existed in BSE's Stock Options segment. Further, SEBI passed directions against top 59 entities vide Interim order dated August 20, 2015. The same is discussed at Para 8 of the report. It is also observed that after passing of aforementioned Interim order by SEBI, various measures have been taken by the exchange to resolve this problem of reversal trades. The same is discussed at Para 10 of the report.

In view of above and in particular that being a market wide phenomenon, no action is recommended in the matter. Hence, directions issued u/s 11(1), 11(4) and 11B of SEBI Act, 1992 against 59 entities vide interim order dated August 20, 2015 and Confirmatory orders dated July 30, 2016, August 22, 2016 and August 24, 2016 may be revoked.

8. Analysis of trade data of 59 entities against whom directions were issued in Interim order and Confirmatory order -

In the Interim order and Confirmatory order, directions were issued against 59 entities. A summary of reversal trades executed by these 59 entities in all Stock Options contracts during the I.P. is given in table below:

Table 11 - Summary of Non genuine trades executed by 59 entities against which directions were issued in Interim and Confirmatory order

S. No.	Entity Name	Artificial volume	Number of Non genuine trades	% of artificial volume generated through Non genuine trades to total market volume	% of non genuine trades to total market trades
1	J.B. Overseas	30,70,27,660	4968	2.03%	1.39%
2	N M Impex Pvt. Ltd.	24,57,42,500	5545	1.63%	1.56%
3	Motsons Commodities Pvt. Ltd.	22,48,06,000	339	1.49%	0.09%
4	Umang Neman	21,85,44,000	830	1.45%	0.23%
5	Vsp Udyog Pvt. Ltd.	11,55,37,000	580	0.76%	0.16%



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S. No.	Entity Name	Artificial volume	Number of Non genuine trades	% of artificial volume generated through Non genuine trades to total market volume	% of non genuine trades to total market trades
6	Gurmeet Singh	9,01,31,204	528	0.60%	0.16%
7	Gyandeeep Khemka	8,71,80,000	100	0.58%	0.03%
8	Victor Seongs Iron Pvt. Ltd.	7,99,57,400	544	0.53%	0.16%
9	Aashish Credit Co Op Society Limited	7,97,21,572	899	0.53%	0.27%
10	Evergrowing Iron & Finvest Pvt. Ltd.	7,80,56,500	253	0.52%	0.07%
11	Provee Commodities Pvt. Ltd.	7,49,58,000	142	0.50%	0.04%
12	Jai Ananya Investments Pvt. Ltd.	7,29,92,828	493	0.48%	0.14%
13	Mahakaleshwar Mines & Metals Pvt Ltd	7,24,38,500	455	0.48%	0.13%
14	Kundan Care Products Limited	7,17,59,750	886	0.47%	0.19%
15	Kan Gems & Jewellers Pvt. Ltd.	7,16,45,000	1648	0.47%	0.46%
16	Shir Commodities & Futures Pvt. Ltd.	6,23,32,000	79	0.41%	0.02%
17	Vijay Rajendrakumar Shah	5,43,70,000	1510	0.38%	0.42%
18	Rajni Commercial Company	5,24,23,603	328	0.35%	0.09%
19	Prime Gold International Limited	5,12,15,000	97	0.34%	0.03%
20	Open Futures And Derivatives Pvt. Ltd.	4,47,21,000	282	0.30%	0.08%
21	Oak Stock Pvt. Ltd.	4,06,84,000	88	0.27%	0.02%
22	Manmon Concept Pvt. Ltd.	3,93,27,000	230	0.26%	0.06%
23	Swarn Financial Pvt. Ltd.	3,37,92,000	332	0.22%	0.09%
24	Anand Mining Corporation	3,28,41,000	288	0.22%	0.08%
25	Jaldeep Halwalia	3,28,17,500	291	0.22%	0.08%
26	Raghav Commodities	2,81,34,000	528	0.10%	0.15%
27	Rajib Rajbanshi	2,81,17,500	288	0.19%	0.08%
28	Woodland Retail Pvt. Ltd.	2,79,81,000	90	0.18%	0.03%
29	Riddhishahi Bullions Limited	2,76,88,000	750	0.18%	0.21%
30	Quest Partners	2,75,50,000	492	0.15%	0.14%
31	Kundan Rice Mills Ltd	2,55,25,750	612	0.17%	0.17%
32	Sunshine Vitrade Pvt Ltd	2,21,43,000	409	0.15%	0.11%
33	Sharat Jayantilal Patel	2,00,25,000	389	0.13%	0.11%
34	Kirti Ramji Kothari	1,98,92,500	130	0.12%	0.04%
35	Nouvelle Advisory Services Pvt. Ltd.	1,84,27,500	308	0.12%	0.09%
36	Avijit Saha	1,70,43,000	258	0.11%	0.07%
37	Om Seles Corporation	1,59,67,500	38	0.11%	0.01%
38	Shawari Ferrus Pvt Ltd	1,58,93,500	84	0.11%	0.02%
39	Promet Commodities Ltd	1,54,19,000	284	0.10%	0.08%
40	Steel Creators Pvt. Ltd.	1,52,95,000	114	0.10%	0.03%
41	Sourabh H Bora	1,33,45,000	228	0.09%	0.06%
42	Ketan Ramantil Shah Huf	1,28,83,500	137	0.08%	0.04%
43	Savitri Bora	1,28,89,000	417	0.09%	0.12%
44	Vinay Ramantil Shah Huf	1,28,98,000	118	0.08%	0.03%
45	Anantnath Vincom Pvt. Ltd.	1,22,89,500	83	0.08%	0.02%
46	Gaganan Enterprises	1,21,77,000	512	0.08%	0.14%
47	Panem Steel Pvt. Ltd.	1,13,95,500	78	0.08%	0.02%
48	Peash Finance Pvt Ltd	1,00,89,000	162	0.07%	0.04%
49	Rajkiran Smelter Ltd	93,28,250	78	0.06%	0.02%
50	Gandvi Investment Pvt. Ltd.	87,45,000	192	0.06%	0.05%
51	Ashok Kumar Daman	81,28,000	194	0.06%	0.05%
52	Prayash Meven Finance Ltd.	73,75,000	194	0.06%	0.05%
53	Deepak Natvarlal Panikhyani Huf	71,27,000	95	0.06%	0.03%
54	Vap Steel Pvt Ltd	55,72,280	28	0.04%	0.01%
55	Eden Trading Services Pvt. Ltd.	51,89,000	201	0.03%	0.06%
56	Tradebull Enterprises Pvt. Ltd.	46,47,190	60	0.03%	0.02%
57	Steel Comsec Trading Lp	18,94,000	18	0.01%	0.00%
58	Umash Malani	0	0	0.00%	0.00%
59	Gee Bee Securities P Ltd	0	0	0.00%	0.00%
Total Of 59 Entities		140,77,19,689	28,994	17.06%	7.53%
Grand Total - All Non genuine Trades		826,26,59,626	2,91,843	54.68%	81.38%

From the above table, it is observed that the percentage of artificial volume generated by aforementioned 59 entities ranged between 0% to 2.03%. However, it is also observed from Table 10 that the maximum artificial volume generated by executing non genuine trades by a unique pair of entities was 0.34% that was



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generated by Molisons Commodities Pvt Ltd (mentioned at S. No. 3 in above table) and Gyandeep khemka (mentioned at S. No. 7 in above table). Further, artificial volume generated by top 10 unique pair of entities taken together is 1.70% to market volume. Hence, it is concluded that the generation of artificial volume by executing reversal trades / non genuine trades was not restricted to any specific set of entities. However, it was a market wide phenomenon that existed in BSE's Stock Options segment.



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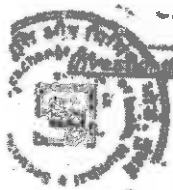
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10. Actions taken pursuant to preliminary examination done by SEBI (ISD) in the matter of Illiquid Stock Options:

ISD conducted preliminary examination in the matter of Illiquid Stock Options and observed that certain entities were consistently making loss and certain entities were continuously making profits by executing reversal trades in stock options on the BSE. ISD had identified a total of 59 such entities that were continuously making profits / losses by executing reversal trades.

Below mentioned are some of the major actions taken after completion of aforementioned ISD's examination:



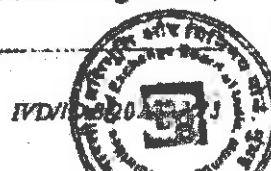
**11. Conclusion and Recommendations -**

11.1. Conclusion - In view of observations made in the investigation, the following is concluded:

- i) The volume in the BSE's Stock Options segment increased significantly during the year 2011-12 when BSE introduced "Liquidity Enhancement Incentive Programmes" (hereinafter referred to as "LEIPS") in its derivatives segment.
- ii) During investigation, it is observed that majority of the volume that was generated in BSE's Stock Options segment during the I.P. was artificial volume that was generated by large scale execution of reversal trades / non-genuine trades (54.68% of total market volume) by large number of entities (14720 entities). However, this generation of artificial volume was not restricted to any specific contract or between any specific set of entities. This executing of reversal trades was a market wide phenomenon that existed in BSE's Stock Options segment during the I.P.
- iii) The aforementioned execution of reversal trades on a large scale was noticed by SEBI's surveillance system and an interim order dated August 20, 2015 was passed against 59 top entities that had contributed to artificial volume by executing reversal trades.
- iv) After passing of Interim order & Confirmatory order by SEBI, BSE discontinued the LEIPS scheme from the Stock Options segment with effect from October 16, 2015 and introduced the system of Reversal Trade Prevention check in BSE's Stock Options segment with effect from March 14, 2016. During the same time, trading in BSE's Stock Options segment declined and reduced to nil during 2016-17.

11.2. Recommendations -

- i) The generation of artificial volume in BSE's Stock Options segment during the I.P. by execution of reversal trades was a market wide phenomenon and not restricted to any specific contract / entity. Further, the corrective actions to address the same have also been taken by the exchange. Hence, directions issued u/s 11(1), 11(4) and 11B of SEBI Act, 1992 against 59 entities vide Interim order dated August 20,





2015 and Confirmatory orders dated July 30, 2016, August 22, 2016 and August 24, 2016 may be revoked.

- ii) The matter may be referred to SEBI's Market Regulation Department (MRD) to examine the failure of BSE in ensuring market integrity in its Stock Options segment and to identify any possible policy changes to prevent such similar kind of trading pattern (contribution to volumes through reversal trades / non-genuine trades) to occur on the exchange platform.

12. Action Chart

Table 13

S. No.	Entity PAN	Entity Name	Nature of Findings in Brief	Violation of SEBI Act/Rules/Regulations	Nature of Evidence	Action Proposed
1	AAAJA0286J	Adarsh Credit Co Op Society Limited	Entities at S. No. 1 - 59 The generation of artificial volume in BSE's Stock Options segment during the I.P. by execution of reversal trades was a market wide phenomenon involving 14720 entities and not restricted to any specific contract / entity. The corrective actions to address the same have been taken by BSE pursuant to passing of Interim order dated August 20, 2016.		Trade Log data, BSE Reply	Entities at S. No. 1 - 59 : Directions issued w/s 11(1), 11(4) and 11B of SEBI Act, 1992 against 59 entities vide Interim order dated August 20, 2016 and Confirmatory orders dated July 30, 2016, August 22, 2016 and August 24, 2016 may be revoked.
2	AAACR6727L	Riddhiddhi Bullions Limited				
3	AAAPP6652R	Bharat Jayantil Patel				
4	AAAFQ3174B	Quest Partners				
5	AAKFG7595A	Gejanan Enterprises				
6	AAACK7098P	Kundan Rice Mills Limited				
7	AAIFJ6651J	J B Overseas				
8	AAFR1408D	Rekha Commodities				
9	AABCW1844A	Woodland Retail Private Limited				
10	AAWPH1706L	Jaldeep Halwals				
11	AACCK4743R	Kundan Care Products Limited				
12	AAGFA0187Q	Anand Mining Corporation				
13	AAHCM1276E	Mahakaleshwar Mines & Metals Pvt. Ltd.				
14	AAKCA2146A	Anantnath Vincom Private Limited				
15	AAACP8318P	Pasha Finance Pvt Ltd				
16	AAFGA5667D	Xion Gems & Jewellers Pvt. Ltd.				
17	ACBF85898B	Skeet Comseq Trading Llp				
18	ACKPD6089R	Ashok Kumar Dameri				
19	AA8HV0007P	Vinay Ramesh Shah Huf				
20	AAEC84024R	Swaran Financial Private Limited				
21	88UP87398K	Virag Ralendrakumar Sheth				
22	AA8FS6992C	Saviri Sons				
23	AG8PI0640F	Grandeep Khemta				
24	AACCG3017C	Gandiv Investment Private Limited				
25	AAAFR1026K	Rashi Commercial Company				
26	AADCP2042F	Nihil Jalan				
27	AACCG3141P	Rakesh K Bald				
28	AABCO1139Q	Open Futures And Derivatives Pvt. Ltd				
29	AABCP8784C	Pratiya Commodities Private Limited				
30	AADCN1774A	Nouvelle Advisory Services Pvt. Ltd				
31	AAACA6560C	Gok Stock Private Limited				
32	AARPY4343F	Om Sales Corporation				
33	AADCP1910G	Prompt Commodities Ltd				
34	AAQPS9661E	Gurmeet Singh				
35	AABON0541M	N M Impex Pvt. Ltd.				
36	AABCV4791R	Vision Sponge Iron Pvt. Ltd.				
37	ABOPN7213K	Umang Nemari				
38	AABCV0318G	Vsp Udyog Pvt. Ltd.				
39	AAACU7802J	Shr Commodities & Futures (P) Ltd.				
40	AABCG0769Q	Jai Ananya Investments Pvt. Ltd.				
41	AAUCS1804K	Sureshine Vintrade Pvt Ltd				
42	AADCM7184M	Mofsons Commodities Pvt. Ltd.				
43	AAAGE1267C	Evesproving Iron & Finvest Pvt. Ltd.				
44	ADEPR0750Q	Rabenshi Trading				
45	AAECT2124M	Tradebulls Enterprise Pvt. Ltd.				
46	DCIP83813Q	Avit Saha				
47	AACHK9724K	Ketan Ramesh Shah Huf				



Investigation in the matter of trading activities of certain entities in BSE's Stock Options

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SECURITIES AND EXCHANGE BOARD OF INDIA

Confidential

S. No.	Entity PAN	Entity Name	Nature of Findings in Brief	Violation of SEBI Act/Rules/Regulations	Nature of Evidence	Action Proposed
48	AADCS6863F	Steel Crackers Pvt. Ltd.				
49	AACCK3755F	Prime Gold International Ltd.				
50	AADCR8689N	Raj Ratan Smelters Pvt. Ltd.				
51	ADIPB7693R	Sourabh H Bora				
52	AADEC1272A	Edan Trading Services Pvt. Ltd.				
53	AAGCM5635G	Mammon Concast Pvt. Ltd.				
54	AACCB3369A	Bhawani Ferrous Pvt. Ltd.				
55	AACCT2881K	Vsp Steel Pvt. Ltd.				
56	AAACP8592R	Panom Steel Pvt. Ltd.				
57	AAJHP3250L	Deepak Natvarlal Panikharani Huf				
58	AAEPK3218C	Kirti Ramji Kothari				
59	BDHPM5310A	Umesh Malani				

13. References to other department

Name of entity	Violations	Evidence	Action Recommended
BSE Limited	BSE failed to identify the reversal trades that were executed in its Stock Options segment during the I.P. and the market integrity in BSE's Stock Options segment was breached.	Trade data, BSE Reply	Reference to MRO

14. Past Actions Against The Alleged Entities (SEBI Action Taken Report)

SEBI ATR database has been checked on November 23, 2017 for all entities mentioned in Action Chart (Table 14) and the past actions are observed against the following entities:

Table 15

S. No.	Entity Name	Entity PAN	Action Taken	Case Name
			Enquiry	Global Telesystem Ltd.
			Adjudication	Ponni Sugars (Erode) Limited
			Enquiry & Prosecution	Tata Finance Ltd- Backdated transactions in the shares of GTL & GECs
			11B Proceedings & Enquiry	BPL, Vidyanagar, Steris
			11B Proceedings & Enquiry	Asian Star Company Limited
2	Gajanan Enterprises	AAKFG7685A	Adjudication	Varun Industries Limited
			Adjudication	Ess Dee Aluminium Ltd
			Adjudication	MIC Electronics Ltd
			Adjudication	Apollo Tyres Ltd
3	Gandvi Investment Private Limited	AACCG3017C	Adjudication	Ponni Sugars (Erode) Limited
4	Gyandeep Khemka	AGBPK0840F	Adjudication & 11B Proceedings	Sulabh Engineers & Services Ltd.
5	Jaideep Halwasiya	AAWPH1706L	Adjudication & 11B Proceedings	Sulabh Engineers & Services Ltd.
6	Kirti Ramji Kothari	AAEPK3218C	Adjudication	Tijaria Polypropylene Ltd.
7	Nikhil Jagan	AADCF2042F	Adjudication	Twilight Uraka Pharma Limited
8	Panom Steel Pvt. Ltd.	AAACP8592R	Adjudication & 11B Proceedings	Sulabh Engineers & Services Ltd.
			Adjudication	Mahan Industries Ltd
9	Sourabh H Bora	ADIPB7693R	Prosecution & 11B Proceedings	Snowcem India Ltd.
10	Swaran Financial Private Limited	AAECS4024R	Adjudication	Shree Om Trades Ltd
11	Umang Nemani	ABOPN7213K	Non Enforcement Action	M/s. Pipavav Defence & Offshore Engineering Co. Ltd.

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SECURITIES AND EXCHANGE BOARD OF INDIA

Order communicating appointment of Adjudicating Officer

1. Whereas, Securities and Exchange Board of India (SEBI) has conducted examination into the trading in options on Individual stocks listed on Bombay Stock Exchange for possible violation of the provisions of the securities and Exchange Board of India Act, 1992 (hereinafter referred to as the 'SEBI Act') and various Rules and Regulations made there under.
2. Whereas, the Competent Authority is *prima facie* of the view that there are grounds to adjudicate upon the alleged violations of provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003 by certain entities.
3. The Competent Authority has, therefore, in exercise of the powers conferred under Section 19 of the SEBI Act read with Section 15 I(1) of the SEBI Act and Rule 3 of securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ("hereinafter referred as the 'SEBI Rules') read with section 19 of the SEBI Act, vide Order dated September 20, 2021, appointed certain Division Chiefs as Adjudicating Officers to enquire into and adjudge under Section 15HA SEBI Act, the alleged violations by the entities.
4. The list of the entities against whom adjudication is approved and the names of the respective Adjudicating Officers who are appointed to adjudicate against these entities is enclosed as Annexure.
5. The said proceedings of appointment are hereby being communicated to the Adjudicating Officers who shall conduct the Adjudication Proceedings in the manner specified under Rule 4 of the of the SEBI Rules read with sub-section (1) and (2) of Section 15 I of SEBI Act.

Signature

6. The Adjudicating Officers shall enquire into and adjudicate upon the alleged violation as stated above and if the Adjudicating Officers are satisfied that the entities have become liable for penalty, may impose penalty, as they think fit, in terms of Rule 5 of the SEBI Rules and provisions of Sections 15HA of the SEBI Act.

Dated at Mumbai, this 27th day September 2021.

Bhavana Ravikumar

**BHAVANA RAVIKUMAR
GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA**

REVERSAL OF SALES TAXES ON THE REVERSAL TRADES OF SATTU VADAV -AMXPY0083P													
A		B		C		D		E		F		G	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
NO	SALES TAX	REVERSAL	CHK PART	NET SALES	TR. PART	CP. SALES	ORDER NO	CP. ORDER NO	TRADE	DETER. TIME	CP. ORDER TIME	TRADE TIME	ORDER DATE
1	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
2	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
3	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
4	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
5	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
6	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
7	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
8	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
9	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
10	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
11	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
12	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
13	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
14	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
15	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
16	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
17	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
18	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
19	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
20	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
21	1000000	1000000	1000										

[illegible]

ANNEXURE 4: SUMMARY OF REVENUE INDEBTS OF SATTA VADAV APPENDIX

Sl. No.	Particulars	Revenue	Interest	Penalty	Other Charges	Total	Balance	Remarks
1	...	...	...	...	...	...	...	...
2	...	...	...	...	...	...	...	...
3	...	...	...	...	...	...	...	...
4	...	...	...	...	...	...	...	...
5	...	...	...	...	...	...	...	...
6	...	...	...	...	...	...	...	...
7	...	...	...	...	...	...	...	...
8	...	...	...	...	...	...	...	...
9	...	...	...	...	...	...	...	...
10	...	...	...	...	...	...	...	...
11	...	...	...	...	...	...	...	...
12	...	...	...	...	...	...	...	...
13	...	...	...	...	...	...	...	...
14	...	...	...	...	...	...	...	...
15	...	...	...	...	...	...	...	...
16	...	...	...	...	...	...	...	...
17	...	...	...	...	...	...	...	...
18	...	...	...	...	...	...	...	...
19	...	...	...	...	...	...	...	...
20	...	...	...	...	...	...	...	...
21	...	...	...	...	...	...	...	...
22	...	...	...	...	...	...	...	...
23	...	...	...	...	...	...	...	...
24	...	...	...	...	...	...	...	...
25	...	...	...	...	...	...	...	...
26	...	...	...	...	...	...	...	...
27	...	...	...	...	...	...	...	...
28	...	...	...	...	...	...	...	...
29	...	...	...	...	...	...	...	...
30	...	...	...	...	...	...	...	...
31	...	...	...	...	...	...	...	...
32	...	...	...	...	...	...	...	...
33	...	...	...	...	...	...	...	...
34	...	...	...	...	...	...	...	...
35	...	...	...	...	...	...	...	...
36	...	...	...	...	...	...	...	...
37	...	...	...	...	...	...	...	...
38	...	...	...	...	...	...	...	...
39	...	...	...	...	...	...	...	...
40	...	...	...	...	...	...	...	...
41	...	...	...	...	...	...	...	...
42	...	...	...	...	...	...	...	...
43	...	...	...	...	...	...	...	...
44	...	...	...	...	...	...	...	...
45	...	...	...	...	...	...	...	...
46	...	...	...	...	...	...	...	...
47	...	...	...	...	...	...	...	...
48	...	...	...	...	...	...	...	...
49	...	...	...	...	...	...	...	...
50	...	...	...	...	...	...	...	...
51	...	...	...	...	...	...	...	...
52	...	...	...	...	...	...	...	...
53	...	...	...	...	...	...	...	...
54	...	...	...	...	...	...	...	...
55	...	...	...	...	...	...	...	...
56	...	...	...	...	...	...	...	...
57	...	...	...	...	...	...	...	...
58	...	...	...	...	...	...	...	...
59	...	...	...	...	...	...	...	...
60	...	...	...	...	...	...	...	...
61	...	...	...	...	...	...	...	...
62	...	...	...	...	...	...	...	...
63	...	...	...	...	...	...	...	...
64	...	...	...	...	...	...	...	...
65	...	...	...	...	...	...	...	...
66	...	...	...	...	...	...	...	...
67	...	...	...	...	...	...	...	...
68	...	...	...	...	...	...	...	...
69	...	...	...	...	...	...	...	...
70	...	...	...	...	...	...	...	...
71	...	...	...	...	...	...	...	...
72	...	...	...	...	...	...	...	...
73	...	...	...	...	...	...	...	...
74	...	...	...	...	...	...	...	...
75	...	...	...	...	...	...	...	...
76	...	...	...	...	...	...	...	...
77	...	...	...	...	...	...	...	...
78	...	...	...	...	...	...	...	...
79	...	...	...	...	...	...	...	...
80	...	...	...	...	...	...	...	...
81	...	...	...	...	...	...	...	...
82	...	...	...	...	...	...	...	...
83	...	...	...	...	...	...	...	...
84	...	...	...	...	...	...	...	...
85	...	...	...	...	...	...	...	...
86	...	...	...	...	...	...	...	...
87	...	...	...	...	...	...	...	...
88	...	...	...	...	...	...	...	...
89	...	...	...	...	...	...	...	...
90	...	...	...	...	...	...	...	...
91	...	...	...	...	...	...	...	...
92	...	...	...	...	...	...	...	...
93	...	...	...	...	...	...	...	...
94	...	...	...	...	...	...	...	...
95	...	...	...	...	...	...	...	...
96	...	...	...	...	...	...	...	...
97	...	...	...	...	...	...	...	...
98	...	...	...	...	...	...	...	...
99	...	...	...	...	...	...	...	...
100	...	...	...	...	...	...	...	...

BEFORE THE SECURITIES APPELLATE TRIBUNAL
MUMBAI

Order Reserved on: 11.05.2022

Date of Decision : 13.05.2022

Appeal No. 191 of 2022

Shubham Singhal
Radha Bagh Colony,
Chomu, Jaipur,
Rajasthan - 303 802.

..... Appellant

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051.

... Respondent

Mr. Ashish Sharma, Advocate i/b Jain Sharma & Co.
Chartered Accountants for the Appellant.

Mr. Abhiraj Arora, Advocate with Ms. Anshu Mehta,
Mr. Shourya Tanay and Mr. Harshvardhan Nankani,
Advocates i/b ELP for the Respondent (SEBI).

**WITH
Appeal No. 192 of 2022**

Goodfaith Infra Ventures Private Limited
48, Dobson Road,
Howrah - 711 101.

..... Appellant

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051.

... Respondent

Mr. Samyak Gangwal, Advocate with Mr. Krishnesh Bapat,
Advocate for the Appellant.

Mr. Gaurav Joshi, Senior Advocate with Mr. Abhiraj Arora,
Ms. Anshu Mehta, Mr. Shourya Tanay and Mr. Harshvardhan
Nankani, Advocates i/b ELP for the Respondent (SEBI).

WITH
Appeal No. 193 of 2022

Kala Patodia
2UG, 31/41, Binova Bhawe Road,
Kolkata – 700 038. Appellant

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East).
Mumbai – 400 051. .. Respondent

Mr. Mani Shankar Chattopadhyaya, Advocate for the
Appellant.

Mr. Abhiraj Arora, Advocate with Ms. Anshu Mehta,
Mr. Shourya Tanay and Mr. Harshvardhan Nankani,
Advocates i/b ELP for the Respondent (SEBI).

WITH
Appeal No. 194 of 2022

Sudhir Kumar Saha
244, Lake Town,
Block – A,
Kolkata – 700 089. Appellant

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East).
Mumbai – 400 051. ... Respondent

Mr. Varun Nathani, Advocate with Mr. Sukrut Mhatre,
Advocate for the Appellant.

Mr. Abhiraj Arora, Advocate with Ms. Anshu Mehta,
Mr. Shourya Tanay and Mr. Harshvardhan Nankani,
Advocates i/b ELP for the Respondent (SEBI).

WITH
Appeal No. 195 of 2022

Sudhir Kumar Agarwal IJUF
A-75, Gandhi Nagar,
Moradabad,
Uttar Pradesh - 244 001.

.... Appellant

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051.

... Respondent

Mr. Shadad M. Khan, Advocate for the Appellant.

Mr. Abhiraj Arora, Advocate with Ms. Anshu Mehta,
Mr. Shourya Tanay and Mr. Harshvardhan Nankani,
Advocates i/b ELP for the Respondent (SEBI).

WITH
Appeal No. 196 of 2022

Aaina Engineering Pvt. Ltd.
9, India Exchange Place,
3rd Floor,
Kolkata - 700 001.

.... Appellant

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051.

... Respondent

Mr. Rajiv Kumar Choudhary, Advocate with Mr. Kailash Dhanuka, Advocate for the Appellant.

Mr. Abhiraj Arora, Advocate with Ms. Anshu Mehta, Mr. Shourya Tanay and Mr. Harshvardhan Nankani, Advocates i/b ELP for the Respondent (SEBI).

WITH
Appeal No. 206 of 2022

Rajendra Kumar Agrawal
HB 30 Salt Lake Block,
HB Premises TO END WORD 17,
Salt Lake S N 24PGS,
Kolkata,
West Bengal – 700 106. Appellant

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East).
Mumbai – 400 051. ... Respondent

Mr. Ram Awatar Dhoot, CA i/b R. A. Dhoot & Co. Chartered Accountants for the Appellant.

Mr. Abhiraj Arora, Advocate with Ms. Anshu Mehta, Mr. Shourya Tanay and Mr. Harshvardhan Nankani, Advocates i/b ELP for the Respondent (SEBI).

WITH
Appeal No. 207 of 2022

Rajeev Gupta HUF
R/o G-69, Ashok Vihar,
Phase – I,
New Delhi – 110 052. Appellant

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East).
Mumbai – 400 051. ... Respondent

Mr. Mukesh Mohan Goyal, Advocate i/b RG Laws for the Appellant.

Mr. Abhiraj Arora, Advocate with Ms. Anshu Mehta, Mr. Shourya Tanay and Mr. Harshvardhan Nankani, Advocates i/b ELP for the Respondent (SEBI).

**WITH
Appeal No. 208 of 2022**

Secma Agarwal
FD 356 Salt Lake City,
Sector III, Kolkata,
West Bengal – 700 091. Appellant

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051. ... Respondent

Mr. Ram Awatar Dhoot, CA i/b R. A. Dhoot & Co. Chartered Accountants for the Appellant.

Mr. Abhiraj Arora, Advocate with Ms. Anshu Mehta, Mr. Shourya Tanay and Mr. Harshvardhan Nankani, Advocates i/b ELP for the Respondent (SEBI).

**AND
Appeal No. 209 of 2022**

Rajendra Kumar Agrawal HUF
HB 30 Salt Lake Block,
HB Premises TO END WORD 17,
Salt Lake S N 24PGS,
Kolkata,
West Bengal – 700 106. Appellant

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051. ... Respondent

Mr. Ram Awatar Dhoot, CA i/b R. A. Dhoot & Co. Chartered Accountants for the Appellant.

Mr. Abhiraj Arora, Advocate with Ms. Anshu Mehta, Mr. Shourya Tanay and Mr. Harshvardhan Nankani, Advocates i/b ELP for the Respondent (SEBI).

CORAM : Justice Tarun Agarwala, Presiding Officer
Justice M.T. Joshi, Judicial Member
Ms. Meera Swarup, Technical Member

Per : Justice Tarun Agarwala, Presiding Officer

1. Even though separate orders have been passed, the issue is common, and accordingly all these appeals are being taken up together.

2. The appeals have been filed against various orders passed by the Adjudicating Officer ('AO' for short) of the Securities and Exchange Board of India ('SEBI' for short) imposing penalty under Section 15HA of SEBI Act, 1992 for violation of Regulation 3 and 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ('PFUTP Regulations' for short).

3. After hearing various counsels for the appellants we find that the controversy involved in the present appeals is squarely covered by the decision of this Tribunal in *Global*

Earth Properties and Developers Pvt. Ltd. vs. SEBI, Appeal No. 212 of 2020 decided on September 14, 2020.

4. The learned counsel for the appellants tried to distinguish the said decision of this Tribunal on various grounds, namely, that the provisions of Section 15HA of SEBI Act is not applicable in view of the fact that appellant is not responsible for carrying out these transactions on an anonymous platform in as much as it was the broker who was responsible and who should have also been impleaded as a party and consequently the proceedings should be dismissed for non-joinder of necessary parties. Some of the appellants also contended that the investigation report was not supplied and in view of the latest decision of the Supreme Court in the matter of *T. Takano vs Securities and Exchange Board of India & Anr. (Civil Appeal Nos. 487 - 488 of 2022) decided on February 18, 2022* the impugned order should be set aside and the respondent should be directed to supply the investigation report before proceeding further. It was also urged that the penalty imposed is excessive and arbitrary and does not commensurate with the violation. It was contended that only one or two trades were made for which a heavy penalty has been imposed and that the factors contained under

Section 15J has not been taken into consideration while adjudging the quantum of penalty. It was also urged that some of the AOs have exonerated certain entities and persons for the similar offence on the ground that the alleged trades were miniscule and did not create an impact. One of the appellants contended that the presumption drawn by the AO was wholly erroneous and against the directions given by the Supreme Court in the case of *Securities and Exchange Board of India vs Kishore R. Ajmera* [(2016) 6 SCC 368] and in the case of *Balram Garg vs Securities and Exchange Board of India in Civil Appeal No. 7054 of 2021 decided recently on April 19, 2022*.

5. Having heard the learned counsel for the parties at some length, we find that the admitted position in all these appeals is, that appellants have not disputed the execution and subsequent reversal of trades as alleged in the show cause notice. We find that the execution of trades in an illiquid market with such precision in order placement indicates a prior meeting of minds with a view to execute reversal trades at predetermined price. We also find that there is a significant price difference between the sell price and the buy price within minutes and sometimes within seconds. This indicates

that the impugned transactions were manipulative and was a deceptive device to create a desired loss and/or profit. Such transactions were fraudulent and, therefore, violative of Regulation 3 and 4 of the PFUTP Regulations. Thus, it is not necessary for this Tribunal to delve into the assertions raised by the appellants. All the appeals fail and are dismissed in the light of the decision of this Tribunal in the matter of *Global Earth Properties and Developers Pvt. Ltd. (supra)*.

6. However, before parting we would like to say that a large numbers of appeals are being filed on the same issue on a daily basis. We find that SEBI had made an investigation which revealed that thousands of entities were indulging in reversal trades which were found to be non-genuine trades and a misuse of the Stock Exchange platform. SEBI accordingly initiated penalty proceedings in a large number of matters in which penalties were imposed, against which large number of appeals were filed which were decided by this Tribunal in *Global Earth Properties and Developers Pvt. Ltd. (supra)*.

7. We are informed that SEBI has initiated proceedings against 14720 entities which are pending before various AOs which have clogged up their dockets.

8. In the past when appeals against these kind of orders being passed we had directed SEBI by our order dated October 14, 2019 that SEBI should explore and come out with some mechanism or a scheme such as a Lok Adalat so that parties could settle the matter. Based on the directions given by this Tribunal, SEBI came out with a settlement scheme in August 2020 which was framed under the SEBI (Settlement Proceedings) Regulations, 2018 ('Settlement Regulations, 2018' for short). This scheme came to an end in December 2020. This scheme was not successful for two reasons, namely, that the terms of settlement perhaps were onerous, stringent and unviable and further the scheme was issued during the peak of the Covid pandemic.

9. We find that as on date more than 14,000 matters are pending before various AOs. Their dockets are exploding and the disposal of these matters will take atleast a couple of years. As a result, all the AOs are over worked, their dockets are clogged and serious matters are given a back seat.

10. We also find that in a large number of cases the AOs have exonerated the noticees or have imposed lesser penalty based on which, appeals are being filed before this Tribunal seeking reduction in the quantum of penalty.

11. In this regard the penalty which is being imposed is under 15HA of the SEBI Act which prescribes a minimum penalty of Rs. 5 lakh. This provision was amended on September 8, 2014 by Act No. 27 of 2014. Most of the trades in this illiquid stock option matters are during the period 2014-15. We find that where transaction were executed prior to September 8, 2014 the AOs have imposed a penalty of Rs. 1 lakh and on similar trades executed after September 8, 2014 a penalty of Rs. 5 lakh have been imposed. Thus, on the same set of violation two quantum of penalties are being imposed, Rs. 1 lakh and / or Rs. 5 lakh or more as the case may be. This has created an anomalous situation and is a bit unfair.

12. Section 15JB of the SEBI Act provides for settlement of administrative and civil proceedings. For facility, the said provision is extracted here under:-

Settlement of administrative and civil proceedings.

"15JB. (1) Notwithstanding anything contained in any other law for the time being in force, any person, against whom any proceedings have been initiated or may be initiated under section 11, section 11B, section 11D, sub-section (3) of section 12 or section 15-I, may file an application in writing to the Board proposing for settlement of the proceedings initiated or to be initiated for the alleged defaults.

(2) The Board may, after taking into consideration the nature, gravity and impact of defaults, agree to the proposal for settlement, on payment of such sum by the defaulter or on such other terms as may be determined by the Board in accordance with the regulations made under this Act.

(3) The settlement proceedings under this section shall be conducted in accordance with the procedure specified in the regulations made under this Act. (4) No appeal shall lie under section 15T against any order passed by the Board or adjudicating officer, as the case may be, under this section."

13. The said provision starts with a non-obstante clause, namely, *"notwithstanding anything contained in any other law for the time being in force"*. Where any proceedings have been initiated under the SEBI Act, any person may file an application for settlement of the proceedings. Section 15JB(3) provides that settlement proceedings would be conducted in accordance with the procedure specified in the Regulations. Chapter II provides the procedure for filing 'Application for Settlement'. Chapter III provides the 'Scope of Settlement'. Chapter IV provides the 'Terms of Settlement'. Chapter V provides the constitution of a High Powered Advisory Committee which recommends the terms of settlement and Chapter VI provides the 'Procedure for Settlement'. The procedure envisaged under the settlement rules is thus complicated and at times the terms of settlement becomes stringent.

14. The settlement scheme that was issued in August 2020 under Chapter VI of the aforesaid Settlement Regulations, 2018 did not generate interest to these small time noticees who had executed few trades for small gains as the proposed settlement terms were found to be stringent, onerous and unviable and that could be one of the reason why many noticees did not opt under that scheme.

15. We, however, find that the respondent could still initiate another scheme under Clause 26 of the Settlement Regulations, 2018. For facility, the said provision is extracted here under:-

Settlement of Schemes.

"26. Notwithstanding anything contained in these regulations, the Board may specify the procedure and terms of settlement of specified proceedings under a settlement scheme for any class of persons involved in respect of any similar specified defaults.

Explanation.- A settlement order issued under a Settlement scheme shall be deemed to be a settlement order under these regulations."

16. The aforesaid provision also starts with a non-obstante clause, namely, "*notwithstanding anything contained in these regulations*" that is to say, notwithstanding the procedure provided under Chapter II, III, IV, V and VI the Board could specify the procedure and terms of settlement of specified

proceedings under a settlement scheme for any class or persons involved in respect of any similar specified defaults. 'Specified proceedings' has been defined under Section 2(f) of the Settlement Regulations, 2018, namely, the proceedings that have been initiated by SEBI under the SEBI Act, Securities Contracts (Regulation) Act, 1956 or Depositories Act, 1996 as the case may be. 14,000 odd cases have been initiated under the illiquid stock option matters wherein similar kind of transaction have been executed and similar violation is proposed against all these noticees under Regulation 3 and 4 of the PFUTP Regulations. These 14,000 entities form a class of persons and are involved for similar defaults. Therefore, in our opinion, the Board can specify a procedure and terms of settlement for these classes of persons under Clause 26 of the Settlement Regulations, 2018.

17. We are, thus, of the opinion 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.

18. While considering the scheme SEBI should take into consideration the provision of Section 15HA of SEBI Act prior to the amendment made by Act No. 27 of 2014 with effect from September 8, 2014. We find that various AOs have imposed a sum of Rs. 1 lakh for similar trades which were executed prior to September 8, 2014 and Rs. 5 lakh have been imposed for similar trades after the amendment of September 8, 2014.

19. SEBI should also take into consideration that only a few trades were executed for small gains and some of the AOs have exonerated these noticees on the ground that such miniscule trades did not create any impact.

20. We also request SEBI that while framing a scheme under the Settlement Regulations, 2018 it may also take into consideration the reduction of the quantum of penalty imposed in matters decided so far.

21. We direct the Registrar of this Tribunal to send a certified copy of this order to the Chairperson of SEBI within a week for necessary information and action.

22. This order will be digitally signed by the Private Secretary on behalf of the bench and all concerned parties are directed to act on the digitally signed copy of this order. Certified copy of this order is also available from the Registry on payment of usual charges.

Justice Tarun Agarwala
Presiding Officer

Justice M.T. Joshi
Judicial Member

Ms. Meera Swarup
Technical Member

13.05.2022
msb

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