

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. Order/AK/AJ/2023-24/29012**

**UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA
ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD
OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES)
RULES, 1995**

In respect of:
DAREDEVIL AGENCIES PVT. LTD.
PAN: AADCD5746L

in the matter of dealings in Illiquid Stock Options at BSE

A. BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) observed large scale reversal of trades in stock options segment of Bombay Stock Exchange (hereinafter referred to as “**BSE**”). SEBI observed that such large scale reversal of trades in stock options lead to creation of artificial volume at BSE. In view of the same, SEBI conducted an investigation into the trading activities of certain entities in illiquid stock options at BSE for the period April 1, 2014 to September 30, 2015 (hereinafter referred to as “**Investigation Period**”).
2. Pursuant to a preliminary examination conducted in the Illiquid Stock Options matter an Interim order was passed by SEBI on August 20, 2015 against 59 entities which were confirmed vide Orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation relating to trading in stock options segment of BSE which was completed in the year 2018. The investigation findings revealed that of all trades executed in the stock options segment of BSE during the Investigation Period, 81.38% of the trades, that is 2,91,643 trades, were trades which involved a reversal of buy and sell positions

by the clients and counterparties in a contract. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock options segment during the investigation period. The proceedings initiated against the first set of 59 entities, vide the aforementioned Interim Order were disposed of vide final Order dated April 05, 2018, without any further directions, observing that the Adjudicating Officer shall continue the proceedings in accordance with the SEBI Act, 1992 (hereinafter referred to as the "**SEBI Act**") and SEBI (Procedure for Holding and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as the "**Adjudication Rules**") and pass appropriate order on merits. It was also recorded therein that SEBI has decided to take appropriate action against all 14,720 entities in phases.

3. In the meantime, the Hon'ble Securities Appellate Tribunal (SAT), vide its Order dated October 14, 2019, in the case of *R. S. Ispat Ltd Vs SEBI, inter alia* observed that "*SEBI may consider holding a Lok Adalat or adopting any other alternative dispute resolution process with regard to the Illiquid Stock Options*".
4. Accordingly, a Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided a one-time opportunity for settlement of proceedings in the Illiquid Stock Options matter. The said scheme was kept open from August 01, 2020 till December 31, 2020. Finally, adjudication proceedings were initiated against those entities who did not avail the opportunity of settlement. It was observed that **Daredevil Agencies Pvt. Ltd.** (hereinafter referred to as the "**Noticee**") was one of the various entities which indulged in execution of reversal trades in stock options segment of BSE during the Investigation Period. In view of the same, SEBI initiated adjudication proceedings against the Noticee for violation of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

5. It was observed that 13,186 entities did not avail the opportunity of settlement and therefore Adjudication proceedings were initiated against the entities in a phased manner. In order, to duly expedite the Adjudication proceedings against the entities, SEBI had appointed additional Adjudicating officers to adjudicate against the said entities. However, owing to the huge number of alleged entities, the adjudication proceedings were being conducted in a phased manner that required adequate time to complete the proceedings against all entities. The Adjudicating officers had passed Orders with respect to certain Noticees in a phased manner.
6. It was observed, that some of the entities against whom Orders were passed in the adjudication proceedings appealed before the Hon'ble SAT. During the course of the hearing in a group of appeals, the Hon'ble SAT, vide its Order dated May 13, 2022, inter alia held that *“SEBI should reconsider and seriously give a thought in coming out with a fresh Scheme under Clause 26 of the Settlement Regulations, 2018. Such scheme can be a onetime scheme for this class of person. The terms of settlement should be attractive so that it could attract the noticees/entities to come forward and settle the matter which will ameliorate the harassment of penalty proceedings to the noticees and at the same time would help to clear the backlog of these pending matters before various AOs”*.
7. Accordingly, SEBI introduced a Settlement Scheme i.e. SEBI Settlement Scheme, 2022 (hereinafter referred to as **“Scheme 2022”**) in terms of Regulation 26 of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as **“Settlement Regulations”**). The Scheme provided a onetime opportunity to the entities against whom proceedings had been initiated and appeals against the said proceedings are pending before any forum or authority.

8. I note that SEBI framed the Scheme in accordance with the provisions of the Settlement Regulations and issued a Public Notice dated August 19, 2022 about the Scheme and the modalities for availing the benefit of the Scheme. The Notice was also made available on the website of the BSE. The Scheme was initially kept open for a period of three months commencing from August 22, 2022 to November 21, 2022 (both days inclusive). Considering the interest of a large number of entities to avail the Scheme, SEBI extended the period of the Scheme till January 21, 2023 vide public notice dated November 22, 2022.⁸ A total of 10,980 Noticees availed the benefit of the Scheme and remitted the specified settlement amount respectively. Accordingly, a settlement order was passed on March 08, 2023, settling the matter with respect to 10,980 Noticees.
9. I note that Noticee did not avail settlement under the Settlement Scheme in 2020 or 2022 and therefore Adjudication proceedings have been revived against the Noticee.

B. APPOINTMENT OF ADJUDICATING OFFICER

10. SEBI initiated adjudication proceedings and appointed Mr. G. Ramar as the Adjudicating Officer (AO) under Section 15-I of the SEBI Act read with Rule 3 of the Adjudication Rules. Subsequently, vide communication dated November 12, 2021 Ms. Geetha G. was appointed as AO and vide communication dated September 19, 2022, the undersigned was appointed as the AO, in the instant matter, to conduct adjudication proceedings in the manner specified under Rule 4 of Adjudication Rules read with Section 15-I of SEBI Act, and if satisfied that Noticee is liable for penalty, impose such penalty as deemed fit in terms of Rule 5 of Adjudication Rules and Section 15HA of SEBI Act.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

11. A Show Cause Notice dated August 11, 2022 (hereinafter referred to as “**SCN**”) was issued to the Noticee under Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be initiated against it and thereafter penalty imposed on it under Section 15HA of the SEBI Act for the alleged violation of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations. I note that, vide the said SCN, the Noticee was informed of the option of Settlement Scheme, 2022. The SCN that was digitally signed was sent to the email id of the Noticee and as per delivery records, I note that the SCN failed to be delivered to the Noticee. Subsequently, SCN dated August 23, 2022 was sent by SPAD/email to the Noticee, however there was no way to determine whether the SCN was delivered as the SPAD card did not return.
12. Further, in the interest of natural justice, vide Hearing Notice sent vide SPAD/email dated March 15, 2023, the Noticee was granted an opportunity of personal hearing on April 12, 2023. In the said Hearing Notice, an option was given to the Noticee to avail the hearing opportunity through video conferencing and a zoom link was sent to the Noticee by email dated April 11, 2023. However, the said Hearing Notice returned undelivered and the email failed to be delivered to the Noticee.
13. An attempt was also made to serve the SCN through Stock Exchanges/Depositories (MIs). However, since the same could not be delivered, MIs deactivated the PAN of the Noticee.
14. Vide issuance of public notice in the newspaper publication dated August 06, 2023, published in the Times of India (English) Kolkata Edition, Ei Samay (Bengali) Kolkata Edition and Sanmarg (Hindi) Kolkata Edition, Noticee was informed that the SCN was already uploaded on SEBI website under the Section-

Enforcement -Unserved Summons/ Notices. Further, it was also informed that Noticee may obtain a copy of SCN along with its Annexures from the Office of the Adjudicating Officer of SEBI. I note that Noticee has failed to collect the aforesaid SCN within the stipulated time period and has not submitted a reply to the SCN till date of this order.

15. From the above, I am compelled to proceed ex-parte in the matter. As laid down by SAT in its order dated May 12, 2017 in the matter of **Shri. B.Ramalinga Raju vs. SEBI (Appeal no. 286 of 2014)**, “ *even though the Noticees remained ex-parte, I find it relevant that I should be guided by the documents available on record*”. I hereby proceed with the matter, based on the material available on record.

D. CONSIDERATION OF ISSUES

16. I have taken into consideration the facts of the case and the material on record and I now proceed to consider the issues that arise in this case.
17. The core issue that arises for consideration in the instant matter is whether the trading in illiquid stock options done by the Noticee during the Investigation Period was in violation of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations? If yes, whether the Noticee is liable for a levy of monetary penalty under Section 15HA of the SEBI Act and if yes, how much should be the penalty?
18. Before proceeding further, I would like to refer to the relevant provisions of the PFUTP Regulations as below:

PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a 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;

SEBI Act

“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.”*

19. I note that the Noticee is alleged to have entered into 232 non-genuine trades, on 12 days through 84 contracts with 18 counterparties. Details of a sample of 50 trades are given in the table below.

Table No.1 – Details of the trades executed by the Noticee

TRADE_ DATE	Client Name	Counter party Client Name	TRADE_ TIME	ORDER_ LMTIME	CP_ORDER_ _LMTIME	TRADE_ RATE	TRADE D_QTY	Contract
03/07/2015	SARVA MANGALAM GAJANA N STEEL PRIVATE LIMITED	DAREDEVIL AGENCIES PRIVATE LIMITED	15:13:39.516432	15:13:39.422864	15:13:39.516432	10	4000	CANB15JUL270.00CEW2
03/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SARVA MANGALAM GAJANA N STEEL PRIVATE LIMITED	15:13:47.313449	15:13:47.313274	15:13:47.313449	16.5	4000	CANB15JUL270.00CEW2
03/07/2015	SUSHILA GUPTA GUPTA	DAREDEVIL AGENCIES PRIVATE LIMITED	15:08:53.983347	15:08:53.874176	15:08:53.983347	13	6000	IDFC15JUL130.00CEW2
03/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SUSHILA GUPTA GUPTA	15:09:08.186865	15:09:08.186611	15:09:08.186865	20.5	6000	IDFC15JUL130.00CEW2
03/07/2015	SARVA MANGALAM GAJANA N STEEL PRIVATE LIMITED	DAREDEVIL AGENCIES PRIVATE LIMITED	15:12:01.891315	15:12:01.891159	15:12:01.891315	0.1	52000	LNTF15JUL70.00CEW2
03/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SARVA MANGALAM GAJANA N STEEL PRIVATE LIMITED	15:11:31.187805	15:11:31.187630	15:11:31.187805	0.8	52000	LNTF15JUL70.00CEW2
03/07/2015	SARVA MANGALAM GAJANA N STEEL	DAREDEVIL AGENCIES PRIVATE LIMITED	15:10:42.375170	15:10:42.375170	15:10:42.374974	0.05	44000	IDBI15JUL80.00CEW2

	PRIVATE LIMITED							
03/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SARVA MANGALAM GAJANA N STEEL PRIVATE LIMITED	15:10:35.171594	15:10:35.171594	15:10:35.078070	0.8	44000	IDBI15JUL80.00CEW2
03/07/2015	SARVA MANGALAM GAJANA N STEEL PRIVATE LIMITED	DAREDEVIL AGENCIES PRIVATE LIMITED	15:15:32.423254	15:15:32.329641	15:15:32.423254	4.25	24000	IOBL15JUL44.00PEW3
03/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SARVA MANGALAM GAJANA N STEEL PRIVATE LIMITED	15:15:45.330092	15:15:45.330092	15:15:45.329621	6.9	24000	IOBL15JUL44.00PEW3
03/07/2015	SARVA MANGALAM GAJANA N STEEL PRIVATE LIMITED	DAREDEVIL AGENCIES PRIVATE LIMITED	15:20:02.347043	15:20:02.346886	15:20:02.347043	0.05	32000	RCOM15JUL45.00PEW3
03/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SARVA MANGALAM GAJANA N STEEL PRIVATE LIMITED	15:19:52.440569	15:19:52.346742	15:19:52.440569	1	32000	RCOM15JUL45.00PEW3
03/07/2015	SARVA MANGALAM GAJANA N STEEL PRIVATE LIMITED	DAREDEVIL AGENCIES PRIVATE LIMITED	15:16:56.846151	15:16:56.846151	15:16:56.845913	0.1	40000	PTCI15JUL55.00PEW3
03/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SARVA MANGALAM GAJANA N STEEL PRIVATE LIMITED	15:16:45.048712	15:16:45.048712	15:16:44.955192	0.9	40000	PTCI15JUL55.00PEW3
03/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SARVA MANGALAM GAJANA N STEEL PRIVATE LIMITED	15:17:35.346244	15:17:35.346244	15:17:35.252137	0.8	40000	TATP15JUL65.00PEW3
03/07/2015	SARVA MANGALAM GAJANA N STEEL	DAREDEVIL AGENCIES	15:17:51.752554	15:17:51.658624	15:17:51.752554	0.1	40000	TATP15JUL65.00PEW3

	PRIVATE LIMITED	PRIVATE LIMITED						
03/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SARVAMANGALAM GAJANA N STEEL PRIVATE LIMITED	15:18:35.049936	15:18:35.049936	15:18:35.049804	1.25	36000	TATP15JUL60.00PEW3
03/07/2015	SARVAMANGALAM GAJANA N STEEL PRIVATE LIMITED	DAREDEVIL AGENCIES PRIVATE LIMITED	15:18:45.050023	15:18:45.049731	15:18:45.050023	0.05	36000	TATP15JUL60.00PEW3
06/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	DHARAMCHAND AGARWAL	14:58:47.198488	14:58:47.089230	14:58:47.198488	0.8	28000	UCOB15JUL40.00PEW2
06/07/2015	DHARAMCHAND AGARWAL	DAREDEVIL AGENCIES PRIVATE LIMITED	14:58:54.089228	14:58:54.089228	14:58:54.089092	0.05	28000	UCOB15JUL40.00PEW2
06/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SATYANARAYAN AGARWAL HUF	14:54:36.853357	14:54:36.853357	14:54:36.853178	0.85	116000	JISL15JUL80.00CEW2
06/07/2015	SATYANARAYAN AGARWAL HUF	DAREDEVIL AGENCIES PRIVATE LIMITED	14:54:46.947453	14:54:46.947261	14:54:46.947453	0.05	116000	JISL15JUL80.00CEW2
06/07/2015	DHARAMCHAND AGARWAL	DAREDEVIL AGENCIES PRIVATE LIMITED	15:01:15.090256	15:01:15.090256	15:01:15.089995	0.05	84000	IDBI15JUL55.00PEW2
06/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	DHARAMCHAND AGARWAL	15:01:05.793144	15:01:05.793144	15:01:05.699206	0.75	84000	IDBI15JUL55.00PEW2
06/07/2015	DHARAMCHAND AGARWAL	DAREDEVIL AGENCIES PRIVATE LIMITED	15:00:15.886700	15:00:15.886539	15:00:15.886700	0.05	40000	JSWE15JUL80.00PE
06/07/2015	DAREDEVIL AGENCIES	DHARAMCHAND AGARWAL	15:00:07.292850	15:00:07.292462	15:00:07.292850	0.9	40000	JSWE15JUL80.00PE

	PRIVATE LIMITED							
06/07/2015	SEEMA AGARWAL	DAREDEVIL AGENCIES PRIVATE LIMITED	14:56:21.651035	14:56:21.557201	14:56:21.651035	0.05	116000	UCOB15JUL45.00PEW3
06/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SEEMA AGARWAL	14:56:13.650942	14:56:13.650942	14:56:13.650827	0.85	116000	UCOB15JUL45.00PEW3
07/07/2015	SUNITA GUPTA	DAREDEVIL AGENCIES PRIVATE LIMITED	15:01:19.318404	15:01:19.318404	15:01:19.224875	0.1	28000	JISL15JUL65.00PEW2
07/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SUNITA GUPTA	15:01:12.427710	15:01:12.427710	15:01:12.318438	0.9	28000	JISL15JUL65.00PEW2
07/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SUNITA GUPTA	15:02:19.740841	15:02:19.740841	15:02:19.740680	0.8	28000	TATP15JUL65.00PEW2
07/07/2015	SUNITA GUPTA	DAREDEVIL AGENCIES PRIVATE LIMITED	15:02:26.443778	15:02:26.443778	15:02:26.350166	0.05	28000	TATP15JUL65.00PEW2
07/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SUNITA GUPTA	15:03:07.740854	15:03:07.740854	15:03:07.647237	0.8	20000	SAIL15JUL70.00CEW2
07/07/2015	SUNITA GUPTA	DAREDEVIL AGENCIES PRIVATE LIMITED	15:03:15.240946	15:03:15.240946	15:03:15.147527	0.05	20000	SAIL15JUL70.00CEW2
07/07/2015	SUNITA GUPTA	DAREDEVIL AGENCIES PRIVATE LIMITED	15:00:16.224353	15:00:16.224353	15:00:16.115219	0.05	28000	ALLD15JUL65.00PEW2
07/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SUNITA GUPTA	14:59:55.208944	14:59:55.208944	14:59:55.114866	0.85	28000	ALLD15JUL65.00PEW2

07/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SUNITA GUPTA	14:56:33.192402	14:56:33.192157	14:56:33.192402	0.45	100000	RPOW15JUL38.00PEW2
07/07/2015	SUNITA GUPTA	DAREDEVIL AGENCIES PRIVATE LIMITED	14:53:07.925207	14:53:07.815941	14:53:07.925207	0.05	100000	RPOW15JUL38.00PEW2
07/07/2015	SUNITA GUPTA	DAREDEVIL AGENCIES PRIVATE LIMITED	14:56:43.192346	14:56:43.192346	14:56:43.192198	0.05	100000	RPOW15JUL38.00PEW2
07/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SUNITA GUPTA	14:52:58.628829	14:52:58.628536	14:52:58.628829	0.75	100000	RPOW15JUL38.00PEW2
08/07/2015	SUNITA GUPTA	DAREDEVIL AGENCIES PRIVATE LIMITED	15:27:09.365685	15:27:09.365450	15:27:09.365685	0.1	20000	HNDL15JUL95.00PEW2
08/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SUNITA GUPTA	15:27:02.068741	15:27:02.068741	15:27:02.068529	0.9	20000	HNDL15JUL95.00PEW2
08/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SUNITA GUPTA	15:25:57.755469	15:25:57.755469	15:25:57.661784	0.85	40000	ALLD15JUL80.00CEW2
08/07/2015	SUNITA GUPTA	DAREDEVIL AGENCIES PRIVATE LIMITED	15:26:05.365273	15:26:05.365273	15:26:05.349747	0.05	40000	ALLD15JUL80.00CEW2
08/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SARVA MANGALAM GAJANA STEEL PRIVATE LIMITED	14:55:25.948417	14:55:25.948417	14:55:25.948310	0.85	144000	SOIB15JUL22.00PEW2
08/07/2015	SARVA MANGALAM GAJANA STEEL PRIVATE LIMITED	DAREDEVIL AGENCIES PRIVATE LIMITED	14:55:33.854223	14:55:33.854223	14:55:33.745192	0.05	144000	SOIB15JUL22.00PEW2

08/07/2015	SUNITA GUPTA	DAREDEVIL AGENCIES PRIVATE LIMITED	15:24:56.193016	15:24:56.099157	15:24:56.193016	0.05	60000	LNTF15JUL60.00PEW2
08/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SUNITA GUPTA	15:24:46.989813	15:24:46.989813	15:24:46.895849	0.9	60000	LNTF15JUL60.00PEW2
08/07/2015	DAREDEVIL AGENCIES PRIVATE LIMITED	SUNITA GUPTA	15:28:07.146774	15:28:07.146774	15:28:07.037413	0.9	32000	PTCI15JUL65.00PEW2
08/07/2015	SUNITA GUPTA	DAREDEVIL AGENCIES PRIVATE LIMITED	15:28:13.537509	15:28:13.443913	15:28:13.537509	0.05	32000	PTCI15JUL65.00PEW2

20. I note from the table above, that the Noticee while trading in the contract of ALLD15JUL80.00CEW2 on July 08, 2015, executed one buy trade of 40000 units at the rate of INR 0.85 per unit at 15:25:57.755469 hrs from the counterparty, viz. SUNITA GUPTA. Thereafter, at 15:26:05.365273 hrs, the Noticee sold 40000 units at the rate of INR 0.05 per unit to the same counterparty. The Noticee sold the units at a lower value and bought the units for a higher value, reversing the trade within a time difference of 08 seconds. I note that the Noticee's transactions i.e. one buy trade and one sell trade took place on the same day and the order time for the two trades were placed by the Noticee and the counterparty in a difference of split seconds. The other transactions were executed by the Noticee in a similar manner.

21. I see that, the exactness of the quantity that got reversed between the counterparties on a single day, the proximity in the time of the reversal of trades and above all the absence of rationale to justify the variation in the sell and buy price, certainly shows that these are non- genuine trades.

22. I note that the quantity of the units bought and sold, with the same counterparties, are the same and there is hardly any difference in the time of placement of order

for the reversal trades, which clearly shows that the Noticee did not intend to transfer beneficial ownership of units in the contract and the trades were non-genuine, which created artificial volume in the said contracts.

23. I note that in the said contract, the Noticee along with the counterparties contributed to the market volume of the day as given below:

Contract	%age of volume generated by the Noticee in the contract vs total volume of the Noticee	%age of artificial volume generated vs total volume in the contract
ADPW15JUL26.00PEW2	100	3.96
AJPL15SEP1470.00PEW1	100	16.67
ALLD15JUL65.00PEW2	100	2.25
ALLD15JUL65.00PEW3	100	6.64
ALLD15JUL75.00CEW3	100	70.37
ALLD15JUL80.00CEW2	100	7.14
ANBK15JUL75.00CEW3	100	5.11
CANB15JUL270.00CEW2	100	5.88
CENT15AUG680.00CEW3	100	11.76
COAL15AUG380.00PEW3	100	16.67
DLFL15AUG115.00CEW3	100	17.24
FEDB15AUG75.00PEW3	100	17.65
FEDB15SEP70.00PEW2	100	11.86
GMRI15AUG12.00PEW3	100	2.22
GMRI15JUL16.00CEW3	100	36.7
HNDL15JUL95.00PEW2	100	3.86
IDBI15AUG70.00CEW3	100	4.47
IDBI15AUG70.00PEW3	100	19.05
IDBI15JUL55.00PE	100	5.43
IDBI15JUL55.00PEW2	100	4.8
IDBI15JUL60.00PEW3	100	100
IDBI15JUL80.00CEW2	100	14.47
IDEA15SEP145.00CEW1	100	14.29
IDFC15JUL130.00CEW2	100	6.25
IDFC15JUL150.00PEW3	100	100
IFCI15JUL24.00PEW3	100	10.73
IFCI15JUL28.00CEW2	100	7.83
IOBL15JUL36.00PEW3	100	23.81
IOBL15JUL44.00PEW3	100	15
JAIA15JUL10.00PEW3	100	31.06
JAIA15JUL16.00CEW3	100	15.91
JAIA15SEP12.00CEW1	100	16.22
JISL15JUL65.00PEW2	100	4.32
JISL15JUL80.00CEW2	100	10.32
JISL15JUL80.00CEW3	100	13.51
JSWE15JUL80.00PE	100	2.21
LNTF15AUG60.00CEW3	100	1.61
LNTF15JUL60.00PEW2	100	11.19

LNTF15JUL70.00CEW2	40.63	5.03
LNTF15SEP75.00PEW2	100	10.14
MARU15JUL4400.00CE	100	5.66
NHPC15JUL18.00PEW2	100	5.56
NHPC15SEP20.00CEW1	100	14.63
NTPC15SEP130.00PEW1	100	15.85
PTCI15JUL55.00PEW3	100	2.74
PTCI15JUL60.00PEW2	100	9.63
PTCI15JUL65.00PEW2	100	17.39
PTCI15SEP65.00PEW1	100	10.53
RCOM15JUL45.00PEW3	100	1.91
RCOM15JUL50.00PEW3	92.59	9.8
RCOM15JUL80.00CEW3	100	7.53
RCOM15SEP50.00CEW3	100	15.79
RPOW15JUL38.00PEW2	98.04	6.98
RPOW15JUL40.00PEW3	100	34.88
RPOW15JUL48.00CEW3	100	48.03
RPOW15JUL50.00CEW3	100	20.98
RPOW15SEP44.00PEW3	100	6.25
SAIL15JUL50.00PE	100	6.19
SAIL15JUL50.00PEW2	100	4.38
SAIL15JUL50.00PEW3	100	6.29
SAIL15JUL65.00CEW3	100	18.22
SAIL15JUL70.00CEW2	100	11.11
SOIB15AUG26.00PEW3	100	18.18
SOIB15JUL20.00PEW3	100	26.14
SOIB15JUL22.00PEW2	100	12.17
SOIB15JUL26.00CEW3	100	10.4
SOIB15JUL28.00CEW3	100	51.35
SUNP15SEP940.00CE	100	3.1
SYND15SEP95.00PEW2	100	17.39
TATP15JUL55.00PEW3	97.87	13.03
TATP15JUL60.00PEW3	96	4.77
TATP15JUL65.00PEW2	100	1.14
TATP15JUL65.00PEW3	100	1.32
TATP15JUL75.00CE	100	29.56
TATP15JUL80.00CEW3	100	6.78
TATP15JUL85.00CEW3	100	6.19
TGBL15SEP110.00CEW1	100	16.67
UBRL15SEP860.00CEW1	100	15.12
UCOB15AUG60.00PEW3	100	6.25
UCOB15JUL40.00PEW2	100	2.67
UCOB15JUL45.00PEW3	100	4.13
UCOB15JUL50.00PEW3	100	8.29
UCOB15JUL55.00CE	100	15.04
UCOB15SEP55.00PEW2	100	17.65

24. In the aforesaid contracts, the Noticee had contributed to the artificial volume in the range of 1.14% to 100% vs total market volume in the said contracts. Thus, I find that the Noticee by executing non genuine trades, had contributed to the creation of artificial volumes in the said contracts.

25. From the facts brought out in the matter, I am convinced that the trades between the Noticee and the counterparties were a consequence of pre-meditated decision of all the parties and hence are unfair trades as per PFUTP Regulations. It cannot be a matter of coincidence or lack of awareness, or without knowledge of the counterparties. Hence, the trades placed on the stock exchange platform by mutual understanding are non-genuine trades, which are prohibited under PFUTP Regulations.
26. In this context, it is relevant to quote the judgment of the Hon'ble Supreme Court in the matter of **Rakhi Trading (SEBI Vs. Rakhi Trading- CANo.1969/2011, Order dated February 8, 2018)**
- "Fairness, integrity and transparency are the hallmarks of the stock market in India".* **(Paragraph No. 1** of the part of the judgement authored by His Lordship Mr. Justice Kurian Joseph).
- "... Nobody intentionally trades for loss. An intentional trading for loss per se, is not a genuine dealing in securities. The platform of the stock exchange has been used for a non-genuine trade. Trading is always with the aim to make profits. But if one party consistently make loss and that too in pre-planned and rapid reverse trades, it is not genuine; it is an unfair trade practice."* **(Paragraph No. 35** of the part of the judgement authored by His Lordship Mr. Justice Kurian Joseph).

Their Lordships have considered similar transactions in the same segment, *"The repeated reversals and predetermined arrangement to book profits and losses respectively, made it clear that the parties were not trading in the normal sense and ordinary course. Resultantly, there has clearly been a restriction on the free and fair operation of market forces in the instant case."* **(Paragraph No. 38** authored by His Lordship Mr. Justice Kurian Joseph)

“The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed the price, nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity and transparency of the stock market.” (**Paragraph No. 41** of the part of the judgement authored by His Lordship Mr. Justice Kurian Joseph).

“The smooth operation of the securities market and its healthy growth and development depends upon large extent on the quality and integrity of the market. Unfair trade practices affect the integrity and efficiency of the securities market and the confidence of the investors. Prevention of market abuse and preservation of market integrity are the hallmark of securities law ...” (**Paragraph No.38** of the part of the judgment authored by Her Ladyship Ms. Justice R. Bhanumathi). For this, the Hon'ble Judge also relied on the apex court observations in N. Narayanan Vs. Adjudicating Officer, Securities and Exchange Board of India(2013) 12 SCC 152 wherein it was inter alia observed: “Market abuse” impairs economic growth and erodes investor's confidence.

“Where certain unscrupulous elements are trying to manipulate the market to serve their own interest, it becomes imperative on the part of SEBI to intervene and to curb further mischief and to take necessary action to maintain public confidence in the integrity of the securities market...” (**Paragraph No.42** of the part of the judgment authored by Her Ladyship Ms. Justice R. Bhanumathi).

27. Finally, to answer the question as to whether these trades fall within the ambit of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations, I would like to rely on the following extract of the judgment of the Hon'ble Supreme Court in the matter of **Rakhi Trading**:

“39. Regulation 2(1)(c) defines fraud. Under Regulation 2(1)(c)(2) a suggestion as to a fact which is not true while he does not believe it to be true is fraud. Under Regulation 2(1)(c)(7), a deceptive behavior of one depriving another of informed consent or full participation is fraud. And under Regulation 2(1)(c)(8), a false statement without any reasonable ground for believing it to be true is also fraud. In synchronized and reverse dealing in securities, with predetermined arrangement to book loss or gain between pre-arranged parties, all these vices are attracted.

40. Regulation 3(a) expressly prohibits buying, selling or otherwise dealing in securities in a fraudulent manner. Under Regulation 4(2) dealing in securities shall be deemed to be fraudulent if the trader indulges in an act which creates a false or misleading appearance of trading in the securities market. It is a deeming provision. Such trading also involves an act amounting to manipulation of the price of the security in the sense that the price has been artificially and apparently prefixed. The price does not at all reflect the value of the underlying asset. It is also a transaction in securities entered into without any intention of performing it and without any intention of effecting a change of ownership of such securities, ownership being understood in the limited sense of the rights of the contract.” (per His Lordship Mr. Justice Kurian Joseph’s findings in paragraph Nos. 39&40).

28. The Hon’ble Appellate Tribunal has summarized the circumstances identified by the Apex court in **Rakhi Trading Judgment** in the case of **Global Earth Properties and Developers Pvt. Ltd. Vs Securities and Exchange Board of India (Appeal No.212 of 2020 decided on September 14, 2020)**. In para 14 of the said order, the Hon’ble SAT enlisted the following circumstances:

“14 d. An intentional trading for loss per se, is not a genuine dealing in securities. Trading is always with the aim to make profits. But if one party consistently makes loss and that too in preplanned and rapid reverse trades, it is not genuine and the same is an unfair trade practice.

e. In synchronised and reverse trades, there is no genuine change of rights in the contract.”

29. Further in paragraph No. 20 of the said order in **Global Earth (supra)**, the Hon’ble Tribunal held as below:

“20. From the aforesaid cumulative analysis of the reversed transactions with the counter party, quantity, time and significant variation of the price clearly indicates that the trades were non-genuine and had only misleading appearance of trading in the securities market without intending to transfer the beneficial ownership. One finds it to be naïve to presume that the perception of the two counter parties to a trade changed within few seconds/minutes and positions were interchanged and the contracts were changed where one party made profit and the other party ended up making losses every time without prior meeting of mind. It is not a mere coincidence that the Appellants could match the trades with the counter party with whom he had undertaken the first leg of respective trade. In our opinion, the trades were non-genuine trades and even though direct evidence is not available in the instant case but in the peculiar facts and circumstances of the present case there is an irresistible inference that can be drawn that there was meeting of minds between the Appellants and the counter parties, and collusion with a view to trade at a predetermined price.”

30. From the above position in law and facts, it is clear that the Noticee’s transactions, as mentioned above, were fraudulent/ manipulative, as contemplated in the PFUTP Regulations. Hence, I am inclined to impose monetary penalty on the Noticee.
31. As regards the quantum of penalty to be levied, I take into regard the manipulative nature of the trades placed by the Noticee that has led to creation of artificial volume in the contract.

32. I now proceed to determine the quantum of penalty to be imposed, bearing in mind the parameters laid down in Section 15J of the SEBI Act. I observe that in this matter, the amount of disproportionate gain or unfair advantage is not quantifiable. Therefore, considering all the facts and circumstances in this matter, I am inclined to impose a minimum penalty against the Noticee, as provided under Section 15HA of the SEBI Act.
33. I note that, as per the provisions of the Amendment of Section 15HA vide the Securities Laws (Amendment) Act, 2014, that came into force on September 08, 2014, the penalty shall not be less than five lakh rupees. In the instant case, it is observed that the violation of the PFUTP Regulations, took place after the aforesaid date, therefore, the penalty shall not be less than five lakh rupees.

E. ORDER

34. Therefore, in exercise of powers conferred upon me under Section 15-I(2) of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a penalty of Rs 7,40,000/- (Rupees Seven Lakh Forty Thousand only) upon the Noticee *i.e.*, Daredevil Agencies Pvt. Ltd. (PAN No: AADCD5746L) under Section 15HA of the SEBI Act for violation of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations.
35. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, *i.e.* www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

36. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act for realization

of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

37. In terms of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: August 30, 2023

Place: Mumbai

AMIT KAPOOR

ADJUDICATING OFFICER