**BEFORE THE ADJUDICATING OFFICER**
**SECURITIES AND EXCHANGE BOARD OF INDIA**
**[ADJUDICATION ORDER NO. Order/JS/VC/2025-26/31796]**

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

**In respect of:**

**Kusum Devi Agarwal**
**(PAN: AFBPA5176P)**

**In the matter of dealing in Illiquid Stocks Options on BSE**

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## BACKGORUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**"), observed large scale reversal of trades in the Illiquid Stock Options (hereinafter also referred to as "**ISO**") on BSE Ltd. (hereinafter referred to as "**BSE**") leading to creation of artificial volume. In view of the same, SEBI conducted an investigation into the trading activities of certain entities in ISO on BSE for the period starting from April 1, 2014 to September 30, 2015 (hereinafter referred to as **"IP"**).

2. Investigation by SEBI revealed that during the IP, a total of 2,91,744 trades comprising 81.40% of all the trades executed in stock options segment of BSE were trades involving reversal of buy and sell positions by the clients and counterparties in a contract. In these trades, entities reversed their buy or sell position in a contract with subsequent sell or buy position with the same counter party. These reversal trades were alleged to be non-genuine as they lacked basic trading rationale and allegedly portrayed false or misleading appearance of trading leading to creation of artificial volume in those contracts. In view of the same, such reversal trades were alleged to be deceptive and manipulative in nature.

3. During the IP, 14,720 entities were found to have executed non-genuine trades in BSE's stock options segment. It was observed that Kusum Devi Agarwal (hereinafter referred to as the **"Noticee"**) was one of the entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. Her trades were alleged to be non-genuine in nature which created false or misleading appearance of trading in terms of artificial volumes in stock options. Therefore, her trades were alleged to be manipulative and deceptive in nature. In view of the same, SEBI initiated adjudication proceedings against the Noticee for alleged violation of the provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

**APPOINTMENT OF ADJUDICATING OFFICER**

4. Pursuant to transfer to the case from erstwhile Adjudicating Officer (hereinafter referred to as "**AO**"), the undersigned was appointed as AO in the matter vide order dated April 04, 2025, under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the **"SEBI Act**") read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Rules"**), to inquire into and adjudge under the provisions of section 15HA of the SEBI Act for the alleged violations by the Noticee.

**SHOW CAUSE NOTICE, REPLY AND HEARING**

5. A Show Cause Notice dated August 26, 2021 (hereinafter referred to as "**SCN**") was served to the Noticee under rule 4(1) of Rules to show cause as to why an inquiry should not be held and penalty, if any, should not be imposed upon her for the alleged violations of the provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations.

6. It was alleged in the SCN that the Noticee had executed two non-genuine trades in one stock options contract creating artificial volume of 1,32,000 units. Summary of the

dealings of the Noticee in said options contract, in which she allegedly executed non-genuine trades during the IP, is as follows:

**Table No. 1**

| Contract name | Avg. buy rate (₹) | Total buy volume (no. of units) | Avg. sell rate (₹) | Total sell volume (no. of units) | % of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract | % of Artificial volume generated by the Noticee in the contract to Total volume in the contract |
|---|---|---|---|---|---|---|
| **A** | **B** | **C** | **D** | **E** | **F** | **G** |
| PNBK15JUL140.00CE | 3.6 | 66000 | 6.6 | 66000 | 100% | 9.38% |

7. The aforesaid reversal trade is illustrated through the dealings of the Noticee in the contract, viz., 'PNBK15JUL140.00CE' during the IP as follows:
   (a) Noticee executed 2 trades for 1,32,000 units in the said contract on July 08, 2015;
   (b) While dealing in the said contract on July 08, 2025, at 15:12:31 hours, Noticee entered into a buy trade with the counterparty 'Attitude Merchants Private Limited' for 66,000 units at Rs. 3.6/- per unit. At 15:12:36 hours, Noticee entered into a sell trade of the same contract with the same counterparty for 66,000 units at Rs. 6.6/- per unit;
   (c) Noticee executed the buy and sell trades with a significant price difference of Rs. 3/- per unit within a span of 5 seconds;
   (d) Since the Noticee traded in one contract, i.e., PNBK15JUL140.00CE, her 100% volume was in the said contract during the IP;
   (e) Noticee's two trades while dealing in the abovementioned contract during the IP generated artificial volume of 1,32,000 units, which constituted 9.38% of total market volume in the said contract during the IP.

8. The SCN was duly served to the Noticee through Speed Post Acknowledgement Due (hereinafter referred to as **"SPAD"**). Since Noticee did not submit any response to the SCN, vide letter dated September 21, 2021, she was granted an extension of 14

days to submit her reply to the SCN. Further, vide notice of hearing dated September 21, 2021, Noticee was granted an opportunity of hearing on February 01, 2022. However, vide email dated January 31, 2022, Noticee requested for adjournment of hearing, which was granted. On March 21, 2022, authorised representative of the Noticee (hereinafter referred to as **'AR'**), Mr. Jagadish Prasad Agarwal appeared for the hearing through video-conferencing and made submissions. Vide email dated March 23, 2022, Noticee furnished her reply to the SCN.

9. Relevant extracts of the Noticee's reply to the SCN is as under:

   *(a) At the outset, I refer to the term "settlement". As per my understanding the term "settlement" means setting aside the "past disputes and differences" and thereby an arrangement to end a disagreement involving a law having been broken, without taking it to a law court, or an amount of money paid as part of such an arrangement. For example: "They reached an out-of-court settlement". But in this matter, where were the past disputes and / or differences?*

   *(b) Please note that whilst I am trying very hard to pay expenses for myself and my family for living / livelihood in these most extreme times of the Covid-19 pandemic, SEBI has send me a settlement notice out of the blue, out of nowhere. This has come as a huge shock. Furthermore, presently, I may not able to afford to hire a lawyer to represent my case. If you can suggest a lawyer who will handle my case on a "pro bono" basis. I shall be most grateful and I shall be able to get the fundamental right to defend myself against punitive actions by SEBI, now or at a future date.*

   *(c) The timeline of action (as explained in paragraphs below) demonstrates the extraordinary delay and latches that renders the captioned proceedings legally untenable. The notice completely lacks reason and justice. It seems to me that in this case, the principle of natural justice has been totally ignored.*

   *(d) It may be duly noted that people across all income levels are struggling to pay for their expenses - just to live, just to survive. At this point, I must emphasis that I find it extremely difficult or rather impossible to pay the settlement amount. As a citizen, I do have the right to life including the right to livelihood for myself and my family.*

   *(e) Your letter, inter alia, states that "against whom enforcement proceedings were initiated by SEBI". In this regard, I have not received any notice or communication in the past regarding intimation of any enforcement proceedings. Therefore, I cannot understand the reason behind sending the settlement notice, as SEBI has not issued any notice regarding intimation of any enforcement proceedings. This act of SEBI to send me the settlement notice, without informing the nature of proceedings violates the principles of nature justice and fairness.*

*(f) You letter further states, "since you had carried out the trade reversals in the stock options segment of BSE during the aforesaid period for which the said proceedings were initiated against you that are pending" respectfully request you to provide a copy of the said past notice that you had sent to me to establish your contention that the proceedings were indeed initiated against me. If you have not initiated any proceedings in the past, then the contents of your letter are in itself factually and completely incorrect.*

*(g) Nonetheless, I reserve my right to make submissions on the merits of the matter, after I received the said notice that was sent to me in the past. However, I am constrained to submit following preliminary submissions, to ensure justice is given to me, in case SEBI does not provide information as regards the nature of proceedings which allegedly has been initiated against me. After receiving the said letter from SEBI, my accountant has informed that there is an amount getting reflected in SEBI portal for this matter:*

| *Number of contracts reversed* | *Number of non-genuine trades* | *Artificial volume of trades* | *SEBI Settlement Amount* |
|---|---|---|---|
| *1 (One)* | *2* | *132000* | *500000* |

*(h) My accountant informed me of the settlement amount which is far too high. I am completely shocked and dismayed that after around more than 5 years, SEBI, in complete disregard to be principles of natural justice, has suddenly sent me a Notice for settlement, for which SEBI did not even sent me a letter or mail in the past. I find the settlement notice to be nothing, but placing me in fear of psychological coercion. The facts of the matter seem to contain sufficient evidence of legal coercion.*

*(i) The common assumption appears to be true that coerced settlements are invalid. This has perhaps been overlooked by you and your authority. It seems to me that SEBI is perhaps of the view that they may be at a vantage point under the settlement scheme. For this simple, yet unnoticed reason, it turns out to explain why coerced agreements are perhaps universally held to be invalid. My aim in this request letter is to attempt to highlight the difficulties of the task faced by me, as well as to attempt to request SEBI to take another approach for the amicable resolution of problem, other than the settlement scheme.*

*(j) I humbly submit that the Notice is preposterous, patently farcical and clearly appears to be an afterthought on part of SEBI. A 5-year delay in issuing a settlement notice, particularly when SEBI has not sent me any notice in the past. Had I received a notice in the past, I would have had an opportunity to reply to it. But, you have taken away this opportunity and have not given me a chance to respond. The amount of time between the date of alleged trades and notifying me of the consequences is definitely unreasonable. On the subject of "reasonable time", I draw your attention to various case laws, and judgements:*

*The alleged trades are of around the year 2015, for which I am getting a notice in the year 2020. Such proceedings are ex-facie vitiated in law, and is a complete abuse of process.*

*Such a long delay in initiation of the proceedings by itself poses grave difficulties and extreme hardship for my defence. I am seriously prejudiced by such inordinate delay on the part of SEBI and may not be in a position to locate or lay my hands on relevant material / information. In this regard, SEBI's kind attention is drawn to inter alia, the following case law:*

*Hon'ble Securities and Appellate Tribunal (SAT in Libord Finance Limited v. SEBI, Appeal No. 37/2008, SAT order dated 31.03.2008 observed the following (please verify, as I am not a lawyer / advocate and those are what I discovered during my research you can understand in these Covid pandemic, how harassed I feel - instead of taking care of what I need to do for my livelihood, I'm having to do research for justice):*

*"Before concluding, we cannot resist observing that there has been an inordinate delay in initiating action against the appellant. It is alleged to have committed the irregularities in the earlier part of the year 1996 and the show-cause notice was admittedly issued in June 2004. How could anyone file a proper reply after a lapse of more than eight years. This long delay itself causes grave injustice to the delinquent and results in the violation of the principles of natural justice. Such delays defeat the very purpose of the proceedings."*

(k) *I also draw your kind attention to the judgment with regard to - in the absence of any period of limitation, the authority is requested to exercise its powers within a reasonable period.*
*Government of India -vs- Citadel Fine Pharmaceuticals, Madras & others [AIR (1989)]*

(l) *Please also read the contents of what is mentioned in the following link, very carefully and till the very end ...*
*https: / /www.thehindubusinessline.com/markets/sat-quashes-penaltyon-traders-due-to-delay-by-sebi-in-issuinq-show-causenotices (article30733357.ece*

*… wherein, it is mentioned - "In our opinion, the grounds shown by the respondent (SEBI) in its additional affidavit only indicates the lackadaisical attitude in proceeding against the entities. It is quite clear that no urgency was shown by the respondent to culminate the proceedings and has moved at a leisurely pace. We find that after submission of the preliminary report on April 2, 2012 no further steps were taken in 2012 and the period of 201314 has been covered with a vague allegation that there were certain changes in the officers of the Investigation department. We also find that after the report was submitted on February 1, 2016 it took the respondent another 17 months to issue the show cause notice."*

(m) *Please note that prior to your said letter dated 27/07/2020, no notice was served upon me by SEBI. It is imperative to state here that the relevant statutory notice of "enforcement proceedings" was neither issued in the prescribed format nor was there any timely and valid service of such notice. I believe you have maintained proper record and service of the notice wherein you have alleged that "enforcement proceedings were initiated by SEBI" against me. The mere fact that the settlement notice had in some way or other* *reached the person upon whom it was to be served is not sufficient to comply with a requirement of a proper service of notice. I am of the belief there are many case laws / judgements with regard to reasonable period of time for submission of notice. I am not a lawyer, hence I request you to look into these points.*

(n) *Such proceedings is, in my opinion, ex-facie vitiated in law, and is a complete abuse of process. Such a long delay in initiation of the proceedings by itself poses grave difficulties and extreme hardship to me. I am seriously prejudiced by such inordinate delay and may not be in a position to locate or lay my hands on relevant material / information.*

(o) *It is alleged that some irregularities were committed in the year 2015, but no show-cause notice was issued in 2015, 2016, 2017, 2018 and not even 2019. How can anyone file a proper reply after a lapse of more than 5 years? This long delay itself causes grave injustice to me and results in the violation of the principles of natural justice. Such an enormous delay defeats the very purpose of the proceedings.*

(p) *Noticee questioned that, in any event, why BSE did not raise any objections at the relevant time. BSE officials must be and should be held responsible as they did not raise any objections at the relevant period of the transactions referred by you. The alleged trades were carried out on the platform of BSE. If the alleged trades were not allowed, then BSE should have prevented / cancelled the alleged trades at the relevant time itself. Therefore, it seems absolutely clear that BSE believed that such alleged trades were permitted.*

(q) *In light of these preliminary submissions, I respectfully request you to drop the proceedings. I also draw your attention once again to the Covid-19 pandemic. These are unprecedented times and due to force majeure and act of God, I request you to relieve me from paying any "settlement amount" or any legal charges or any amounts of any nature whatsoever in light of aforementioned submissions and Covid circumstances. I am a senior citizen and suffering from continuous illness.*

10. Vide Post SCN Intimation (hereinafter referred to as **"PSI"**) dated August 11, 2022, Noticee was informed that SEBI had introduced a Settlement Scheme, i.e., SEBI Settlement Scheme, 2022 (hereinafter referred to as "**Settlement Scheme 2022**") in terms of regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as "**Settlement Regulations**"). It was informed that the Settlement Scheme 2022 provided a one-time opportunity to the entities against whom proceedings were initiated and appeals against the said proceedings were pending. The scheme commenced from August 22, 2022 and remained open for a period of three months. The PSI could not be served to the Noticee at her address and it returned undelivered to SEBI.

11. Subsequently, vide public notice dated November 21, 2022, it was advertised/informed that "*Considering the interest of entities in availing the Scheme, the competent authority has extended the period of the Scheme till January 21, 2023*". However, the Noticee did not avail the Settlement Scheme 2022. Therefore, the adjudication proceedings against her were resumed.

12. Accordingly, vide notice of hearing dated May 22, 2023, Noticee was granted another opportunity of hearing on June 15, 2023, however, she did not avail the said opportunity. However, vide email dated June 30, 2023, Noticee submitted that she was not well and requested that she want to appear for the hearing through video-conferencing, therefore, the hearing was rescheduled to July 12, 2023. On July 12, 2023, AR of the Noticee, Mr. Jagadish Prasad Agarwal, appeared for the hearing and reiterated the submissions made by the Noticee vide email dated March 23, 2022. During hearing, AR also requested that the Noticee be informed about the settlement scheme, if SEBI introduces any settlement scheme in the matter.

13. Subsequently, a second PSI dated March 06, 2024 was issued to the Noticee, wherein it was informed that SEBI had introduced another Settlement Scheme, i.e., SEBI Settlement Scheme, 2024 (hereinafter referred to as "**Settlement Scheme 2024**") in terms of regulation 26 of Settlement Regulations. It was informed to the Noticee that the Settlement Scheme 2024 provided an opportunity to the entities against whom proceedings were initiated and appeals against the said proceedings were pending. The applicable period of the scheme was from March 11, 2024 to May 10, 2024. The second PSI was served to the Noticee through SPAD and email. The Settlement Scheme 2024 was extended till June 10, 2024 by SEBI.

14. It was observed that Noticee did not avail the Settlement Scheme 2024, therefore, the adjudication proceedings against her were resumed. Accordingly, vide notice of hearing dated January 01, 2025, Noticee was granted another opportunity of hearing on January 15, 2025 by erstwhile AO, which she did not avail.

15. Pursuant to appointment of the undersigned as AO, vide notice of hearing dated July 14, 2025, Noticee was granted a fresh opportunity of hearing on August 05, 2025. However, Noticee requested for adjournment of hearing, which was granted to her. On September 02, 2025, AR of the Noticee appeared for the hearing through video-conferencing and reiterated the earlier submissions made by the Noticee vide email dated March 23, 2022.

**CONSIDERATION OF ISSUES AND FINDINGS**

16. I have perused the allegations levelled against the Noticee in the SCN, her reply, submissions made during personal hearing and the material available on record. In the instant matter, the following issues arise for consideration and determination:
    I. Whether the Noticee violated the provisions of regulations 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations?
    II. Do the violations, if any, on part of the Noticee attract monetary penalty under section 15HA of SEBI Act?
    III. If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?

17. In this regard, it is pertinent to refer to the relevant provisions of PFUTP Regulations, which are alleged to be violated by the Noticee, as under:

***“3. Prohibition of certain dealings in securities***

*No person shall directly or indirectly –*

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

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

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

*(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which*

*are listed or proposed to be listed on a recognised stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder."*

***"4. Prohibition of manipulative, fraudulent and unfair trade practices***

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

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

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

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

18. Before proceeding to the merits of the case, it is appropriate to deal with the following preliminary issues raised by the Noticee. Noticee submitted that the alleged trades took place 2015, for which she received notice in 2020. Hence, there was an extraordinary delay in initiation of the proceedings which poses grave difficulties and extreme hardships in her defense and she is seriously prejudiced by such inordinate delay and may not be in a position to locate or lay her hands on relevant material/information. In this regard, I note that pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, an Interim Order was passed by SEBI on August 20, 2015 which was confirmed vide Orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation relating to stock options segment of BSE which was completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock options segment during the IP. The proceedings initiated vide the aforementioned Interim Order were disposed of vide Final Order dated April 05, 2018 also considering that appropriate action was initiated against the said 14,720 entities in a phased manner. During the course of hearing in the case of R. S. Ispat Ltd v. SEBI, the Hon'ble SAT, vide Order dated October 14, 2019, *inter alia*, observed that *"SEBI may*

*consider holding a Lok Adalat or adopting any other alternative dispute resolution process with regard to the Illiquid Stock Options".*

19. A Settlement Scheme was framed under the Settlement Regulations, which provided one-time opportunity for settlement of the proceedings in the Illiquid Stock Options matter. The said scheme was kept open from August 01, 2020 till December 31, 2020. Adjudication proceedings were initiated against those entities who had not availed of the opportunity of settlement in the said scheme. Further, another settlement scheme, i.e., Settlement Scheme 2022 was brought into force from August 22, 2022 to January 21, 2023. Finally, a third settlement scheme, i.e., Settlement Scheme 2024 was offered from March 11, 2024 to June 10, 2024.

20. It is further noted that there are no timelines prescribed in the SEBI Act for the purpose of identifying trades as non-genuine. In this regard, it is pertinent to note that, in the matter of *SEBI v. Bhavesh Pabari* (2019) SCC Online SC 294, the Hon'ble Supreme Court, *inter alia*, held that:

    *"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."*

21. Pursuant to appointment of AO on July 02, 2021 in the instant matter, SCN dated August 26, 2021 was issued to the Noticee. Since Noticee did not submit any response to the SCN, vide letter dated September 21, 2021, she was granted an extension of 14 days to submit her reply to the SCN. Further, vide notice of hearing dated September 21, 2021, Noticee was granted an opportunity of hearing on February 01, 2022, which was adjourned considering the request of the Noticee and later held on March 21, 2021. Subsequently, vide PSI dated August 11, 2022, Noticee was informed about Settlement Scheme 2022, however, she did not avail the settlement scheme. Further, Noticee was granted another opportunity of hearing on June 15, 2023, which was rescheduled considering her request and held on July 12,

2023. Upon coming into force of Settlement Scheme 2024, the Noticee was informed about the same vide PSI dated March 06, 2024. Since the Noticee failed to avail the said settlement scheme, she was provided a personal hearing opportunity on January 15, 2025 by erstwhile AO, which she did not attend. Pursuant to appointment of the undersigned as AO, vide notice of hearing dated July 14, 2025, Noticee was granted a fresh opportunity of hearing on August 05, 2025, which was adjourned considering the request of the Noticee and held on September 02, 2025 when the Noticee appeared through video-conferencing. Hence, considering the narration of facts in the foregoing paragraphs, I note that there has been no inordinate delay in initiation of the proceedings as contended by the Noticee.

22. In respect of the contention of the delay, I also note that delay itself may not be a ground that would vitiate the instant proceedings. However, it is required to examine whether delay has caused any prejudice. I note that the Noticee has not identified any specific detail of the said transactions which was required for her defense, that was not in her possession. Further, I also note that all relevant and relied upon documents relating to the allegations in the SCN were provided to the Noticee and in my view the Noticee had sufficient material to defend her case. Thus, on this contention, I do not consider that the delay caused any prejudice to the Noticee.

23. Further, Noticee submitted that SEBI issued a settlement notice dated July 27, 2020 to her stating that *"since you had carried out the trade reversals in the stock options segment of BSE during the aforesaid period for which the said proceedings were initiated against you that are pending"*, however, she did not receive any notice or communication in the past regarding initiation of any enforcement proceedings. In this regard, I note that regulation 26 of Settlement Regulations which stipulates that *"the Board may specify a settlement scheme for any class of persons involved in respect of any similar specified defaults."* The said settlement notice was issued to the Noticee by SEBI in terms of regulation 26 of Settlement Regulations and considering the observations of the Hon'ble SAT as stated hereinabove that *"SEBI may consider holding a Lok Adalat or adopting any other alternative dispute resolution process with*

*regard to the Illiquid Stock Options"*, for settlement of ISO cases. Since Noticee did not avail the opportunity of settlement in the said scheme, adjudication proceedings were initiated against her vide SCN dated August 26, 2021. It is also noted that the Noticee did not raise the said contentions subsequently during the instant proceedings. In view of the aforesaid, the said submissions of the Noticee do not merit further consideration.

24. Therefore, the preliminary issues raised by the Noticee are not tenable. I shall now proceed to address the key issues that arise for consideration.

25. I note that it was alleged in the SCN that the Noticee, while dealing in the stock options contract on BSE during the IP, had executed reversal trades which were allegedly non-genuine and the same had resulted in generation of artificial volume in stock options contract at BSE. The said reversal trades were alleged to be non-genuine trades as they were not executed in the normal course of trading, lacked basic trading rationale, led to false or misleading appearance of trading in terms of generation of artificial volumes and hence, were deceptive and manipulative.

26. From the documents on record, it is noted that the Noticee was one of the entities who had indulged in creating artificial volume of 1,32,000 units through two non-genuine reversal trades in one stock options contract during the IP. The summary of the reversal trades is given below:

**Table No. 2**

| Contract name | Avg. buy rate (₹) | Total buy volume (no. of units) | Avg. sell rate (₹) | Total sell volume (no. of units) | % of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract | % of Artificial volume generated by the Noticee in the contract to Total volume in the contract |
|---|---|---|---|---|---|---|
| A | B | C | D | E | F | G |
| PNBK15JUL140.00CE | 3.6 | 66000 | 6.6 | 66000 | 100% | 9.38% |

27. On July 08, 2025, the Noticee, at 15:12:31 hours, entered into a buy trade in a contract, viz., ‘PNBK15JUL140.00CE’ with counterparty ‘Attitude Merchants Private Limited’ for 66,000 units at Rs. 3.6/- per unit. On the same day, after 5 seconds, at 15:12:36 hours, Noticee entered into a sell trade of same contract with the same counterparty, for 66,000 units at Rs. 6.6/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of 2 trades (1 buy trade and 1 sell trade) with same counterparty, viz., Attitude Merchants Private Limited on the same day, within a span of 5 seconds, and with significant price difference in buy and sell rates. It is observed that Noticee’s 2 trades while dealing in the aforesaid contract during the IP generated artificial volume of 1,32,000 units, which made up 9.38% of total market volume in the said contract during the IP.

28. In response, Noticee in her reply submitted that the alleged trades were carried out on the platform of BSE and if the alleged trades were not allowed, then BSE should have prevented/cancelled the trades at the relevant time itself. In this regard, I note that the responsibility of ensuring the genuineness of the trades rests with the Noticee. The Noticee is expected to act with due diligence and cannot shift responsibility for her own trading decisions on the exchange. Therefore, the submission of the Noticee is not tenable.

29. In respect of the Noticee’s submission that the alleged trades were carried out on the platform of BSE, it is pertinent to refer to the judgment of Hon’ble Supreme Court in the matter of *SEBI v. Rakhi Trading Private Limited*, Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011, decided on February 8, 2018, wherein it was held that:

   *"……....Orchestrated trades are a misuse of the market mechanism. It is playing the market and it affects the market integrity.*

   *………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."*

Therefore, it is noted that the synchronization and reversal trades affects the price discovery system and have an adverse impact on the fairness, integrity and transparency of the stock market. Hence, the above submissions of the Noticee are devoid of merit.

30. Further, I note that the non-genuineness of the transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within few seconds, the Noticee reversed the position with the same counterparty with significant price difference on the same day. The fact that the transactions in a particular contract were reversed with the same counterparties indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid options contract, there was negligible trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in price of the said contract, within a short span of time, is a clear indication that there was pre-determination in the prices by the counterparties while executing the trades. Thus, it is observed that Noticee had indulged in reversal trades with her counterparty in the stock options segment of BSE and the same were non-genuine trades.

31. I note that it is not a mere coincidence that the Noticee could match her trades with the same counterparty with whom she had undertaken first leg of the respective trades. The fact that the transactions in a particular contract were reversed with the same counterparty for the same quantity of units, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. It is further noted that direct evidence is not forthcoming in the present matter as regards meeting of minds or collusion with other entities, *inter alia*, the counterparties or agents/fronts. However, trading behaviour as noted above makes it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level.

32. In this regard, reliance is placed on the judgement of Hon'ble Supreme Court in the matter of *SEBI v. Kishore R Ajmera* (AIR 2016 SC 1079), wherein it was held that:

*“...According to us, knowledge of who the 2nd party / client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naïve to rest the final conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming...in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive.*

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

33. Therefore, applying the ratio of the above judgment, it is observed that the execution of trades by the Noticee in the illiquid options segment with such precision in terms of order placement, time, price, quantity, etc., and also the fact that the transactions were reversed with the same counterparty clearly indicate a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. The only reason for the wide variation in price of the same contract, within short span of time was a clear indication that there was pre-determination in the prices by the counterparties. Thus, the nature of trading, as brought out above, clearly indicates an element of prior

meeting of minds and therefore, a collusion of the Noticee with her counterparty to carry out the trades at pre-determined prices.

34. It is also relevant to refer to judgement of the Hon'ble SAT in the matter of *Ketan Parekh v. SEBI* (in Appeal No. 2 of 2004; date of decision July 14, 2006), wherein it was held as follows:

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

35. In this regard, further reliance is placed on judgment of Hon'ble Supreme Court in the matter of *SEBI v. Rakhi Trading Private Limited***,** decided on February 8, 2018 on similar factual circumstances, which, *inter alia,* stated as under:

    *"Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities….."*

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

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

37. In the findings made in foregoing paragraphs, it has been established that the Noticee executed non-genuine reversal trades, which created false and misleading appearance of trading, thereby generated artificial volumes in the stock options segment of BSE during the IP, therefore, Noticee violated the provisions of regulations 3(a), (b), (c) and (d) and regulation 4(1) and 4(2)(a) of the PFUTP Regulations.

38. Therefore, considering the above findings and the judgement of Hon'ble Supreme Court in the matter of *SEBI v. Shriram Mutual Fund* [2006] 68 SCL 216 (SC) decided on May 23, 2006, wherein it was held that "*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.",* I am convinced that it is a fit case for imposition of monetary penalty under the provisions of section 15HA of SEBI Act, which reads as under:

***"Penalty for Fraudulent and Unfair trade practices.***

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

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

39. While determining the quantum of penalty under section 15HA of the SEBI Act, the following factors as stipulated in section 15J of the SEBI Act are taken into account-

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

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

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

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

*(c) the repetitive nature of the default."*

40. As established above, the trades by the Noticee were non-genuine in nature and created a misleading appearance of trading in the aforesaid contract. I note that when the impact of artificial volume created by the two counterparties is seen as a whole, it is not possible, from the material on record, to quantify the amount of disproportionate gain or unfair advantage resulting from the artificial trades between the counter parties or the consequent loss caused to investors as a result of the default. Further, the material available on record does not demonstrate any repetitive default on the part of the Noticee. However, considering that the two non-genuine trades entered by the Noticee in one options contract led to creation of artificial trading volumes which had the effect of distorting the market mechanism in the stock options segment of BSE, I find that the aforesaid violations were detrimental to the integrity of securities market and therefore, the quantum of penalty must be commensurate with the serious nature of the aforesaid violations.

**ORDER**

41. Taking into account the facts and circumstances of the case, material available on record, submissions of the Noticee, findings hereinabove and factors mentioned in section 15J of the SEBI Act, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose monetary penalty of ₹ 5,00,000/- (Rupees Five Lakh only) on the Noticee (Kusum Devi Agarwal.) under section 15HA of SEBI Act for the violation of regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) of PFUTP Regulations. I am of the view that the said penalty is commensurate with the violations committed by Noticee.

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

**ENFORCEMENT >Orders >Orders of AO> PAYNOW;**

43. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon*, inter alia*, by attachment and sale of movable and immovable properties of Noticee.

44. In terms of the provisions of rule 6 of the Rules, a copy of this order is being sent to the Noticee and to SEBI.

JAI SEBASTIAN
Digitally signed by JAI SEBASTIAN
Date: 2025.11.21 17:58:02 +05'30'

**Place: Mumbai** **JAI SEBASTIAN**
**Date: November 21, 2025** **ADJUDICATING OFFICER**