

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/GR/BM/2022-23/24874)**

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

**HIGHRISE TIEUP PRIVATE LIMITED
(PAN: AACCH5678Q)**

In the matter of dealings in Illiquid Stock Options at BSE

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') observed large scale reversal of trades in the stock options segment of Bombay Stock Exchange (here in after referred to as '**BSE**') leading to creation of artificial volume at BSE. Pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, Interim order was passed by SEBI on August 20, 2015 which was confirmed vide Orders dated July 30, 2016 and August 22, 2016. In this regard, SEBI conducted an investigation into the trading activity in the illiquid stock options Segment at BSE for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as "Investigation Period/IP") and completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock option segment during the investigation period.
2. It was observed during the course of investigation that a total of 2,91,643 trades comprising 81.38% of all the trades executed in the stock options segment at BSE

during the investigation period were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract on the same day. It was also observed that the aforesaid trades resulted into creation of artificial volume to the tune of 826.21 Crore units or 54.68% of the total market volume in stock options segment of BSE during the investigation period.

3. In view of the large scale reversal of trades that were observed in the illiquid stock options segment at BSE, it is alleged that these trades were non-genuine in nature. It was observed that **Highrise Tieup Private Limited (PAN No. AACCH5678Q)** (hereinafter referred to as “Noticee”) was one of the various entities which indulged in execution of the non-genuine trades in the stock options segment at BSE during the above referred investigation period. It was observed that Noticee had entered into reversal trades with its counterparties which involved squaring off transactions with significant difference in sell value and buy value of the transactions.
4. Therefore, it was alleged that Noticee had executed the reversal trades which were non-genuine in nature and have created false or misleading appearance of trading in terms of creation of artificial volume in the stock options segment at BSE and therefore, it is alleged that the Noticee has violated the provisions of Regulations 3(a), (b), (c), (d) and Regulation 4(1), 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (here in after referred to as “PFUTP Regulations”). In view of the above, adjudication proceedings had been initiated against the Noticee under the provisions of Section 15 HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as ‘SEBI Act’).

APPOINTMENT OF ADJUDICATING OFFICER

5. In this regard, SEBI, after being satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violations as mentioned

above inter-alia in respect of Noticee, had appointed the undersigned as Adjudicating Officer ('AO') under section 19 read with section 15-I(1) of the SEBI Act, 1992 (hereinafter referred to as "SEBI Act") and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter, referred to as "Adjudication Rules, 1995") vide order dated June 21, 2021 communicated vide communique dated July 27, 2021 to conduct adjudication proceedings in the manner specified under rule 4 of Adjudication Rules, 1995 read with section 15-I (1) and (2) of SEBI Act, and if satisfied that penalty is liable, impose such penalty as deemed fit in terms of rule 5 of Adjudication Rules, 1995 and section 15HA of SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

6. A Show Cause Notice no. EAD/EAD-4/GR/BM/36033/2022 dated August 04, 2022 (hereinafter referred to as '**SCN**') was served on the Noticee, in terms of the provisions of rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act, requiring the Noticee to show cause as to why an inquiry should not be held against it in terms of Rule 4 of the Adjudication Rules read with section 15-I of the SEBI Act, and penalty, if any, should not be imposed on Noticee under Section 15HA of the SEBI Act for the aforesaid alleged violations.
7. Thereafter, during the course of the proceedings, the status of the Noticee was ascertained from the website of Ministry of Corporate Affairs (MCA). As per Form No. STK-7-"Notice of Striking Off and Dissolution" dated February 3, 2022, downloaded from the website of Ministry of Corporate Affairs (MCA), Government of India (www.mca.gov.in), it is observed that the name of the Noticee has been struck-off from the list of companies by the Registrar of Companies, Kolkata (ROC) and dissolved as on February 3, 2022. The said notice, inter alia, mentioned the following:

"This is with respect to this office's notices in Form STK-1 issued on various dates and Notice in form STK-5 No. ROC/WB/Drive.IV/STK-5/2021/1 issued on dated 28.12.2021, Notice is hereby published that pursuant to sub-section

(5) of Section 248 of the Companies Act, 2013, the names of 4414 no. of Companies as per list mentioned below have on this day, i.e. 3rd day of February, 2022, been struck off from the Register of the companies and the said companies are dissolved.”

I find that the name of the Noticee is mentioned in the said list of 4414 companies at Sl.No. 973 under CIN No U51909WB2010PTC155805.

8. From the above, it is clear that the name of the Noticee has been struck off from the ROC list with effect from February 03, 2022 and the Noticee stands dissolved from the said date. I further note that, it is an established fact that when a company's name is struck-off from the ROC list and the company is dissolved, it is a non-existing company and the adjudication proceedings against the non-existing company is thus nullity. In view of the foregoing, I am of the view that the instant adjudication proceedings against the Noticee is liable to be abated without going into the merits of the case. Should the Noticee stand revived or restored at any stage, a decision to initiate proceedings may be taken afresh at that stage.
9. In this context, I would also like to draw reference to a judgment of the Hon'ble Delhi High Court in the case of **Commissioner of Income Tax (CIT) vs Vived Marketing Services (P) Ltd.**, ITA NO. 273/2009 dated September 17, 2009 in which it was held that –
“When the Assessing Officer passed the order of assessment against the respondent company, it had already been dissolved and struck off the register of the Registrar of companies under Section 560 of the Companies Act. In these circumstances, the Tribunal rightly held that there could not have been any assessment order passed against the company which was not in existence as on that date in the eyes of law it had already been dissolved. We are of the opinion that the view taken by the Tribunal is perfectly valid and in accordance with law.”

10. After taking into consideration the aforesaid facts and circumstances, the Adjudication Proceedings initiated against Noticee vide SCN dated August 04, 2022, is disposed of without going into the merits of the case.

11. In terms of rule 6 of the Adjudication Rules, 1995, copy of this order is sent to the Noticee's last known address and also to SEBI.

Place: Mumbai

Date: March 24, 2023

G. RAMAR

ADJUDICATING OFFICER