

BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/PB/S./2021-22/14597]

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

In respect of

Nikita Agarwal

(PAN: BNMPA4098L)

In the matter of Trading in Illiquid Stock Options on BSE

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 “**IP**”).

2. Pursuant to investigation, it was observed that total 2,91,643 trades comprising substantial 81.38% of all the trades executed in stock options segment of BSE during the IP were non genuine trades. The aforesaid non-genuine 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 IP. It was observed that Nikita Agarwal (PAN: BNMPA4098L) (hereinafter referred to as the “**Noticee**”) was one of the various entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. Such trades were observed to be non-genuine in nature and created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore were alleged to be manipulative and deceptive in nature. 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, 2003**”).

APPOINTMENT OF ADJUDICATING OFFICER

3. Shri K Saravanan was appointed as Adjudicating Officer in the matter, conveyed vide communique dated April 26, 2021, under section 19 read with section 15-I(1) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”) and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Adjudication Rules**”) to conduct adjudication proceedings in the manner specified under rule 4 of Adjudication Rules read with section 15-I(1) and (2) of SEBI Act, 1992, and if satisfied that penalty is liable, impose such penalty

deemed fit in terms of rule 5 of Adjudication Rules and section 15HA of SEBI Act, 1992. Pursuant to transfer of Shri K Saravanan, the undersigned was appointed as Adjudicating Officer in the matter, conveyed vide communique dated July 14, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice dated August 05, 2021 (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 her and why penalty should not be imposed under section 15HA of the SEBI Act, 1992 for the violations alleged to have been committed by Noticee.

5. It was *inter alia* alleged in the SCN that the Noticee had executed 4 non genuine trades in 2 Stock Options contracts which resulted in artificial volume of total 80000 units. Summary of dealings of the Noticee in 2 Stock Options contracts, in which the Noticee allegedly executed non genuine trades during the I.P, is as follows:

S. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (No. of units)	Avg. Sell Rate (₹)	Total Sell Volume (No. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	BHFL15JUN1470.00CE	6	20000	16	20000	100	100	100	100
2	SUNP15JUL880.00PE	10	20000	19	20000	100	33.33	100	30.77

6. From the above table, following was noted as regard to dealings of the Noticee:

- (a) The Noticee has executed non genuine trades in 2 contracts, wherein all the trades of the Noticee in the said 2 contracts were non genuine trades.
- (b) Percentage of non-genuine trades of the Noticee in the 2 stock options contracts to total trades in the said contracts were in the range of 33.33% to 100%. The non-genuine trades of the Noticee have significantly contributed to total trades in the market in the above contracts.
- (c) The percentage of artificial volume generated by the Noticee in the above contracts to the total volume from the market in the said contracts was in the range of 30.77% to 100%. Therefore, substantial volume generated by the Noticee in each of the above contracts were artificial volume.
- (d) Non genuine trades executed by the Noticee in the above contracts had significant difference in buy rates and sell rates considering that the trades were reversed on same day.

7. The SCN ref no SEBI/HO/A&E/EAD/PB/PP/18153/2021 dated August 05, 2021 was served on the Noticee via Speed Post Acknowledgement Due (SPAD) and via email dated August 06, 2021. It is noted that no reply was received from the Noticee within the time stipulated in the SCN for submission of reply viz. 15 days from the receipt of the SCN. Therefore, the

Noticee was granted one last opportunity to submit her reply by October 21, 2021, vide email dated October 14, 2021. The Noticee's request for further time was considered and vide email dated October 21, 2021 an opportunity of hearing was granted to the Noticee on November 01, 2021. The said hearing was not attended by the Noticee and vide email dated December 13, 2021, Noticee was granted a second opportunity of personal hearing on December 20, 2021 in which the Noticee appeared through her Authorised Representative (AR), Shri Vikas Bengani. Noticee submitted her reply to the SCN prior to the hearing vide letter dated November 30, 2021. In the aforesaid reply Noticee has contended as follows:

- The Noticee was not furnished with the original investigation report.
- The trades were executed on the anonymous platform of exchange, without any knowledge of the counterparty and the Noticee does not have any proven connection with the concerned counterparties.
- The SCN does not define what constitutes a reversal trade.
- Noticee's trades were in the normal course of business devoid of any fraudulent intentions.
- Noticee's trades were very infrequent and took place only on two days during the IP and made a negligible contribution to the volume or price of the options of the scrips involved. Noticee had no intention to generate artificial volume and did not create misleading appearance of trading. In support of the same contention, the Noticee placed reliance on the Adjudication Order dated 24.12.2019 passed in the matter of Richa Industries Ltd.

- Noticee has a meticulous track record of trading in the securities market and except the captioned SCN the Noticee has not received any warning letter prior to the issue of the captioned SCN. She has not received any warning or caution letter from BSE for any of the trades executed by her in option segment during the period of investigation.
- There was no collusion between the counterparties, as all the trades in options segment of BSE executed by the Noticee on the anonymous screen based trading platform and the identity of the counterparty remains undisclosed. Hence, the question of any non-genuine trade does not arise at all unless it is proved that such trades were executed by the Noticee in connivance with any counter party.
- A higher degree of proof is needed to establish allegation of fraudulent trades. Noticee placed reliance on the decisions of the Hon'ble SAT in the matters of KSL & Industries Ltd. vs. SEBI, Vintel Securities Pvt. Ltd. vs. SEBI, Dhvani Darshan Kothari & Anr. vs. SEBI in this regard.
- The Noticee contends that what has been considered in the SCN is only an option with a particular strike price and not the total trading on Option Segment in a particular scrip at the relevant point of time. Thus, the percentages shown in the SCN are misleading and cannot be relied upon.
- SCN fails to establish that Noticee employed any device, scheme or artifice to defraud anyone. Also, no person has claimed to be defrauded.

- If at all it is held that Noticee violated the impugned provisions of PFUTP Regulations, 2003, then either no or minimum penalty must be imposed. Noticee cited judgement of the Hon'ble Supreme Court in the matter of Bhavesh Pabari vs SEBI.
8. During the course of hearing, AR reiterated the written submissions already made in the Noticee's reply dated November 30, 2021.
9. Thus, sufficient opportunity was provided to the Noticee to defend her case effectively and requirements of principles of natural justice have been fulfilled in the instant proceeding. In view of the same it is fit and proper to proceed with the consideration of issues and findings involved in the instant Adjudication proceeding.

CONSIDERATION OF ISSUES AND FINDINGS

10. I have carefully perused the charges levelled against the Noticee, her reply and the documents / material available on record. The issues that arise for consideration in the present case are:
- (a) Whether the Noticee has violated provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003?
 - (b) Does the violation, if any, attract monetary penalty under section 15HA of the SEBI Act, 1992?

- (c) 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, 1992?

11. Before proceeding further, I would like to refer to the relevant provisions of the PFUTP Regulations, 2003 as below:

PFUTP Regulations, 2003

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;

12. The Noticee contended that she has suffered grave prejudice in the instant proceedings as the Investigation Report has not been furnished to the Noticee. In this regard, I rely on the judgement of the Hon'ble SAT in the matter of Mayrose Capfin Private Limited vs. SEBI (decided on 30.03.2012) wherein it was held that:

“...the principles of natural justice require that the inquiry officer should make available such document and material to the delinquent on which reliance is being placed in the inquiry. It is not necessary for the inquiry officer to make available all the material that might have been collected during the course of investigation but has not been relied upon for proving charge against the delinquent. No prejudice can, therefore, be said to have been caused to the appellant on this count...”

13. I note that the Hon'ble SAT in its order dated February 12, 2020, in the matter of Shruti Vora vs. SEBI held that:

“...in as much as, the said decision relates to a disciplinary proceedings wherein the Supreme Court observed that the inquiry report was required to be made available to the delinquent... Thus the investigation report is not required to be supplied.... In our opinion, the said minority view is directly against the decision of the Supreme Court in Natwar Singh case (supra)”.

“A bare reading of the provisions of the Act and the Rules as referred to

above do not provide supply of documents upon which no reliance has been placed by the AO, nor even the principles of natural justice require supply of such documents which has not been relied upon by the AO. We are of the opinion that we cannot compel the AO to deviate from the prescribed procedure and supply of such documents, which is not warranted in law.

In our view, on a reading of the Act and the Rules we find that there is no duty cast upon the AO to disclose or provide all the documents in his possession especially when such documents are not being relied upon.”

14. I place reliance upon the Hon'ble SAT's ruling in Anant R Sathe vs SEBI (Appeal No. 150 of 2020) vide Order dated July 17, 2020 in which it was held that:

“...the Authority is required to supply the documents that they rely upon while serving the show cause notice which in the instant case has been done and which is sufficient for the purpose of filing an efficacious reply in his defence”.

15. I note that the only documents, the relevant trade logs, relied upon in the matter were duly provided to the Noticee along with SCN dated August 05, 2021, and the same are as follows:

S. No.	Particular	Annexures to SCN
1	<i>Details of all the trades of Noticee in Stock Option Segment of BSE during relevant period.</i>	B
2	<i>Details of all the alleged non-genuine trades of Noticee in Stock Option Segment of BSE during relevant period.</i>	C
3	<i>Summary of dealings of the Noticee in contract wherein Noticee executed non genuine trades.</i>	D

Therefore, the contentions of the Noticee in this regard are without merits.

16.I note that the allegation against the Noticee is that, while dealing in the stock option contracts at BSE during the IP, she had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock option contracts at BSE. Reversal trades are considered to be 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. The said reversal trades are alleged to be non-genuine trades as they are not executed in the normal course of trading, lack basic trading rationale, lead to false or misleading appearance of trading in terms of generation of artificial volumes and hence are deceptive & manipulative.

17.I note from the trade log of the Noticee that she had traded in 2 unique contracts in the stock options segment of BSE during the IP. It is observed that the Noticee has allegedly executed 4 non genuine trades in 2 Stock Options contracts. I further note that the above mentioned trades of the Noticee had resulted in the creation of artificial volume of total 80000 units.

Summary of non-genuine trades of the Noticee is as follows:

S. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (No. of units)	Avg. Sell Rate (₹)	Total Sell Volume (No. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	BHFL15JUN1470.00CE	6	20000	16	20000	100	100	100	100
2	SUNP15JUL880.00PE	10	20000	19	20000	100	33.33	100	30.77

18. It is noted that the Noticee had executed non-genuine trades in 2 contracts, wherein the percentage of non-genuine trades of the Noticee in stock options contracts to total trades in the contracts was in the range of 33.33% to 100% in the aforesaid contracts. Further, artificial volume generated by Noticee in the contracts amounted to the entire 100% of total volume generated by her in all the contracts. It is also noted that the percentage of artificial volume generated by the Noticee in the contracts to the total volume of the market in the said contracts was in the range of 30.77% to 100%. Therefore, substantial volume generated by the Noticee in each of the above contracts were artificial volume. Non-genuine trades executed by the Noticee in the above contracts had significant difference in buy rates and sell rates considering that the trades were reversed on the same day.

19. I note from the trade log that the trades executed by the Noticee in a contract were squared up within a short span of time with her counterparties. To illustrate, the Noticee on May 11, 2015 at 14:43:43 hrs entered into 1 sell trade with counter party viz, Suruchi Foods Private Limited for 20000 units at rate of ₹ 16 per unit in the contract "BHFL15JUN1470.00CE". Thereafter, on the same day, Noticee at 14:43:51 hrs entered into 1 buy trade with the same counterparty for 20000 units at the rate of ₹ 6 per unit in the same contract. It is noted that while dealing in the said contract during the I.P., Noticee executed reversal trades with same counterparty viz, Suruchi Foods Private Limited on the same day and with significant price difference in the buy and sell rate. Thus, the Noticee, through her dealing in the contract viz. "BHFL15JUN1470.00CE"

during the I.P., executed non genuine trades which constituted 100% of the total trades from the market in the said contract during the I.P., and thereby, Noticee generated artificial volume of 40000 units which was 100% of the volume traded in the said contract from the market during the I.P.

20. The non-genuineness of these transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within a short span of time, the Noticee reversed the position with her counterparties with significant price difference. I note from the trade log of the Noticee that the time taken by the Noticee for reversing the non-genuine trades was 8 seconds on the same day. I note that the short span of time taken for reversing the trades in an illiquid stock option contract suggests the non-genuineness of these trades executed by the Noticee. The fact that the transactions in a particular contract were reversed with the same counterparty 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 option contracts, there was no trading in the said contract and hence, there was no price discovery in the strictest terms. There was no significant change in the price of the underlying scrip to justify the wide variation in prices of the said stock options contract. The wide variation in prices of the said contract, within such 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 counterparties in the stock options segment of BSE and the same were non-genuine trades.

21. I note that the allegations against the Noticee pertain to the reversal trades executed by her, on the same day with same counterparty with substantial price difference between buy and sell rates. So the contention made by the Noticee, *inter alia*, that the trades made by the Noticee were in the normal course of business are not relevant as regards instant allegations. I note that even though the exchange mechanism for option contracts allows wider range in prices, Noticee's buy and sell trades were executed with a substantial price difference within a short period of time, without any change in the price of underlying scrips, on the same day with the same counterparty. In the instant case, the facts as regards reversal trades have been considered in totality to allege violation of provisions of PFUTP Regulations, 2003.

22. Noticee has contended that she had no knowledge of counterparty to the trades. I note that it is not mere coincidence that she could match her trades with the same counterparties with whom she had undertaken first leg of the respective trades. This is the outcome of meeting of minds elsewhere and it was a deliberate attempt to deal in such a manner. In matters concerning PFUTP Regulations, 2003, the reason as regards execution of non-genuine trades might not be immediately forthcoming. However, the correct test instead, is one of preponderance of probabilities. Here I would like to rely on the judgment of Hon'ble Supreme Court in SEBI v. Kishore R Ajmera (AIR 2016 SC 1079) decided on February 23, 2016, wherein the standard of proof was laid down in relation to PFUTP Regulations, 2003 and it was

held that - *“...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...”*

23. The Hon'ble Supreme Court further held in the same matter that – *“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.”*

24. I note that direct evidence is not forthcoming in the present matter as regards to meeting of minds or collusion of the Noticee with other entities. However, I note that the trading behaviour of the Noticee makes it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level. In this context, I deem it appropriate to refer to the Hon'ble SAT order dated July 14, 2006, in the case of Ketan Parekh vs. SEBI (Appeal no. 2/2004), wherein the Hon'ble SAT has held that - *"The nature of transactions executed, the frequency with which such transactions are undertaken, the value of the transactions, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."*

25. I place my reliance on the judgment of Hon'ble Supreme Court in the matter in respect of SEBI v Rakhi Trading Private Limited (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018), in which the Hon'ble Supreme Court held that - *"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....”

26. Further, the Hon’ble SAT in its judgement dated September 14, 2020 in the matter of Global Earth Properties and Developers Pvt Ltd relied upon the aforesaid judgement of Hon’ble Supreme Court and held that,

“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.”

27. Noticee has *interalia* contended that no person has been defrauded as a result of the aforesaid trades. I note that in the instant matter, the allegations pertaining to the violation of impugned provisions of PFUTP Regulations, 2003 are not contingent upon any complaints made or losses incurred by investors. Therefore, I note that contentions of Noticee in this regard are without merits.

28. Noticee has contended that her trades were very infrequent and took place only on few days during the IP. I note that Noticee executed reversal trades which defy market rationality when looked along with attending circumstances

in toto. Therefore, Noticee's trades, irrespective of the quantum of such trades, were manipulative and intended to create misleading appearance of trading, so that contentions of Noticee in this regard are liable to be rejected.

29. Noticee has also contended that the volume of derivatives was very small vis-à-vis the volume of underlying securities and therefore, such a small volume is not sufficient to create any kind of artificial volume. I note that the impugned stock option contracts were illiquid, as stated in the SCN. I also note that Noticee's trades in the contract viz. BHFL15JUN1470.00CE contributed 100% to the total market volume generated and her trades in the contract viz. "SUNP15JUL880.00PE" contributed 30.77% to the total market volume generated during the IP. Noticee's trades, irrespective of the quantum of such trades, contributed entirely to the volume generated in the contracts. This points to the contribution of Noticee in the creation of misleading appearance of trading through her impugned trades.

30. Noticee has contended that she executed her trades on the platform of stock exchange and her trades were cleared by the stock exchange without any alert. I note that stock exchange merely provides a platform for carrying out the trades, while the obligation to ensure genuineness of trades as regards instant considerations primarily lies on the Noticee.

31. Noticee has *inter alia* contended that what has been considered in the SCN is only an option with a particular strike price and not the total trading on Option Segment in a particular scrip at the relevant point of time. I note that as regards instant considerations, the market value i.e. premium, being the rate at which

contracts were bought and sold on exchange platform are relevant. So, I reject the contentions of Noticee in this regard. Further, I note that the Adjudication Order dated 24.12.2019 passed in the matter of Richa Industries Ltd is irrelevant as regards the instant case because allegations made in the SCN pertain to misleading appearance of trading and generation of artificial volume and no charge of price manipulation has been made against the Noticee.

32. Therefore, the trading behaviour of the Noticee confirms that such trades were not normal and wide variation in prices of the trades in the same contract in a short time without any basis for such wide variation, all indicate that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in respective contracts. In view of the above, I find that the allegation of violation of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003 by the Noticee stands established. The Hon'ble Supreme Court of India in the matter of SEBI vs. Shri Ram Mutual Fund [2006] 68 SCL 216 (SC) decided on May 23, 2006 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..."*.

33. In view of the same, I am convinced that it is a fit case for imposition of monetary penalty on the Noticee under the provisions of section 15HA of the SEBI Act, 1992 which read as under:

¹***[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 ²[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].

34. While determining the quantum of penalty under section 15HA of the SEBI Act, it is important to consider the factors relevantly as stipulated in section 15J of the SEBI Act which reads as under:-

Factors to be taken into account by the adjudicating officer.

15J. While adjudging quantum of penalty under section 15-I, 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.*

Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to

¹ Inserted by the SEBI (Amendment) Act, 2002, w.e.f.29-10-2002.

² Substituted for the words —twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher || by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014

15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

35.I observe, that the material available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticee and the losses, if any, suffered by the investors due to such violations on part of the said Noticee. However, Noticee has entered into 4 non genuine trades in 2 Stock Options contracts which demonstrates the repetitive nature of default on her part.

36. Therefore, I note that Noticee indulged in execution of reversal trades in stock options contracts in the IP which were non-genuine and created false and misleading appearance of trading in terms of artificial volumes in stock options, leading to violation of regulations 3(a),(b),(c),(d) and 4(1),(2)(a) of the PFUTP Regulations, 2003.

ORDER

37. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in section 15J of the SEBI Act, 1992 and in exercise of power conferred upon me under section 15-I of the SEBI Act, 1992 read with rule 5 of the Adjudication Rules, 1995, I hereby impose following penalty under section 15HA of the SEBI Act, 1992 on the Noticee:

Name of the Noticee	Violation provisions	Penalty
Nikita Agarwal PAN: BNMPA4098L	regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003	₹ 5,00,000/- (Rupees Five Lakh only)

I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee.

38.The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, OR 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

39.The aforesaid Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid to “The Division Chief (Enforcement Department 1 DRA-2), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C – 4 A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.”. The Noticee shall also provide the following details while forwarding DD / payment information:

- Name and PAN of the Noticee
- Name of the case / matter
- Purpose of Payment – Payment of penalty under AO proceedings
- Bank Name and Account Number
- Transaction Number

40. 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, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

41. In terms of the provisions of rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee viz. Nikita Agarwal and also to the Securities and Exchange Board of India.

Date: December 30, 2021

Place: Mumbai

PARAG BASU

ADJUDICATING OFFICER