BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/GG/VV/2021-22/15509

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:

SANJANA JAIN

(PAN: ASMPJ8798E)

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**") conducted an investigation into the trading activity in illiquid stock options on Bombay Stock Exchange Limited (hereinafter referred to as "**BSE**") for the period from April 01, 2014 to September 30, 2015 (hereinafter referred to as the "**Investigation Period**") after observing large scale reversal of trades in the stock options segment of the BSE.

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.

3. 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 and SEBI (Procedure for Holding and Imposing Penalties by Adjudicating Officer) Rules, 1995 and pass appropriate order on merits. It was also recorded therein that SEBI has decided to take appropriate action against all 14720 entities in phases. The captioned proceedings initiated against the Noticee is part of the aforesaid mass action initiated by SEBI against the large number of entities.

4. 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".*

5. Thereafter, 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 had not availed of the opportunity of settlement.

6. It was observed that 13,186 entities had not availed of 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 are being conducted in a phased manner that would require adequate time to complete the proceedings against all entities.

7. It was observed that, Sanjana Jain (PAN: ASMPJ8798E) (hereinafter referred to as the "**Noticee")** was one of the entities, who did not seek settlement under the Settlement Scheme in 2020 and whose reversal trades allegedly involved squaring off of open positions with a significant price difference without any basis. The aforesaid reversal trades allegedly contributed to the generation of artificial volumes, leading to allegations that the Noticee had violated the provisions of Regulations 3(a), (b), (c), (d) and Regulation 4(1) and 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as the "**PFUTP Regulations**").

B. APPOINTMENT OF ADJUDICATING OFFICER

8. SEBI initiated adjudication proceedings and appointed me, as the Adjudicating Officer 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 the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as

the “**SEBI Adjudication Rules**”) *vide* communication dated November 12, 2021 to inquire into and adjudge under section 15HA of the SEBI Act, with respect to the allegations against the Noticee.)

C. SHOW CAUSE NOTICE, REPLY AND HEARING

9. A Show Cause Notice dated December 01, 2021 (hereinafter referred to as “**SCN**”) was served upon the Noticee, vide Speed post with acknowledgement due (hereinafter referred to as ‘**SPAD**’) and by email, under Rule 4(1) of the SEBI Adjudication Rules to show cause as to why an inquiry should not be initiated against the Noticee and thereafter penalty imposed against him 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.

10. The SCN issued to the Noticee, *inter alia* alleged, that the Noticee engaged in executing 4 reversal trades through 2 unique contracts with 2 counterparties viz. Amrit Medicentre Private Limited and Morisson Traders and Developments Private Limited on 2 days viz. 17/03/2015 and 05/06/2015, which led to the generation of artificial volume of 80000 units. The 4 trades each entered into by the Noticee were reversed on the same day with the same counterparties at a substantial price difference, without there being any rationale.

11. The summary of the dealings of the Noticee in 2 stock option contracts, in which the Noticee allegedly executed the 4 trades during the investigation period is given as Table No.1.

Table No.1 - Summary of the dealings of the Noticee in 2 stock option contracts

S. No.	Date	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	Total Vol 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.	17/03/2015	UCOB15MAR85.00CEW3	0.05	40000	3.2	40000	312000	100	25.64
2.	05/06/2015	AMTK15JUN90.00CEW2	33.85	4000	58.85	4000	40000	100	20

Source: Trade log provided by BSE

12. The abovementioned 2 contracts which resulted in 4 reversal trades creating artificial volumes is elaborated through an illustration of one of the contract viz. "UCOB15MAR85.00CEW3" (Serial.no. 2 of Table -1 given above) which is as follows:-

(Annexure- 2 may be referred for the details of the contract given below in the illustration)

a) During the investigation period, in the said contract viz. "UCOB15MAR85.00CEW3", the Noticee on 17/03/2015 has executed 2 trades for a total volume of 80000 units with counterparty, viz. Amrit Medicentre Private Limited.

b) While dealing in the said contract on 17/03/2015, the Noticee executed one sell trade at 11:29:10.09 hrs for 40000 units at the rate of Rs.3.2 per unit with counterparty, Amrit Medicentre Private Limited. In 10.14 minutes after the aforementioned sell trade, the Noticee reversed the trade by executing one buy trade at 11:39:24.37 hrs for 40000 units at the rate of Rs.0.05 per unit with the same counterparty.

c) From the above, it is noted that while dealing in aforesaid contract (i.e. UCOB15MAR85.00CEW3) during the investigation period, the Noticee executed a total of 2 trades (1 buy trade and 1 sell trade). This made up to 25.64% of the total market volume for this contract during the investigation period. Likewise, in the contract shown at S.no.1 of Table.1 of para 6, the Noticee has executed 2 reversal trades, which constituted 20% of market volume.

13. Based on the above, it was alleged that the Noticee by indulging in execution of the aforesaid non-genuine reversal trades, had violated the provisions of Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) of the PFUTP Regulations, text of which is reproduced 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; ………

14. The Noticee had not replied to the SCN, within the 14 days' time granted to the submit a reply. Subsequently, vide Hearing Notice dated December 16, 2021 issued through SPAD and email, the Noticee was granted an opportunity of personal hearing on December 23, 2021. However, the Hearing Notice sent through SPAD had returned undelivered stating the reason 'Left'. The Hearing Notice sent through email had been delivered. The Noticee replied vide email dated January 05, 2022, subsequent to the issuance of Hearing Notice, interalia making the following relevant submissions:

    a) *I had entered into only 4 (four) Stock Option transactions at BSE through SEBI Registered Stock-Broker Best Bull Stock Trading Pvt. Ltd. within the period 01-04-2014 to 30-09-2015;*
    b) *All my transactions were genuine and I had no idea of any irregularity or wrong-doing at the Broker's end nor any knowledge of the counter-party as mentioned in the trade details sent by you. It is beyond my comprehension how the transactions done by me are irregular in any manner. They were done in a SEBI Registered Stock broker's terminal at Bombay Stock Exchange and backed by proper Bill, Contract & payment;*
    c) *If any wrongdoing has been done in respect of the aforesaid transactions, it is the sole responsibility of the Stock Broker and I am not responsible in any manner what-so-ever;*
    d) *I am a regular Income Tax Assessee and the transactions executed has been properly reflected in my I.T. Returns.*

15. The Noticee's submissions were taken into consideration. Further, as the Noticee had not attended the hearing, another opportunity of hearing was granted to the Noticee on January 06, 2022 vide Hearing Notice dated December 29, 2021 issued

through SPAD and email. The Hearing Notice sent through SPAD had returned undelivered stating the reason ‘Left’ and the Hearing Notice sent through email had been delivered. However, as the Noticee had not attended the second hearing granted, another final opportunity of hearing was granted to the Noticee on February 24, 2022 vide Hearing Notice dated February 10, 2022. The Hearing Notice sent through SPAD and email had been delivered. The Noticee replied vide letter and email dated February 19, 2022, interalia making the following relevant submissions:

a) *A trader / investor absolutely has no knowledge as to who is the counter-party of the trades executed by the Stock Broker on his behalf in the period of computerized trading. It is the concerned Stock Exchange (BSE in the present case) which would be primarily responsible if non-genuine and irregular trades are executed in its platform. BSE was giving incentives to Brokers to generate artificial volume in BSE future & Option trades;*
b) *SEBI must see how many brokers had done such trades and how much amount BSE had given to Brokers for doing artificial volume and how much amount SEBI had imposed on Brokers and BSE for doing that;*
c) *Finally, I am a victim of wrongdoing of Broker, BSE and SEBI (for inability to stop on Day 1.) I am in no way responsible for any trade for creating artificial volume in illiquid Stock Option as mentioned in your Notice;*
d) *If anyone have to give monetary penalty then it must be Broker and BSE (who is giving incentive to Brokers to incease volume in Future & Option);*
e) *Therefore, penalizing the small investors/traders like me for no fault on their part would be gross injustice and those who are actually guilty should be brought to book and penalized.*

16. Further, the Noticee vide email dated February 23, 2022 had sent an authorisation letter, authorising her father Mr. Sunil Kumar Jain to appear for the hearing through video conferencing. The Authorized Representative (hereinafter referred to as “**AR**”). appeared for the hearing and reiterated the contentions in the replies submitted and stated that he had duly submitted Income Tax returns for the years 2014-15. The AR was advised to submit his Income Tax returns for the years 2014-15. The AR requested that a lenient view to be taken in the matter. The AR vide email dated January 25, 2022 submitted his Income Tax returns for the assessment years 2015-16 and 2016-17. The submissions made by the Noticee and by the AR of the Noticee, have been taken into consideration.

D. CONSIDERATION OF ISSUES

17. I have taken into consideration the facts of the case, the material on record and the submissions made in the case. I now proceed to consider the issues that arise in this case.

18. On merits, 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 Monetary penalty to be levied under section 15HA of the SEBI Act or not and what should be the quantum of penalty.

19. I have brought out the details of the Noticee's trades in the two contracts in the tables shown hereunder, culling out the relevant figures from the Trade log of the Noticee provided by BSE, (that was enclosed as Annexure II to the SCN), for analysis.

Table No.2 Summary of dealings of Noticee in contract UCOB15MAR85.00CEW3

S. No.	Date	Name of the client	Name of the counter party client	Trade Time (in hrs)	Order LM(Last traded) TIME	CP Order _LM TIME	Trade Rate (Rs.)	Order _LM rate	CP Order _LM rate	Trade quantity (qty) / Vol (no. of units)	Order _LM QTY	CP Order _LM OTY
1.	05/06/2015	Amrit Medicentre Private Limited	Sanjana Jain(sell)	11:29:12.017482	11:29:12.017482	11:29:10.092905	3.2	3.2	3.2	40000	40000	40000
2.	05/06/2015	Sanjana Jain(buy)	Amrit Medicentre Private Limited	11:39:24.375083	11:39:24.375083	11:39:23.053093	0.05	0.05	0.05	40000	40000	40000

Source: Trade log provided by BSE

20. I note from Table No. 2 above, the following aspects of trading in the above contract:

a) The Noticee and the counterparty have placed their buy orders and sell orders within a minute, with a difference of a few seconds that show synchronization of time while placing the orders. The Noticee and the counterparty had placed identical buy and sell order rates and quantities, as given above.

b) The Noticee on 05/06/2015 executed one sell trade at 11:29:12.017482 hrs and reversed it by executing one buy trade at 11:39:24.375083 hrs within 10.21 minutes, with the counterparty, Amrit Medicentre Private Limited.

c) The reverse trades executed between the Noticee and counterparty show that it did not intend to have a genuine change of rights of the 40000 units traded, as the Noticee bought and then sold the same quantity of units to the same counterparty viz. Amrit Medicentre Private Limited.

d) The Noticee executed one sell trade at the rate of Rs. 3.2 and one buy trade at the rate of Rs. 0.05, reversing the trade with a difference in rate of Rs.3.15. The Noticee had placed the sell trade for 40000 units and buy trade for 40000 units. The Noticee by reversing the entire units of 40000 through the sell and buy trades, with a price difference of Rs. 3.15 had made a profit to the extent of Rs.1,26,000/.

e) I observe that the counterparty has made an equivalent loss and that such loss incurred by the counterparty was due to the high buy order rate followed by a low sell order rate.

f) The trades executed between the Noticee and the counterparty do not have the requisites of a regular market trade. The trades executed by the Noticee in this contract are considered to be non-genuine and as such had led to the generation of artificial volumes to the tune of 80000 units.

g) The trades of the Noticee in the contract had contributed to 25.64% of the market volume of the contract.

21. Likewise, I observe that there is a pattern of trading in the second contract entered by the Noticee, as given in the Table No. 3:

Table No.3 Summary of dealings of Noticee in contract AMTK15JUN90.00CEW2

S. No.	Date	Name of the client	Name of the counter party client	Trade Time (in hrs)	Order _LM TIME	CP Order _LM TIME	Trade Rate (Rs.)	Order _LM rate	CP Order _LM rate	Trade quantity (qty) / Volume (no. of units)	Order _LM QTY	CP Order _LM OTY
1.	05/06/2015	Sanjana Jain(buy)	Morisson Traders and Developments Pvt Ltd	11:42:45.939659	11:42:40.861895	11:42:45.939659	33.85	33.85	33.85	4000	4000	4000
2.	05/06/2015	Morisson Traders and Developments Pvt Ltd	Sanjana Jain(sell)	12:04:50.881655	12:04:50.881655	12:04:50.285421	58.85	58.85	58.85	4000	4000	4000

Source: Trade log provided by BSE

22. I note from Table No. 3 above, that the Noticee had adopted the strategy of buying at a lesser rate first and later selling at a higher rate. In the second contract, the trades are placed by the Noticee with the counter party Morisson Traders and Developments Pvt Ltd. It is also relevant to note the following aspects of the second contract:

a) The Noticee and the counterparty have placed their buy orders and sell orders within a difference of seconds (as given in the table above) that show synchronization of time in placing the orders. The Noticee and the counterparty had also placed identical buy and sell order rates and quantity.

b) The Noticee on 05/06/2015 executed one buy trade at 11:42:45.939659 hrs and instantly reversed the trade by executing one sell trade at 12:04:50.881655 hrs with the counterparty in 22.08 minutes. The Noticee executed the buy trade at the rate of Rs. 33.85 and the sell trade at the rate of Rs.58.85 reversing the trade with a difference in rate of Rs.25. The Noticee has reversed the buy trade by placing a sell trade for the exact quantity of 4000 units. The Noticee by reversing the buy and sell trades, with a price difference of Rs. 25 for 4000 units had booked profits to the tune of Rs.1,00,000/-.

c) I observe that the counterparty has made an equivalent loss and that such loss incurred by the counterparty was due to the low sell order rate followed by a high buy order rate.

d) The reversal of trades between the Noticee and counterparty did not intend to have a genuine change of rights of 4000 units traded, as the Noticee bought and then sold the quantity of units to the same counterparty. The non-genuine trades of the Noticee in this contract had led to the generation of artificial volume of 8,000 units, contributing to 20% of the market volume of the contract.

23. The above aspects of the Noticee's trades in both the contracts, such as, the proximity in the time of the reversal of trades; synchronizing the time, rate and quantity of orders placed between the Noticee and counterparty, no intention or possibility of change of rights of the units traded as the counterparty to the sell and buy trades were the same in each contract and the absence of rationale to justify the variation in the sell and buy price, go to show that these are non-genuine artificial trades.

24. From the facts brought out in Tables Nos.1, 2 and 3 given above, I observe that by reversing the trades with substantial price variations within 10-25 minutes in both the contracts, the Noticee has booked profits to a total of Rs.2,66,000/-. Furthermore, I observe that in the two contracts, even when the counterparty in each contract were different, there is a similar pattern of synchronization of the order time, order rate and order quantity and that the orders were all limit orders. To substantiate this fact, I see from the trade log (which was enclosed as Annexure 2 to the SCN), under ‘order type’ and ‘CP_order Type’ given in columns 49 & 50 that the attribute tagged is “L”, for all the orders placed by the Noticee and counterparty, implying that the orders were placed by both the parties at prefixed rates and that the parties are not willing to execute trades for any other rate. Therefore, the trades were pre-mediated and as alleged are non-genuine in nature. The contribution of trading by the Noticee in the stock option segment of BSE during the investigation period shows that the Noticee by trading in the two contracts had contributed to 25.64% and 20% of the market volume of the contracts traded as given in Table-1.

25. Before, I conclude, I see that the Noticee in her reply, had contended that all her transactions were genuine; that she had no idea of any irregularity or wrong-doing at the Broker's end nor any knowledge of the counter-party; that the transactions executed has been properly reflected in the I.T. Returns; that it is the concerned Stock Exchange (BSE in the present case) which would be primarily responsible if non-genuine and irregular trades are executed in its platform; that she is victim of wrongdoing of Broker, BSE and SEBI and she is in no way responsible for any trade for creating artificial volume in illiquid Stock Option and that if anyone has to give monetary penalty, then it must be the Broker and BSE.

26. In my view, the Noticee is not disputing the execution of trades. The Noticee is rather putting forth the defence that her transactions are genuine and that her trades

not partake the nature of non-genuine trades. These aspects have been elaborately considered in para Nos. 20 and 24 herein above and do not merit separate consideration. Further, the Noticee has contended that she is not aware of the irregularity in the trades executed by her broker and that she is not responsible for such irregularities. As the trades have been admittedly done through the trading account of the Noticee, the Noticee cannot get absolved of the penal liability arising out of the subject trades, by shifting the responsibility on to the broker.

27. On observing the facts of the case and the pattern of trading by the Noticee, I am convinced that the trades were a consequence of pre-meditated decision of both parties and hence are unfair trades for the purpose of SEBI (PFUTP) Regulations. The trades of the Noticee, fall in the category of non-genuine trades, as it has been entered by two parties on the stock exchange platform by mutual understanding, thereby attracting the prohibition against fraudulent or manipulative and unfair trade practices contained in SEBI (PFUTP) Regulations. The trades are ex facie pre-meditated to book profits for the Noticee and for the counterparty to bear losses in both the contracts. The trades executed by the Noticee, therefore is a manipulative act of contributing to merely generating an artificial volume in the stock options segment of BSE.

28. 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)** wherein similar transactions in the same segment were considered.

*"**1**. Fairness, integrity and transparency are the hallmarks of the stock market in India"*.

"35. … *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."*

"37. ... *even in the derivative segment there is a change of rights in a contract. In the instant case, through reverse trades, there was no genuine change of rights in the contract....*"

*"**38.** ...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."*

*"**41.** ... 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 Nos. 1,35,37,38 and 41** of the part of the judgement authored by His Lordship Mr.Justice Kurian Joseph*).*

*"**38.** 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."

*"**42**. 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).

30. 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*).*

31. The Hon'ble Appellate Tribunal has summarised 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:

*"****14e.*** *In synchronised and reverse trades, there is no genuine change of rights in the contract."*

32. 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."

33. From the above position in law and facts, it follows that the Noticee's transactions in question falls within the mischief of unfair and fraudulent or manipulative trade practice, as contemplated in the SEBI (PFUTP) Regulations. Hence, I am inclined to impose monetary penalty on the Noticee.

34. From the facts of the matter and the legal position laid down by the Hon'ble Supreme Court, I find that the subject trades are non-genuine and artificial. On being convinced of the generation of artificial volumes in the market by the Noticee, I am of the view that a penalty ought to be imposed on the Noticee which is commensurate to the violation. I find that a penalty of Rs. 5,00,000/- (Rupees Five Lakhs only), being the statutory minimum penalty prescribed for PFUTP under section 15HA, is appropriate in the instant case.

E. ORDER

35. 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.5,00,000/- (Rupees Five Lakhs only) upon the Noticee i.e., Sanjana Jain (PAN: ASMPJ8798E) 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.

36. 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 favor of "SEBI - Penalties Remittable to

Government of India", payable at Mumbai, or through online payment facility available on the SEBI website **www.sebi.gov.in** on the following path by clicking on the payment link.

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

In case further assistance would be required in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

37. The Noticee shall forward the said demand draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-I, SEBI, in the format given in table below:

Case name	
Name of payee	
Date of payment	
Amount paid	
Transaction no	
Bank details in which payment is made	
Payment is made for	Penalty

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

Date: March 23, 2022 **GEETHA G**

Place: Mumbai **ADJUDICATING OFFICER**