BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/PB/AS/2021-22/15270]

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

Nirupama Gandhi

(PAN: ADDPG2729C)

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 led 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. It was observed that Nirupama Gandhi (PAN-ADDPG2729C) (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. The undersigned was appointed as Adjudicating Officer in the matter, conveyed vide communique dated September 30, 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.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice ref no SEBI/HO/A&E/EAD-2/PB/AS/32764/2021 dated November 12, 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 5,22,000 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	ADPW15JUN38.00PEW1	5.7	96000	7.8	96000	100	25	100	32.43
2	JPPW15JUN4.00CE	2.1	165000	3.3	165000	100	16.67	100	17.46

6. From the above table, following was noted as regard to dealings of the Noticee:
   (a) The Noticee had executed non genuine trades in 2 contracts, wherein all trades of the Noticee were non genuine trades.
   (b) No. of non-genuine trades of the Noticee had significantly contributed to total no. of trades from the market in the above contracts, as 16.67% to 25% of the trades that happened in the said 2 contracts were due to non-genuine trades executed by the Noticee.
   (c) The entire 100% of volume generated by Noticee in the said 2 contracts was artificial volume, and further, the percentage of artificial volume generated by the Noticee in the above contracts to the total volume from the market in said contracts was in the range of 17.46% to 32.43%. 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 above contracts had significant difference in buy rates and sell rates considering that the trades were reversed on same day.

7. The SCN was served on the Noticee via Speed Post Acknowledgement Due (SPAD). Vide letter dated November 26, 2021 and email dated November 29, 2021, Noticee interalia submitted that a SCORE complaint vide SEBIE/WB21/45633/D/1 dated November 26, 2021 had been pending for disposal before SEBI, and she would be able to respond during the personal hearing once the complaint was disposed of. Vide email dated

November 30, 2021, Noticee was granted opportunity of personal hearing on December 08, 2021. Vide email dated December 03, 2021 enclosing letter dated November 23, 2021, Noticee intimated appointment of Shri Ram Awatar Dhoot as Authorized Representative (AR) as regards the matter, and made certain submissions. Said submissions have been summarized below:

- Noticee requested to provide certain documents/data to deal with the contentions effectively *interalia* including Investigation Report, Order placement records of Noticee, Voice recording of Noticee, KYC of Noticee, Order logs and trade logs on 04 June, 2015 relied upon by SEBI etc.
- The concerned provisions of PFUTP Regulations are to be followed by intermediaries and not by the investors.
- Noticee relied upon Article 137 in the Schedule to the Limitation Act, 1963 which provides general period of limitation of three years, and contended that the instant SCN, which was issued after a delay of more than 6 years is bad in law, illegal and void ab initio.
- The instant SCN violates principles of equality, as SEBI has not punished BSE and brokers, while punishing investors for violation of PFUTP Regulations.
- Noticee had not traded in the contract viz. ADPWJUN38.00PEW1 and JPPW15JUN4.00CE.
- Noticee relied upon various case laws as regards aforesaid contentions.

Further, vide above submissions, Noticee requested for additional time to make further submissions upon receipt of the documents requested by her.

8. Vide email dated December 04, 2021 and letter dated December 03, 2021, Noticee requested to implead BSE and trading member of the Noticee as a party to the present proceedings, and also, to cross examine BSE and the trading member.
9. Further, vide email and letter dated December 04, 2021, Noticee submitted reply to the SCN on merits, which has been summarized below. The

contentions already made via preceding submissions are not being repeated for the sake of brevity.

- The allegations framed in the SCN relate to the derivatives trades of March 2015 which were executed more than six years ago. Initiation of proceedings by SEBI after such a long delay severely prejudices the Noticee. Noticee has placed reliance on the judgements of the Hon'ble Supreme Court in the matters of Anil Rai vs State of Bihar, Mohamad Kavi Mohamad Amin v. Fatmabai Ibrahim, Mansaram v. S. P. Pathak and Others, Lakhmani Mewal Das v. Income Tax Officer (1976 AIR 1753, 1976 SCR (3) 956), and judgements of the Hon'ble SAT in the matters of Anilkumar Nandkumar Harchandani & Others vs SEBI, Ashok Choudhury vs. SEBI, HB Stock Holdings Ltd V. SEBI, Rajeev Bhanot & Ors vs. SEBI, Rakesh Kathotia & Ors. Vs SEBI, Ashlesh Gunvantbhai Shah vs SEBI, Libord Finance Ltd vs Whole Time Member, SEBI, and Khandwala Securities Ltd. vs SEBI, etc.
- SEBI's action begs the question as to how SEBI can issue SCN after 6 years whereas brokers are not required to maintain records after 5 years. As per SEBI's circular CIR/MRD/DSA/2/2011, Noticee does not have any claim against the trading member after 3 years.
- Section 11(2)(4A) of the SEBI Act which gives power to levy penalty was introduced via the Finance Act, 2018 w.e.f. March 08, 2019. The power to levy penalty itself was given to SEBI by way of the aforesaid 2019 amendment to the SEBI Act, 1992, hence the provisions proposing to levy penalty against the Noticee were not in existence at the time of the alleged trades. Prior to the 2019 Amendment, the Board only had the power to issue directions, however they did not have the power to levy penalty which was awarded only post March 08, 2019.
- Section 15HA of the SEBI Act, 1992 has no application in the instant matter.
- Prior to the amendment to PFUTP Regulations, 2003 w.e.f. February 01, 2019, the words 'manipulative', 'securities' and 'knowingly' were not there. The amended PFUTP Regulations cannot be used against the Noticee by SEBI.

- BSE had introduced option trading with a 5 day settlement period and was providing trading members with incentives and engaging clients for trading in the new F&O product.
- The trading member did not collect margin with respect to the trade, and SEBI has not relied upon any order placement as evidence for the allegations made in the SCN.
- BSE is the first level regulator, however, BSE and the Clearing Corporation had not objected to the trades at the time they were executed.
- Noticee was under bonafide belief that the trading member would not execute order beyond the confines of trite law.
- SEBI/BSE never made any rules and regulations to be followed by the investors.
- SEBI is in violation of articles 136 of constitution by issuing SCN on suspicion and surmises of the investor's dealings.
- SEBI has failed to produce the voice log report of sauda done by the trading member.
- As per Section 106 of Evidence Act, SEBI is entitled to ask the Noticee only with regards to the dealings that went on between the trading member and the Noticee. SEBI is estopped against asking questions with respect to dealings, if any, with counterparty broker.
- In the present case, all saudas were executed by broker of the Noticee and hence, reversal trade, if any, had been done by the broker, so that nothing could be asked from the investors.
- Noticee does not have any knowledge of derivative. Hence, she is unable to do any fraud.
- There is no evidence or even a preponderance of probability of prior meeting of minds, collaboration and co-ordination between the Noticee and counterparties. No one would like to incur losses voluntarily / deliberately.
- Assuming without admitting that the Noticee's orders were synchronized, such synchronization was in the nature of negotiated deals and are permissible in terms of SEBI circular dated September 14, 1999.

- No adverse inference could be drawn against the Noticee as BSE and SEBI had permitted trading in options for 'far months' with a strike price which are at large variance to current market price.
- The transactions neither distorted the equilibrium in market nor caused any loss or prejudice to investors at large.
- There is no question of transfer of beneficial ownership in options segment since at end of settlement cycle only net loss/profit is adjusted.
- The mere fact that BSE allowed trading in the said shares renders the allegations pertaining to the concerned scrips as invalid.
- The clearing corporation is the counterparty in all the trades.
- Price manipulation is not a charge in the SCN.
- PFUTP provisions are applicable on intermediaries and not on investors. Noticee is an investor and not an intermediary.
- In the present online trading platform offered by exchanges, trades are carried out through registered brokers in an anonymous opaque screen based trading system. The identities of the counterparties are not disclosed.
- Element of fraud is missing. Further, for the transaction to be termed fraudulent, as per definition of fraud, there has to be inducement, which has not been alleged.
- The trades have matched with just two entities. The trades are genuine and have been bought and sold in the normal course of trading.
- There is no evidentiary basis for alleging fraud in the instant SCN. It was submitted that the SCN has grossly erred in concluding the collusion of minds with the counterparty without credible evidence.
- No evidence has been adduced by SEBI before making allegations as is set out in the SCN.
- No connection/collusion with counterparty entity (Sharda Lunkar).
- BSE as first level regulator is responsible for fraud in illiquid stock options.
- The instant SCN is discriminatory, being in favor of BSE.
- The Noticee has referred to SEBI’s order dated April 05, 2018 ref. no. WTM/MPB/IVD-ID8/161/2018 and has stated that while BSE has taken

various measures to prevent occurrence of reversal / non-genuine trades, they as retail investors cannot be blamed for BSE's failure or negligence to embed such measures and features from day one.

- Reversal Trades were not recognized as unlawful/illegal at the relevant time period.
- Intermediaries were responsible for fraud of illiquid stock options on BSE. It was the duty of stock brokers under regulation 9 of Code of Conduct for stock brokers, which says that the stock broker should abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange.
- The SCN is in violation of Article 20(1) of the Indian Constitution.
- NSE vide its circulars dated December 13, 2018 and February 07, 2019 with respect to "Abnormal / Non-Genuine transactions" only penalizes brokers and does not levy any penalty on the investors. Similarly, BSE also proposes to penalize its members and there is no intention to penalize investors. SEBI Circular no. CIR/MRD/DP/14/2014 dated April 23, 2014 cast responsibility on BSE to monitor such trades and prevent the fraudulent trades.
- The trades alleged to be reversal trades in the instant SCN have already been adjudicated by SEBI in two matters, and as the impugned trades have already been adjudicated, AO had become *functus officio*.
- Intra-day trading is permissible, normal and a market reality.
- If BSE considered reversal trades as non-genuine it could have put upfront checks and rejected out-rightly or annulled them. For investors, whether stock options were liquid or illiquid do not matter, as long as BSE permitted trading.
- The Noticee's objectionable trade were executed only on 1 day during the 18 months long investigation period.
- The buy rate and sell rate of the Noticee were within permissible price range.
- No objection or query about the trading was received at the relevant time.
- Matching of orders was the function of the trading system, and BSE had not sent any query about their trading till date.

- Without any linkage/connection between parties, the trades cannot be said to be non-genuine or artificial.
- Had there been any intention to create artificial volume, the objectionable trading would have been executed on many days.
- No alert / warning etc was issued by BSE / SEBI as regards impugned trades.
- The alleged violations have not caused any loss to any investor and have not affected the investors or securities market in any manner.
- There have been no investor complaints. Noticee has not made any gain.
- Synchronization is not illegal *ipso* facto under SEBI Act and/or SEBI Regulations.
- Noticee had traded in the option contract of a well-known company, so that there was no reason to doubt credibility of the platform provided by BSE.
- The stock option volume traded by the Noticee was relatively high, open and without any underlying position and hence speculative in nature.
- Compared to the market volume in F&O segment, the volume generated by Noticee’s trades were insignificant.
- No allegations have been attributed to BSE and trading member.
- BSE had introduced an incentive scheme in order to attract Brokers to undertake maximum trade on BSE platform.
- No specific order or instructions of the Noticee or audio recording of placing the order has been brought on record and hence, the transactions are denied.
- The price variation in the buy trade and sell trade of the alleged transactions is within the price fluctuation in the scrip and is based on several market factors. No extraordinary variation is established.
- In terms of Constitution of India Article 16 in relation to equality, unless SEBI prosecutes all ALGO traders for reversing trades in fraction of seconds, allegation on the small investors like the Noticee is illegal.
- As mitigating factors, the Noticee relies on the judgements passed by Hon’ble Supreme Court and Hon’ble SAT in the matters of SEBI v Bhavesh Pabari, case of M/s Roofit Industries Ltd, P. G. Electroplast Ltd

& Ors v. SEBI, Ketan Parekh v. SEBI, Subhkam Securities Private Limited v. SEBI, Ratijit Thakur vs. Union of India, V.G. Nigam & Ors. Vs. Kedarnath Gupta & Anr., Ramod Kumar Agarwal (HUF) vs Adjudicating Officer, Narendra Vallabji Bhauva vs SEBI, Dhvani Darshan Kothari vs SEBI, SEBI vs. Rakhi trading Private Limited, DSE Financial Services Ltd vs SEBI, Piramal Enterprises Ltd vs SEBI and various other matters.

- Section 15HA and 15J of the SEBI Act, 1992 is not applicable to the Noticee.
- The doctrine of preponderance of probabilities should not be applied in such a way that an innocent person suffers.
- Noticee reiterated her request for impleading BSE and trading member as party to the present proceedings. Also, Noticee requested for certain documents *interalia* including Investigation Report, Order logs, Call logs and voice logs etc, and also for an opportunity to cross examine BSE and the trading member, counterparty broker and counterparty.

10. Vide email dated December 06, 2021, following was conveyed to the Noticee:

Vide aforesaid replies, you have interalia requested for access to certain additional documents, apart from that provided as annexures to the SCN. In this regard, I have been directed to convey that your request has been perused and that following are the relied upon documents in the instant proceedings. Further, the same have been provided to you along with the SCN issued in the matter:

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

It is noted that the aforementioned documents are the only documents relied upon in the matter. It may be noted that all relevant material relied upon in the instant proceedings have been provided to you. Therefore, I am of the opinion that your request for non-relied upon documents is not reasonable and therefore, the same is being declined.

Further, vide aforesaid replies, you have also requested for cross examination of BSE, Trading Member, counterparty broker and counterparty. In this regard, I have been directed to convey you that no statements from the aforesaid entities have been relied upon for framing charges in the instant SCN. Therefore, the aforesaid request for cross examination is unreasonable and is being denied.

Further, vide aforesaid email, Noticee was granted opportunity of personal hearing on December 09, 2021. Vide email dated December 06, 2021, Noticee requested for adjournment of personal hearing. Vide email dated December 09, 2021, Noticee was granted final opportunity of personal hearing on December 23, 2021.

11. Personal hearing in the matter was held on December 23, 2021 via video conferencing over Webex platform. During the course of hearing, AR reiterated submissions made vide letters dated November 23, 2021, December 03, 2021 and December 04, 2021. Further, AR sought additional time to make post hearing submissions. The request of the AR was acceded to, and additional time till January 07, 2022 was granted for making post hearing submissions. Hearing Minutes are on record.

12. Post hearing submissions were submitted vide email dated December 23, 2021. The said submissions are summarized below. The contentions which had already been made in the previous submissions have not been repeated for the sake of brevity.

    - Noticee contended that as per the contract note provided by Kayan Securities Pvt Ltd dated July 28, 2015, Noticee carried out trades in “ADPW04JUN38.00PEW1” and “JPPW23JUN4.00CE”. However, the instant SCN alleges trades in “ADPW15JUN38.00PEW1” and “JPPW15JUN4.00CE”. The instant proceedings have been started wrongly, and must be set aside on this ground.
    - Issuance of SCN to Noticee violates the preamble of SEBI Act, 1992, as it is penalizing investors instead of intermediaries, BSE etc.

- There was no guilty intent reflected in Noticee's pattern of trading and conduct.

13. Vide email dated January 27, 2022, Noticee made further submissions which have been summarized below:
    - In the AO Order dated January 20, 2022, in respect of the entity viz. Neha Sethi in the matter of illiquid stock options, no penalty was imposed pertaining to trades of the entity in single contract.
    - Trading in 96,000 units cannot be considered as creation of artificial volume. Further, as 81% of trades were completed, the contracts were highly liquid.
    - SEBI wanted to increase trade volume which is evident in introduction of the Liquidity Enhancement Scheme in F&O segment. There is larger possibility in thinly traded contracts for the trades to get reversed.

CONSIDERATION OF ISSUES AND FINDINGS

14. I have carefully perused the charges levelled against the Noticee, her replies 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?

15. 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;

16. I note that 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 and manipulative.

17. Noticee has *interalia* relied upon Article 137 in the Schedule to the Limitation Act, 1963 which provides general period of limitation of three years, and contended that the instant SCN, which was issued after a delay of more than 6 years prejudices the Noticee and is void *ab initio*. Noticee has placed reliance on the judgements of the Hon'ble Supreme Court in the matters of Anil Rai vs State of Bihar, Mohamad Kavi Mohamad Amin v. Fatmabai Ibrahim, Mansaram v. S. P. Pathak and Others, Lakhmani Mewal Das v. Income Tax Officer (1976 AIR 1753, 1976 SCR (3) 956), and judgements of the Hon'ble SAT in the matters of Anilkumar Nandkumar Harchandani & Others vs SEBI, Ashok Choudhury vs. SEBI, HB Stock Holdings Ltd V. SEBI, Rajeev Bhanot & Ors vs. SEBI, Rakesh Kathotia & Ors. Vs SEBI, Ashlesh Gunvantbhai Shah vs SEBI, Libord Finance Ltd vs Whole Time Member, SEBI, and Khandwala Securities Ltd. vs SEBI, etc. I note that pursuant to a preliminary examination conducted in the matter of Illiquid Stock Options, 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 option 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.

18. Further, during the course of hearing in the case of *R. S. Ispat Ltd Vs SEBI*, the Hon'ble SAT, vide its 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".* A Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided 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.

Thereafter, Adjudication proceedings were initiated against those entities who had not availed of the opportunity of settlement.

19. As can be seen from the narration of facts in the foregoing paragraphs, pursuant to appointment of the undersigned as Adjudicating Officer, communicated vide communique dated September 30, 2021, SCN was issued on November 12, 2021. In compliance with principles of natural justice, replies from the Noticee were received vide emails/letters dated November 23, 2021, December 03, 2021, December 04, 2021, December 23, 2021 and January 27, 2022. Further, personal hearing in the matter was held on December 23, 2021. Therefore, I note that the instant adjudication proceedings were initiated pursuant to a series of legal and judicial developments, and that the principles of natural justice were duly complied with during the course of proceedings, so that the aforesaid contentions are devoid of merits.

20. Noticee had *interalia* requested to provide certain documents/data to deal with the contentions effectively *interalia* including Investigation Report, Order placement records of Noticee, Voice recording of Noticee, KYC of Noticee, Order logs and trade logs on 04 June, 2015 relied upon by SEBI etc. In this regard, it was conveyed to the Noticee vide email dated December 06, 2021, that all the documents relied upon in framing the instant allegations had been provided to it as Annexures along with the SCN. Further, I rely on the judgement of the Hon'ble SAT dated February 12, 2020, in the matter of Shruti Vora vs. SEBI:

"Reliance was also made of a decision of the Supreme Court in Union of India and Others vs E. Bashyan (1988) 2 SCC 196 which has no bearing to the controversy involved in the present context, 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. An inquiry report is totally distinct and different from an investigation report. The inquiry report considers all the materials in the inquiry proceedings which form the basis of the final order and therefore

the said report is required to be made available to the delinquent. In the instant case, the show cause notice relies upon certain documents which have been made available. Thus the investigation report is not required to be supplied".

"The learned counsel has also placed reliance upon a minority view of this Tribunal in Price Waterhouse vs Securities and Exchange Board of India decided by this Tribunal in Appeal No. 8 of 2011 on June 1, 2011 wherein it was observed that fairness demands that the entire material collected during the course of investigation should be made available for inspection to the person whose conduct was in question and that said material should also 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."

21. I also note that the Hon'ble SAT in the matter of Anant R Sathe Vs SEBI (Appeal No. 150 of 2020) vide Order dated July 17, 2020 reaffirmed the principle elucidated in the judgment of Shruti Vora's case, which has been reproduced herein above and 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".

I note that the documents relied upon in the matter were duly provided to the Noticee along with SCN dated November 12, 2021 in the matter. Noticee had also requested for the opportunity to cross examine BSE and the trading member, counterparty broker and counterparty. I note in this regard that, as conveyed to the Noticee vide email dated December 06, 2021, no statements made by the said entities have been relied upon for framing charges in the SCN, so that the request for cross examination made by the Noticee was irrelevant as regards the matter. Therefore, I note that the principles of natural justice have been complied with and the contentions in this regard are without merits.

22. I note from 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 had allegedly executed 4 non-genuine trades in 2 contracts. I further note that the above mentioned trades of the Noticee had resulted in the creation of artificial volume of 5,22,000 units in the said 2 contracts. 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	ADPW15JUN38.00PEW1	5.7	96000	7.8	96000	100	25	100	32.43
2	JPPW15JUN4.00CE	2.1	165000	3.3	165000	100	16.67	100	17.46

23. 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 16.67%

to 25% in the aforesaid contracts. Further, artificial volume generated by Noticee comprised 100% of the total volume generated by her in the said 2 contracts. It is also noted that artificial volume generated by the Noticee contributed significantly viz. 17.46% to 32.43% of the total volume from the market in the said contracts. 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.

24. 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 June 04, 2015 at 12:59:31.85 hrs entered into 1 sell trade with counterparty viz. Lily Abasan Pvt Ltd for 96,000 units at the rate of ₹7.8 per unit in the contract ADPW15JUN38.00PEW1. Thereafter, on the same day, Noticee at 12:59:46.26 hrs entered into 1 buy trade with same counterparty for 96,000 units at the rate of ₹5.7 per unit in the same contract. It is noted that while dealing in the said contract during the I.P., the Noticee executed reversal trades with same counterparty viz. Lily Abasan Pvt Ltd on the same day and with significant price difference in buy and sell rate. Thus, the Noticee, through her dealing in the contract viz. "ADPW15JUN38.00PEW1" during the I.P., executed non genuine trades which was 25% of the total trades from the market in the said contract during the I.P., and thereby, Noticee generated artificial volume of 1,92,000 units which was 32.43% of the volume traded in the said contract from the market during the I.P.

25. Noticee has *interalia* contended that the trades had matched with just two entities, and that the trades were genuine and had been bought and sold in the normal course of trading. Noticee has also contended that no connection/collusion could be proved with counterparty entity, and that the reversal trades were not recognized as unlawful during the relevant time period. Noticee has also contended that there was no guilty intent reflected in Noticee's pattern of trading and conduct. I note that 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 ranged from 04 seconds to 14 seconds, on the same day. Such a 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. Noticee has also contended that the price variation in buy and sell trades of the concerned trades was within the price fluctuation in the scrip and was based on several market factors. I note that there was wide variation in prices of the said contracts, within a short span of time, without substantial variation in the price of the underlying scrips to justify the aforesaid variation. It is a clear indication that there was pre-determination in the prices by the counterparties while executing the trades. I also note that contention made by Noticee is vague and not supported by any data/ evidence. 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.

26. Noticee has further contended that SEBI should have taken action against certain other entities pertaining to the concerned trades, including brokers and BSE. I note that ambit of the present Adjudication proceedings is limited to the violation of provisions of PFUTP Regulations, 2003 alleged against Noticee. Noticee has also contended that there is no evidentiary basis for alleging fraud in the instant SCN. I note that the charge against Noticee pertains to the reversal trades executed with same respective counterparties for relevant stock options contracts, such that the trades were executed on the same day with the entities reversing their buy and

sell positions with the same counterparty. All the trades executed by Noticee in aforesaid 2 contracts were in the form of reversal trades, in which the buy and sell rates had substantial difference without any trading strategy or changes in price of underlying scrip to justify the same as per the records. I note that the instant allegations rely on the trading pattern exhibited in aforesaid contracts, which had the impact of generation of misleading appearance of trading in these contracts, so that the contentions are liable to be set aside on these grounds.

27. Noticee has *interalia* contended that there is no evidence or even a preponderance of probability of prior meeting of minds, collaboration and co-ordination between the Noticee and counterparties as regards alleged transactions. Noticee has also contended that the trades are carried out through registered brokers in an anonymous opaque screen based trading system wherein the identities of the counterparties are not disclosed. I note that it is not mere coincidence that Noticee could match her trades with the same counterparty 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 fashion. I note in matters dealing with violation of PFUTP Regulations, 2003, the reason as regards execution of non-genuine trades might not be 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 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...*"

28. 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."*

29. Noticee has *interalia* contended that the instant SCN has been issued on the basis of mere surmises and conjectures. 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."*

30. I further 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….."

31. Further, the Hon'ble SAT in its judgement dated September 14, 2020 in the matter of Global Earth Properties and Developers Pvt Ltd vs SEBI 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.*"

32. Noticee has *interalia* made contentions as regards to the constitutionality and legality of impugned provisions of law as regards to the instant matter. I note that the contentions are not germane to facts of the case, and that the Hon'ble SAT has already upheld SEBI Adjudication orders passed in the matter of illiquid stock options viz. Nilu Chopra vs SEBI, Nikita Tolani vs SEBI, Radhamalani vs SEBI etc, in respect of various entities. The law in the matter is well settled. Therefore, the contentions with respect to correctness of legal provisions and constitutionality are not relevant for adjudicating facts of this case.

33. Noticee has *interalia* contended that Noticee's objectionable trade were executed only on 1 day during the 18 months long investigation period, and that had there been any intention to create artificial volume, the

objectionable trading would have been executed on many days. Noticee has also contended that compared to the market volume in F&O segment, the volume generated by Noticee's trades were insignificant. I note that Noticee had executed 4 reversal trades in 2 stock option contracts, such that execution of the said reversal trades defied market rationality when looked along with attending circumstances *in toto.* Therefore, Noticee's trades, irrespective of 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.

34. I note that Noticee has requested that BSE and trading member of the Noticee be impleaded as necessary party to the present proceedings. In this regard, I note that the remit of the current proceedings pertains to allegations levelled against the Noticee qua the concerned reversal trades and are based on material already made available to the Noticee. Given the above, the proceedings cannot travel beyond the authority granted therein, so that the contentions of Noticee in this regard are without merits.

35. Noticee has further contended that BSE had introduced option trading with a 5-day settlement period and was providing trading members with incentives and engaging clients for trading in the new F&O product. Also that, BSE and the Clearing Corporation had not objected to the trades at the time they were executed. Noticee has also contended that liability for occurrence of alleged non-genuine trades falls on BSE. Noticee has also contended that all 'saudas' were executed by broker of the Noticee and hence, reversal trade, if any, had been done by the broker. Further that, the clearing corporation was the counterparty in all the concerned trades. Noticee has also contended that there were no investor complaints pertaining to the concerned trades, and that no loss has been caused to the investors. I note that notwithstanding aforesaid facts, Noticee was under the obligation of ensuring genuineness of the concerned trades executed, so that the contentions in this regard are without merits.

36. Noticee has further contended that synchronization is not illegal *ipso* facto under SEBI Act and/or SEBI Regulations, and that even synchronization was in the nature of negotiated deals and are permissible in terms of SEBI circular dated September 14, 1999. I note that the instant allegations against Noticee pertain to the trading pattern exhibited while executing reversal trades only. Noticee also contended that for proving 'fraud', element of inducement must be there which has not been alleged. In this regard, I rely on the judgement of the Hon'ble Supreme Court in the matter of SEBI vs Rakhi Trading (supra) in this regard, wherein it was held that, "*Respondent-Rakhi Trading and Kasam Holding on facts are found to have been engaged in non-genuine transactions creating appearance of trading. If the factum of manipulation is established, it will necessarily follow that the investors in the market have been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so widespread 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 the Board cannot be imposed with a burden which is impossible to be discharged."* I note that in the instant matter, Noticee allegedly created misleading appearance of trading by executing manipulative reversal trades. Therefore, the contentions of Noticee in this regard are without merits.

37. The Noticee has contended that no penalty was levied on single reversal trade in the adjudication order dated January 20, 2022 in respect of Neha Sethi in the matter of illiquid stock options. In this regard, I note that Hon'ble SAT in the matter of Radha Malani vs SEBI (Appeal No. 698 of 2021) vide Order dated November 24, 2021 has upheld the Adjudication Order dated September 06, 2021 wherein the case facts involved one reversal trade in one contract. Thus, I find no merit in the above contention of the Noticee. Further, I note from the facts of the instant case that the Noticee has executed multiple reversal trades i.e. 4 non genuine trades with two different counterparties in 2 stock options contracts.

38. In the instant case, I note that the Noticee has executed four reversal trades with two different counterparties in two stock options contracts. Thus, the case facts are different and I find no merits in the above contentions of the Noticee.

39. Noticee has contended that intra-day trading is permissible, normal and a market reality, and that the buy rate and sell rate of the Noticee were within permissible price range. Noticee has also contended that in thinly trades contracts, there is larger possibility for the trades to get reversed. I note that Noticee's buy and sell trades were executed with a substantial price difference without any change in the price of underlying scrips, on the same day with the same counterparty. Intra-day trades or reversal trades may not indicate manipulation *ipso facto*, however, instant allegations consider the facts as regards reversal trades in totality to allege violation of provisions of PFUTP Regulations, 2003.

40. Further, Noticee has contended that as the impugned trades had already been adjudicated vide Order ref no ORDER/WTM/RKA/ISD/94/2016 dated April 13, 2016 and AO Order dated March 04, 2016, and attained finality, AO had become *functus officio*, and that any successor in the office of AO does not have the power to reinitiate the adjudicating proceedings. In this regard, I note that the Order no. ORDER/WTM/RKA/ISD/94/2016 quoted by the Noticee is dated August 12, 2016 (and not April 13, 2016 as claimed by the Noticee) passed by the Whole Time Member (WTM) of SEBI against 22 trading members and was passed pursuant to interim orders dated August 20, 2015 and February 17, 2016 in the matter of Illiquid Stock Options. I note that by virtue of the aforesaid order dated August 12, 2016 does not render the AO as *functus officio* as wrongly argued by the Noticee. I also note that the aforesaid order was passed under section 11B of the SEBI Act, 1992. The proceedings under section 11B of the SEBI Act, 1992 are separate from the adjudication proceedings as is being conducted in the instant matter. Further, I also note that even in cases where the counterparty has been issued notices and penalty has been imposed, it is

open to the AO to initiate adjudication proceedings and pass order against the party, and further, I note that the AO does not become *functus officio* in such cases. In this regard, I would like to place reliance on the order of the Hon'ble SAT in the case of *Nimisha Saraf vs. SEBI* (Order dated February 07, 2022), wherein it was held -

"3. Having heard the learned counsel for the appellant on this issue, we are of the opinion that the controversy that was decided by the AO in the earlier round was with regard to the transaction made by the counter party to whom notices were issued. It was open to the AO to also issue notice in the same proceedings to the appellant but it was also open to initiate separate proceedings against the appellant which in the instance case has been done. Therefore, the principles of res judicata and the decisions relied upon by the appellant are not applicable. We are of the opinion that the AO does not become functus officio and has the power to issue a show cause notice to the appellant."

41. Noticee has further submitted that she had not traded in the contracts viz. "ADPWJUN38.00PEW1" and "JPPW15JUN4.00CE" as alleged in the SCN. The Noticee has submitted the relevant contract notes and has stated that that the contract notes are showing "ADPW04JUN38.00PEW1" and "JPPW25JUN4.00CE. The Noticee has contended that the proceedings have been started wrongly. In this regard, I note that the contract names stated by the Noticee viz. "ADPW04JUN38.00PEW1" and "JPPW25JUN4.00CE" denote the dates of expiry of the respective contracts as June 04 and June 25, 2015. The exact said expiry dates are also denoted in the trade log of the Noticee (which was duly supplied to the Noticee as annexure to the SCN) under the heading "EXPIRY", and hence there is no ambiguity vis-à-vis the contracts alleged in the SCN and the contract description denoted in the contract note. All the relevant details including date, price, quantity and trade time are exactly the same in the trade log and the contract note. Thus, the contentions of the Noticee in this regard are devoid of merits.

42. Noticee has also contended that the concerned trades have not contributed to price rise, and therefore, the charge of violation of PFUTP Regulations cannot be sustained. I note that in the instant matter, allegation of carrying out price manipulation has not been levelled against the Noticee. The instant charges are confined to generation of false or misleading appearance of trading in terms of artificial volumes in stock options. In this regard, I rely upon the judgement of the Hon'ble SAT in the matter of Shivam Investments vs SEBI (decided on April 12, 2012),

"We do not find any merit in the arguments of the appellants learned representative that creation of artificial volume through manipulative trades cannot stand by itself without price manipulation. In this respect it is necessary to refer to the definition of fraud as appearing in Regulation 2(1)(c) of FUTP Regulations…………….The scope of the term fraud as defined above is wide enough to take in its sweep any act which disturbs the equilibrium of the market. It is not necessary that the fraudulent act should result in price manipulation."

Therefore, I do not find any merit in the contentions of Noticee in this regard.

43. Noticee has further contended that the concerned stock options contracts were highly liquid, so that Noticee could not be penalized for generation of artificial volume. I note that artificial volume generated by Noticee in the two concerned contracts amounted to 100% of the volume generated by the Noticee in such contracts. Moreover, I note that Noticee's trades in the contracts viz. ADPW15JUN38.00PEW1 and JPPW15JUN4.00CE contributed 32.43% and 17.46% respectively to the total market volume generated during the IP. I note from the above that the concerned contracts were thinly traded and that Noticee contributed substantially to artificial volume in such contracts. Therefore, Noticee's contentions in this regard are without merits.

44. Noticee has further contended that there is no question of transfer of beneficial ownership in stock options segment since at the end of settlement cycle only net profit/ loss is adjusted, so the allegation of artificial trade is of no consequence in option segment of exchange. I note that in the F&O segment, execution of a trade results in change of rights over the contract, so that the impugned reversal trades, which were executed without intention of actual change in rights over such contracts are non-genuine. I note that the Hon'ble SC in the matter of SEBI vs Rakhi Trading Pvt Ltd (supra) held that,

No doubt, as in the case of trade in a scrip in the cash segment, there is no physical delivery of the asset. However, 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…………………From the facts before us, it is clear that the traders in question did not intend to transfer beneficial ownership and therefore these trades are non-genuine

Therefore, I note that contentions of Noticee in this regard are without merits.

45. 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…".

46. 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].*

47. 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 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.

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[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

48. 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 option contracts which demonstrates the repetitive nature of default on her part.

49. 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

50. 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**
Nirupama Gandhi PAN:ADDPG2729C	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.

51. 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**

52. 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

53. 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.

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

Date: February 28, 2022 **PARAG BASU**

Place: Mumbai **ADJUDICATING OFFICER**