BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/GR/RK/2021-22/15666]

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

DD FOOTWEAR PRIVATE LIMITED

(PAN: AAECD3601R)

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 the stock options segment of Bombay Stock Exchange (here in after referred to as '**BSE**') leading to creation of artificial volume at BSE. Pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, Interim order was passed by SEBI on August 20, 2015 which was confirmed vide Orders dated July 30, 2016 and August 22, 2016. In this regard, SEBI conducted an investigation into the trading activity in the illiquid stock options Segment at BSE for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as "Investigation Period/IP") and completed in the year 2018. The investigation

revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock option segment during the investigation period.

2. It was observed during the course of investigation that a total of 2,91,643 trades comprising 81.38% of all the trades executed in the stock options segment at BSE during the investigation period were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract on the same day. It was also observed that the aforesaid trades resulted into creation of artificial volume to the tune of 826.21 Crore units or 54.68% of the total market volume in stock options segment of BSE during the investigation period. Artificial volume is considered to be the volume (no. of units) reversed in both legs of said reversal trades while keeping out the volume, if any, which is not reversed.

3. In view of the large scale reversal of trades that were observed in the illiquid stock options segment at BSE, it is alleged that these trades were non-genuine in nature. It was observed that **DD FOOTWEAR PRIVATE LIMITED (PAN No. AAECD3601R)** (hereinafter referred to as "**Noticee**") was one of the various entities which indulged in execution of the non-genuine trades in the stock options segment at BSE during the above referred investigation period. It was observed that Noticee had entered into reversal trades with its counterparties which involved squaring off transactions with significant difference in sell value and buy value of the transactions.

4. Therefore, it was alleged that Noticee had executed the reversal trades which were non-genuine in nature and have created false or misleading appearance of trading in terms of creation of artificial volume in the stock options segment at BSE and therefore, it is alleged that the Noticee has violated the provisions of Regulations 3(a), (b), (c), (d) and Regulation 4(1), 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (here in after referred to as “PFUTP Regulations”). In view of the above, adjudication proceedings have been initiated against the Noticee under the provisions of section 15 HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as ‘SEBI Act’).

APPOINTMENT OF ADJUDICATING OFFICER

5. While disposing of the aforesaid interim order vide final order dated April 05, 2018, it was considered and decided that appropriate action would be initiated against the said 14, 720 entities in a phased manner. Further, during the course of hearing in the case of **R. S. Ispat Ltd Vs SEBI**, the Hon’ble Securities Appellate Tribunal (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”.*

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

7. In this regard, SEBI, after being satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violations as mentioned above inter-alia in respect of Noticee, had appointed the undersigned as Adjudicating Officer ('**AO**') under section 19 read with section 15-I(1) of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**") and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter, referred to as "**Adjudication Rules, 1995**") to conduct adjudication proceedings in the manner specified under rule 4 of Adjudication Rules, 1995 read with section 15-I (1) and (2) of SEBI Act, and if satisfied that penalty is liable, impose such penalty as deemed fit in terms of rule 5 of Adjudication Rules, 1995 and section 15HA of SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

8. A Show Cause Notice with reference no. SEBI/HO/EAD/EAD4/P/OW/2021/39013/1 dated December 24, 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 it 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.

9. It was *inter alia* alleged in the SCN that the Noticee had executed 11 non genuine trades in 5 Stock Options contracts which resulted in artificial volume of total 11,56,000 units. Summary of dealings of the Noticee in 5 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 (Rs)	Total Buy Volume (No. of units)	Avg. Sell Rate (Rs)	Total Sell Volume (No. of units)	Total Artificial Volume Generated(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	IBRL15JAN65.00PEW2	0.05	200000	2.25	200000	400000	100	28.57	100	21.14
2	IDBI15APR50.00CE	17.15	40000	29.05	40000	80000	100	33.33	100	41.67
3	INCM15JAN95.00CEW2	0.05	46000	2.7	46000	92000	100	100	100	100
4	IOBL15JAN50.00PEW2	0.05	240000	1.8	240000	480000	100	15	100	25.53
5	LNTF15APR40.00CE	15.8	52000	25.4	52000	104000	100	100	100	100

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

(a) The Noticee had executed non genuine trades in 5 contracts, wherein all trades of the Noticee in the said 5 contracts 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 15% to 100% of the trades that happened in the five contracts were due to non-genuine trades executed by the Noticee.

(c) The entire 100% of volume generated by Noticee in all of the above 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 21.14% to 100%. Therefore, substantial volume generated by the Noticee in each of the above contracts was 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.

11. The aforesaid SCN was served on the Noticee via Speed Post Acknowledgement Due (SPAD) and email dated December 24, 2021. The proof of service is on record.

12. The Noticee submitted its reply to the SCN, vide letter dated January 09, 2022. In the interest of natural justice and in order to conduct an inquiry in terms of Rule 4 (3) of the Adjudication Rules, vide hearing Notice dated January 25, 2022 issued through email, the Noticee was granted an opportunity of personal hearing on February 02, 2022 at 03:00 PM through video conferencing on the Webex platform. The Noticee was represented

by its Authorized Representative (AR) in the aforesaid hearing. During the course of hearing, the AR reiterated the submissions made in the Noticee's reply vide letter dated January 09, 2022. The Noticee made following submissions vide its aforementioned reply:

a) *The alleged 'reversal trades' with the same counter party took place on 24th April 2015, whereas the present SCN was issued on 24th Dec 2021, after around 6 years and as such suffers from delay and laches. No reasons were cited what led to such an abnormal delay in issuing SCN. The SCN is, therefore, bad in law.*
b) *The reversal of trade with the same counterparty is merely a co-incident as the counterparty is neither known to us nor we have any relations with it.*
c) *The price difference in execution of aforesaid trades is within the permissible limits prescribed by BSE at the relevant time and as such no adverse inference could be drawn in respect thereof.*
d) *The said trade is neither 'in-genuine' nor created any 'artificial volume'. That out of 11 trades, 7 trades took place on 5th Jan 2015 whereas the remaining 4 trades took place on 24th April 2015.This shows that the trades in question were scanty and not part of any strategy to capture market or draw any unfair gains as against other market participants.*
e) *As such there is no violation of regulations 3(a) to 3(d), 4(1) and 4(2)(a) of SEBI PFUTP Regulations, 2003.*

<u>CONSIDERATION OF ISSUES AND FINDINGS</u>

13. I have carefully perused the charges levelled against the Noticee 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?

14. 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;

Issue No.1: Whether the Noticee has violated provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003?

15. I note that the allegation against the Noticee is that, while dealing in the stock option contracts at BSE during the IP, it had executed reversal trades which were allegedly non-genuine and the same had resulted in generation of artificial volume in stock option contracts at BSE. Reversal trades are considered to be those trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non-genuine trades as they are not executed in the normal course of trading, lack basic trading rationale, lead to false or misleading appearance of trading in terms of generation of artificial volumes and hence are

deceptive & manipulative. Artificial volume is considered to be the volume (no. of units) reversed in both legs of said reversal trades while keeping out the volume, if any, which is not reversed.

16. I note from the trade log of the Noticee that the Noticee had traded in 5 unique contracts in the stock options segment of BSE during the IP. It is observed that the Noticee had executed 11 non-genuine trades in 5 contracts. I further note that the above mentioned trades of the Noticee had resulted in the creation of artificial volume of 11,56,000 units in the said 5 contracts. Summary of non-genuine trades of the Noticee is as follows:

S. No.	Contract Name.	Avg. Buy Rate (Rs)	Total Buy Volume (No. of units)	Avg. Sell Rate (Rs)	Total Sell Volume (No. of units)	Total Artificial Volume Generated(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
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2	IDBI15APR50.00CE	17.15	40000	29.05	40000	80000	100	33.33	100	41.67
3	INCM15JAN95.00CEW2	0.05	46000	2.7	46000	92000	100	100	100	100
4	IOBL15JAN50.00PEW2	0.05	240000	1.8	240000	480000	100	15	100	25.53
5	LNTF15APR40.00CE	15.8	52000	25.4	52000	104000	100	100	100	100

17. It is noted that the Noticee had executed non-genuine trades in 5 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 15% to 100% in the aforesaid contracts. Further, artificial volume generated by Noticee in the contracts amounted to the entire 100% of total volume

generated by it in all the contracts. It is also noted that artificial volume generated by the Noticee contributed significantly viz. 21.14% to 100% 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.

18. 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 its counterparties.

19. The same is illustrated through the dealings of the Noticee in the contract viz, "IDBI15APR50.00CE" during the Investigation Period, mentioned as follows:

Trade Date	**Client Name**	**CP Client Name**	**Trade Time**	**Trade Rate (Rs.)**	**Traded Quantity**
24/04/2015	DD FOOTWEAR PRIVATE LIMITED	SWASTIK SECURITIES & FINANCE LTD	14:06:54.555836	17.15	40000
24/04/2015	SWASTIK SECURITIES & FINANCE LTD	DD FOOTWEAR PRIVATE LIMITED	14:20:28.922553	29.05	40000

The Noticee on April 24, 2015 at 14:06:54 hrs entered into 1 buy trade with counterparty viz. Swastik Securities & Finance Ltd for 40,000 units at the rate of Rs 17.15 per unit in the contract IDBI15APR50.00CE. Thereafter, on the same day, Noticee at 14:20:28 hrs entered into 1 sell trade with same counterparty for 40,000 units at the rate of Rs 29.05 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.

Swastik Securities & Finance Ltd on the same day and with significant price difference in buy and sell rate. Thus, the Noticee, through its dealing in the contract viz. “IDBI15APR50.00CE” during the I.P., executed non genuine trades which was 33.33% of the total trades from the market in the said contract during the I.P., and thereby, Noticee generated artificial volume of 80,000 units which was 41.67% of the volume traded in the said contract from the market during the I.P.

20. The non-genuineness of these transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within a short span of time, the Noticee reversed the position with its 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 13 minutes to 60 minutes, 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 counterparties indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid option contracts, there was no trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contracts, within a short span of time, is a clear indication that there was pre-determination in the prices by the counterparties while executing the trades. Thus, it is observed that Noticee

had indulged in reversal trades with its counterparties in the stock options segment of BSE and the same were non-genuine trades.

21. The Noticee has contended that the alleged ‘reversal trades‘ with the same counter party took place on 24th April 2015, whereas the present SCN was issued on 24th Dec 2021, after around 6 years and as such suffers from delay and laches. The SCN is, therefore, bad in law. In this regard the narration of facts detailed in the paragraphs 1 to 6 above may be seen. I note that SEBI initiated the investigation as soon as information regarding malafide actions came to its notice. Further, under the SEBI Act there is no limitation on initiation of adjudication proceedings for violation of various provisions of Act and Regulations made thereunder. Further, I note that the investigation as regards violation of PFUTP Regulations, 2003, is an exhaustive and time consuming process, which may require detailed analysis of the case facts. In this regard, I note that the Hon’ble SAT in the matter of **Pooja Vinay Jain vs SEBI** (Appeal No. 152 of 2019 decided on March 17, 2020) held that*, “The record would show that all the documents concerning the defense of the appellant were filed by her before the AO. Therefore, for want of any prejudice the proceedings cannot be quashed simply on the ground of delay in launching the same”*.

22. I also note that the Hon’ble SAT in the matter of **Bipin R Vora vs SEBI** (decided on March 22, 2006) held that, *“As regards the plea of delay and latches and submission that the show cause notice is barred by limitation,*

I do not find any merit in these contentions as the time and efforts involved in an investigation though may vary from case to case, generally investigations per-se is a time consuming process which invariably involve collection, scrutiny and careful examination of voluminous records/ order-trade details of all the concerned including the exchanges/recording of statements etc. and therefore no time limit can be fixed in this regard to enable a regulator to take appropriate disciplinary action for the safeguard and improvement of the system/market".

23. In view of the above, and considering the facts and circumstances, I note that there was no delay in the issuance of SCN in the matter as argued by the Noticee, so the contentions of the Noticee in this regard are without merits. Further, delay in initiating the proceedings itself should not be a ground for discharging the Noticee.

24. The Noticee has also contended that the reversal of trade with the same counterparty is merely a co-incident as the counterparty is neither known to it nor it had any relations with it. The Noticee also contended that the price difference in execution of aforesaid trades is within the permissible limits prescribed by BSE at that relevant time and as such no adverse inference could be drawn in respect thereof. In this regard, I note that it is not a mere coincidence that Noticee could match its trades with the same counterparties with whom it had undertaken the 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. Here I would like to rely on the

judgment of the 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..."*

25. Further, the Hon'ble Supreme Court had 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."

26. I note in this regard 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 judgement of the Hon'ble SAT order dated July 14, 2006, in the matter 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.".*

27. I place my reliance on the judgment of Hon'ble Supreme Court in the matter in respect of **SEBI v Rakhi Trading Private Limited** (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018), in which the Hon'ble Supreme Court held that - *"Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too*

naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities…..".

28. Further, the Hon'ble SAT in its judgement dated September 14, 2020 in the matter of **Global Earth Properties and Developers Pvt Ltd** relied upon the aforesaid judgment 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."*

29. In light of the aforesaid stated facts, I find no merit in the contentions of the Noticee in this regard.

30. The Noticee has further contended that the said trades were genuine and it didn't create any 'artificial volume'. Also that out of 11 trades, 7 trades

took place on 5th Jan 2015 whereas the remaining 4 trades took place on 24th April 2015. This shows that the trades in question were scanty and not part of any strategy to capture market or draw any unfair gains as against other market participants and as such there has been no violation of regulations 3(a) to 3(d), 4(1) and 4(2)(a) of SEBI PFUTP Regulations, 2003 In this regard, I note that as established in the preceding paragraphs, total 2,91,643 trades comprising substantial 81.38% of all the trades executed in stock options segment of BSE during the IP were non genuine trades. The aforesaid non-genuine trades resulted into creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in stock options segment of BSE during the IP. It was observed that the Noticee was one of the various entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. Further almost in all the aforesaid illiquid stock option trades there was negligible participation by the public. Hence, it would be appropriate to consider the impact of these transactions in *toto.* Therefore, I reject the contentions of Noticee in this regard.

31. 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.

Issue No.2: Does the violation, if any, attract monetary penalty under Section 15HA of the SEBI Act?

32. Considering the finding that the Noticee as mentioned above has executed non-genuine trades resulting in the creation of artificial volume, thereby violating provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003 and in terms of the judgment of 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…",* 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 which reads 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

[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

rupees but which may extend to twenty - five crore rupees or three times the amount of profits made out of such practices, whichever is higher].

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

33. 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.

34. 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 11 non-genuine trades in 5 stock option contracts which demonstrates the repetitive nature of default on its part.

35. 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 regulation 3(a),(b),(c),(d) and 4(1),(2)(a) of the PFUTP Regulations, 2003.

ORDER

36. 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**
DD Footwear Private Limited PAN:AAECD3601R	Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003	Rs 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.

37. 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 SEBI website www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW

38. The said demand draft or forwarding details and confirmations of e-payments made (in the format as given in table below) should be forwarded to "The Division Chief, Enforcement Department (EFD1 – DRA I), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C –4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051.

1. Case Name:	
2. Name of the Noticee:	
3. PAN No. of the Noticee	
4. Date of payment:	
5. Amount paid:	
6. Transaction no.:	
7. Bank details in which payment is	
8. Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount etc.)	

39. 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.

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

Date: March 29, 2022 **G RAMAR**

Place: Mumbai **ADJUDICATING OFFICER**