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:
Dippy Investments Pvt Ltd
(PAN: AAACD3868N**)**
Address: S-6, Paradise Plaza,
Alakananda Shopping Complex,
New Delhi 110019

In the matter of dealing in illiquid stock options at BSE

BACKGROUND

1. SEBI observed large scale reversal of trades in Stock Options segment of Bombay Stock Exchange (hereinafter, referred to as "**BSE**") leading to creation of artificial volume. SEBI conducted an investigation into the trading activity in illiquid Stock Options at BSE (hereinafter, referred to as "**investigation**") for period 01/04/2014 to 30/09/2015 (hereinafter referred to as **"I.P."**).

2. Pursuant to investigation, it was observed that during the I.P, total 2,91,643 trades comprising substantial 81.38% of all the trades executed in Stock Options Segment of BSE 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 I.P.

3. Reversal trades were considered those trades in which an entity reverse 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 normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were deceptive and 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.

4. It is noted that Dippy Investments Pvt Ltd bearing PAN: AAACD3868N (hereinafter, referred to as "**Noticee**") was one of the various entities which were indulged in execution of non-genuine trades in Stock Options Segment of BSE during the I.P. The dealings of Noticee in Stock Options segment of BSE during the I.P., and allegations against Noticee for execution of non-genuine trades are emanated below.

5. Noticee, while dealing in Stock Option segment of BSE during the I.P. allegedly executed 146 non genuine trades in 69 contracts resulting in artificial volume of total 4232750 units in such contracts. Following is noted from the dealings of Noticee in aforesaid 69 contracts at BSE:

a) All the trades executed by Noticee in aforesaid 69 stock option contracts were allegedly non genuine trades.

b) No. of alleged non-genuine trades of Noticee significantly contributed to the total no. of trades from the market in the above contracts, as up to 100% of the trades that happened in the said 69 contracts were due to these non-genuine trades executed by the Noticee.

c) All the volume generated by the Noticee in each of the 69 contracts was allegedly artificial volume. Further, artificial volume generated by Noticee also contributed significantly up to 100% of the total volume from the market in said 69 contracts.

d) Alleged non genuine trades executed by Noticee had significant difference in buy rates and sell rates considering that the trades were reversed on same day.

6. In view of the foregoing, it was alleged that Noticee indulged in execution of reversal trades in Stock Options at BSE during the I.P. Such reversal trades were allegedly non-genuine in nature and have created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore alleged to be manipulative, deceptive in nature. Thus, it is alleged that Noticee violated the provisions of Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as "**PFUTP Regulations 2003**").

<u>APPOINTMENT OF ADJUDICATING OFFICER</u>

7. SEBI, in terms of Section 19 read with Section 15I(1) and (2) of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter, referred to as "**SEBI Adjudication Rules, 1995**") appointed Adjudicating Officer to inquire into and adjudge the alleged violations of aforesaid regulations in respect of Noticee, and if satisfied that penalty is liable, impose such penalty deemed fit in terms of Rule 5 of SEBI Adjudication Rules, 1995 and Section 15HA of SEBI Act.

<u>SHOW CAUSE NOTICE, WRITTEN SUBMISSIONS, PERSONAL HEARING</u>

8. Show Cause Notice dated April 03, 2019 (hereinafter referred to as "**SCN**") was issued to the Noticee and sent through Speed Post AD mentioning the allegations against the Noticee and requiring it to show cause within 14 days of receipt of the SCN, as to why an inquiry should not be held and penalty be not imposed under Section 15HA of SEBI Act for the aforesaid alleged violations against it.

9. Noticee vide letter and email dated April 10, 2019 sought extension of time to file reply to the SCN and the same was acceded to. Accordingly, vide email dated April 16, 2019, the Noticee was told to file reply to the SCN latest by April 30, 2019.

10. Noticee, vide its letter dated April 23, 2019 requested for inspection of documents and records in connection with the SCN and to provide copy of Investigation report and complete Trade and Order log along with the reasons recorded by the Ld. WTM for ordering the inquiry and appointing the AO.

11. Further, Noticee vide its letter dated April 30, 2019 submitted its reply to the SCN, comprising following key submissions:

With reference to the above, we have received the Show Cause Notice dated 03-04-2019 (hereinafter referred to as the "SCN") in the captioned mutter. After receipt of the captioned SCN, vide letter dated 22-04-2019, we requested your goodself to provide us the reasons recorded by the Ld. Whole Time Members for ordering the inquiry and appointed your goodself as Adjudicating Officer. In the same letter we further requested your goodself to allow us inspection of the documents / data in the aforesaid matter. The inspection of the documents has not been allowed till date. Thus, we are filing our written submissions to the SCN on the basis of documents available with us.

We are submitting herewith our reply to the captioned SCN as follows:

a. *At the very outset we wish to draw your kind attention towards annexure "A" i.e. Copy of Communication of appointment order of Adjudication Officer by Ms. Bhavana Ravi Kumar, Deputy General Manager, SEBI. In para 2 of the said communication, it is mentioned that*

"Whereas the Whole Time Member is prima facie of the view that there are grounds to adjudicate upon the alleged violation by the following entity, under the SEBI Act -------------

63. DIPPY INVESTMENTS PVT LIMITED".

However, in the said communication there is no mention of any specific grounds on the basis of which the Ld. Whole Time Member prime facie found grounds to adjudicate upon the alleged violation by our Company. Thus, the said Communication is ambiguous in as much as no specific ground find any mention in the said Communication. Thus, the appointment of the Ld. Adjudicating Officer has been without application of judicious mind and on this ground alone, the SCN dated 03-04-2019 is invalid, illegal and non-est.

b. *We deny and refute each and every allegation contained in the captioned SCN against our Company unless it is specifically admitted by us in our Reply herein. Nothing should be deemed as admitted by us for reason of any non-specific traverse of any allegation contained in the SCN.*

c. *In the captioned SCN Notice our Company has been called upon to show cause as to why an inquiry should not be held against the Company in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 read with Section 15- I of the SEBI Act and why penalty should not be imposed under section 15HA of the SEBI Act, 1992 for the alleged violation of Regulation 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices related to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations").*

d. *In the captioned SCN it is alleged that SEBI had observed large scale reversal of trade in Stock Option segment of BSE leading to creation of artificial volume and SEBI had conducted an investigation into the trading activates of certain entities in illiquid stock option at BSE during the Investigation Period i.e. 01-04-2014 to 30-09-2015. We wish to submit that our Trades in the Option segment of BSE during the Investigation Period comprising of 18 months was only restricted to 13 days.*

e. *In the captioned SCN it is further alleged that during investigation it had observed total 2, 91,643 Trades comprising substantial 81.38%of all trades executed in Stock Option Segment of BSE during the Investigation' Period were found to be non-genuine trades which resulted into creation of artificial volume to the tune of 826.21 Crore units or 54.68% of the total market volume in stock option segment of BSE during the investigation period. We wish to submit that we have not been provided any material/ data of total market volume in Stock Option Segment of BSE during the Investigation Period. We have also not been provided Trade and Order Log for total 2,91,643 Trades comprising 81.38% of all trades executed in Stock Market Segment of _BSE during the Investigation Period which were allegedly found to be non- genuine trades which resulted into creation of artificial volume to the tune of 826.21 Crores units or 54.68% of the total market volume in Stock Option Segment of BSE during the Investigation Period. We, however, refute that we had executed any non-genuine trades which resulted into creation of artificial volume.*

f. *It is further pertinent to mention that our Trades in option segment of BSE were only in well-known Companies. All the Trades in option segment of BSE were executed on anonymous screen based trading platform provided by BSE wherein identity of the counterparties remain undisclosed. Hence, the question of any non-genuine trade does not arise at all unless it is proved that such Trades were executed in connivance with any counter party. However, all the counter party whose names have been disclosed now in your SCN were completely unknown to us.*

g. *We further wish to submit that BSE has a sophisticated surveillance system and if there had been any reversal of trade, the system could have alarmed BSE to take corrective measures to restrain any non- genuine trades happening in its trading platform. However, we have not received any warning or caution letter from BSE for any of our trade in its option Segment during the period of our trading* *and any period thereafter during the investigation period. Thus, the allegation of execution of non-genuine trades by our Company in option segment of BSE which purportedly resulted into creation of artificial volume is totally farfetched and is based on presumptions, assumptions, surmises, and conjectures.*

h. *We wish to further submit that we had meticulous track record of our trading in the securities market and except the captioned SCN we have not received even a warning letter prior to the issue of the captioned SCN.*

i. *It is further submitted that it is a matter of common knowledge that the option trading platform of the BSE has not been as vibrant as NSE. In such a situation it is coincidence that the Order placed by our 'Company might have been matched. However, nowhere in the entire SCN it is alleged that our Company or its Directors had any connection/association/relationship with any of the counterparties. We have heard their names for the first time after receipt of captioned SCN. In absence of any such connection/ association/ relationship with any of the counter party to our trades, whose names we have come to know only after receipt of the captioned SCN, it is totally illogical and irrational to allege that our trades with the said Counter Parties were non-genuine trades which resulted into creation of any artificial volume.*

j. *It is submitted that complete material documents in support of the allegation contained in the Captioned SCN have not been made available to our Company despite our written request. Hence, we are not in position to file a proper Reply effectively answering the charges levelled against the Company in the Captioned SCN. Moreover, not providing complete materials/ documents to the Company is in violation and is contrary to the settled Principles of Natural Justice.*

k. *It is submitted that in Para 3 and 4 of the Captioned SCN it is alleged that SEBI had observed large scale reversal of trades in Stock Options segment of BSE leading to creation of artificial volume. However, nowhere in the SEBI PFUTP Regulations, the definition of reversal of trade is given. The reversal of trade is not an unusual phenomena in the securities market and hence per se not illegal like synchronized trade. We were not aware of the identity of the counter party as the trades were executed on the screen based trading platform of the BSE.*

l. *In Para 5 of the SCN, it has been further alleged that "...total of 2,91,643 trades comprising substantial 81.38% of all the trades executed in Stock Option Segment of BSE were non-genuine trades...".In this context we wish to submit that no material whatsoever has been provided to us in support of alleged 2,91,643 trades during Investigation Period comprising substantial artificial volume of 81.38% of the total trades executed in the BSE Stock Option Trading Segment. Thus, the allegation made in this Para of the SCN are vague, bald and devoid of any substance.*

m. *It is submitted that the trades executed by our Company in the BSE Stock Option Segment were in the normal course of business devoid of any fraudulent intentions. In the derivative segment, only those stock and indices are permitted which are very liquid and there is a robust risk mitigation mechanism is in place. Since our Company had traded in the Options of very well-known Company which has tradable position in the market, there was no reason to doubt credibility of the platform provided by the Exchange as approved by SEBI. The allegation of trades being non-genuine has no basis as your good self has failed to provide any evidence to prove that there was a misleading appearance created in the market by the trades executed by the Company.*

n. *It is very pertinent to mention that the SCN does not allege that our all trades executed in the derivative option segment of the BSE as non- genuine trades. On perusal of the annexure B, C and D enclosed with the SCN, it is revealed that our Company had executed 148 trades and out of 148 trades, 146 trades have been alleged as non-genuine trades. If the Appellant intention was to create artificial volume then all the trades would have been held as non-genuine trades.*

o. *In Para 11(a) to 11 (d) of the captioned SCN it is alleged that all the trades executed by our Company were non- genuine trades we had executed 148 trades in 69 contracts. If we had executed non-genuine trades in option segment of BSE, all 148 trades in 69 contracts would have been non-genuine. Thus, there is an apparent contradiction in the SCN that were non-genuine trades and some were genuine trades. We are also not aware whether counterparties to our trades have also been held to have executed non-genuine trades as if a trade is a non-genuine trade, the trade of both the legs are to be held as non-genuine trades. However, in absence of the relevant data, we are totally unaware whether the entities which were counterparties to our trades have also been issued SCN or not. It is further submitted that no details of price volume data has been provided which is relied in the SCN.*

p. *It is further submitted that these allegations are merely an eyewash as it does not take into consideration the number of trades and volumes generated in entire Option Segment in BSE in a particular Scrip on a particular day. It may be noted that the stock exchange platform at the relevant point of time gave a choice to write options at various strike prices as per the suitability of the trader. What has been considered in the SCN is only an option with a particular strike price and not the total trading on Option' Segment in a particular scrip at the relevant point of time. Thus the percentages shown in the SCN are misleading and cannot be relied upon.*

q. *It is submitted that the trades of the Company have all traits of being genuine and therefore cannot be categorized as non-genuine. These trades were executed on the anonymous platform of the Exchange, without any knowledge of counter party, at price ranges that were permitted by the Exchange and SEBI and the obligations arising out of it have been settled through the clearing mechanism of the Exchange.*

r. *It is further submitted that our company had executed substantial transactions in the Future and Option segment at the platform of BSE and NSE. In the year 2014-2015 our Company's total turnover in Future and Option Segment was 991 Crore. In the next year i.e. 2015-2016 the turnover was 410 crore. Thus, the quantum of trades executed at the BSE Option segment were insignificant in comparison to our total trades in the Future and Option Segment during the Investigation Period.*

s. *It is also submitted that, as none of the trades executed by the Company were false and there was no elements of fraud within the meaning of Regulation 2(1) (c) of PFUTP Regulation, the genuineness of the trades executed by the Company cannot be questioned and therefore, the Company cannot be alleged to have violated any PFUTP Regulations.*

t. *We draw your attention to the following Judgments passed by the Hon'ble Tribunal in the following matters:*
In the matter of KSL & Industries Ltd. vs. SEBI (Appeal No. 9 of 2003, Date of decision 30th September, 2003) it was inter alia held that:

"I do not find any material on record in support of the said charge. A wild allegation of market manipulation, in particular the charge of fraudulent action unsupported with convincing evidence is not to be sustained. I fully agree with Shri Khambatta's submission in this regard that allegation of 'fraud' cannot survive on mere conjectures and surmises. In the matter of Vintel Securities Pvt. Ltd. vs. SEBI (Appeal No. 219 of 2009, Date of decision 23rd November, 2009) it was inter alia held that:

"A serious charge of fraudulent and unfair trade practice has been established against the. Appellant without even dealing with the trades executed by it. The adjudicating officer has given no reasons, whatsoever in support of his conclusion. He has found the appellant guilty in paragraph 14 of the impugned order which is as general as it could be without referring to the details of the trades executed by the appellant and without showing as to how it was acting in tandem with others. This is not the way in which such charges are established. It is not enough to say that the appellant is guilty of the charge. The impugned order must show how the charge stands established. The least that was required was that the adjudicating officer should have dealt with the trades executed by the appellant and demonstrated as to how the scrip in. question was manipulated and the role which the appellant played in that manipulation. It is not in dispute that it was not only the appellant but several other entities were also involved in the manipulation. In the absence of any specific finding in regard to the manner in which the appellant traded in the scrip in question we cannot uphold the impugned order. Consequently, the same is set aside..."

Therefore, it is clear that the trades of the Company in the BSE Stock Options Segment were completely genuine and without any intention to create false and misleading appearance of trading in the market and therefore the Company could not be alleged to have violated PFUTP Regulations as alleged in the captioned notice.

u. The Company further denies that it has violated the Regulation 3(a), (b), (c), (d) and 4 (1), (2) (a) of the PFUTP Regulations. In this context it is submitted as follows:

- *It has neither directly or indirectly bought or sold or otherwise dealt in securities in any fraudulent manner. As mentioned above the trades of the Company were completely genuine and are without any malafide intention of creating any false or misleading appearance of trading in the market.*
- *It has not used or employed any manipulative or deceptive devise or contrivance in contravention of the provisions of the SEBI Act or the rules or the regulations made there under, the same has also not been specifically brought out in the captioned notice.*
- *It has not employed any device, scheme or artifice to defraud anyone in the market and the same has also not been alleged in the captioned-notice.*
- *It has not engaged in any act, practice, course of business which operated or would have operated as a fraud or deceit upon any person with any dealing in the market in contravention of the provision of the SEBI Act or the rules and the regulations made there under, it has also not been alleged in the captioned notice that the trades executed by the company has operated or would have operated as a fraud or deceit upon any person.*
- *It has not dealt in securities in a fraudulent manner or as indulged in unfair trade practice in the securities market. It is again reiterated that the trades executed by the company were in its normal course of business and were completely genuine.*
- *As submitted above the trades of the Company were completely genuine and has not created any false or misleading appearance of trading in the securities market as alleged in the captioned notice. Thus in view of the facts stated, arguments advanced and authorities cited, it is humbly prayed that the present proceedings be quashed since no primary violation of any PFUTP Regulations is made out against the Company and the genuineness of the trades has also been explained hereinabove. Therefore the question of holding an inquiry against the Company in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 and imposing penalty for the alleged violation does not arise. We reserve our right to modify and add additional grounds in these submissions.*

12. Vide notice dated May 03, 2019 sent through SPAD and e-mail, the Noticee was provided the opportunity of hearing on May 20, 2019. However, the hearing was rescheduled to May 23, 2019 and the same was communicated to the Noticee.

13. AR of the Noticee availed the hearing on May 23, 2019, and AR reiterated the submissions of the Noticee made in aforesaid reply dated April 30, 2019. With respect to argument to provide additional documents, AR cited SAT judgements in the matter of Smitaben N. Shah v/s SEBI and Vikas Gourihar Narnavar v/s SEBI. Further, with respect to argument to consider judgement of other AOs, AR cited SAT order in the matter of R.M. Shares v/s SEBI.

CONSIDERATION OF ISSUES AND FINDINGS

14. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticee, following issues require consideration in the present matter:

a) Whether the Noticee has violated the provisions of Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations 2003?

b) Does the violation, if any, on part of the Noticee attract monetary penalty under Section 15HA of SEBI Act?

c) If so, what quantum of monetary penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act read with rule 5 (2) of the SEBI Adjudication Rules, 1995?

15. Aforesaid provisions alleged to have been violated by the Noticee reads as follows:

<u>PFUTP Regulations 2003</u>

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. Before proceeding to the issues, the following technical issues raised by the Noticee are being addressed.

16.1. Noticee has contended that the SCN has failed to provide the complete material documents in support of the allegation contained in the SCN including Trade and Order log, material/data of total market volume in Stock Option segment of BSE during the I.P, in the present proceedings. In this regard, it is noted that Noticee has already been provided with all the relied upon information in the SCN with relevant narrative from the investigation report leading to allegation in respect to the Noticee, and also to substantiate the allegations, information provided in the SCN includes illustration of trades of Noticee in one of the 69 contracts to show execution of alleged non genuine trades and creation of artificial volume by the Noticee, and short summary of contract wise details of alleged non genuine trades and artificial volume by the Noticee. Further annexures to the SCN also bears more records / documents in support of the allegations and relied upon in the present proceedings viz, Annexure A bears the order communicating appointment of Adjudicating Officer to carry adjudication proceedings in respect of Noticee for the alleged violations of PFUTP

Regulations in the present matter; Annexure B bears the trade log of all the trades executed by Noticee in the Stock Option segment of BSE during the I.P; Annexure C bears the trade-log of all the alleged 146 non genuine trades executed by Noticee in Stock Option segment of BSE during the I.P; and Annexure D bears contract wise detailed summary of dealings of Noticee in the 69 contracts in which it allegedly executed non genuine trades.

16.2. Given the above, it is noted that Noticee has already been provided with information regarding allegation in respect of it, along with the supporting information / documents to substantiate the allegations.

16.3. Noticee has claimed that the allegation of trades being non-genuine has no basis as there is no evidence provided to prove that the alleged trades has created a misleading appearance in the market. Further, the Noticee cited the judgements of Hon'ble SAT in the matter of KSL & Industries Ltd vs. SEBI; Vintel Securities Pvt. Ltd. Vs. SEBI; Smitaben N. Shah vs. SEBI and Vikas Gourihar Narnavar vs. SEBI with respect to arguments to provide additional documents and that besides recording generic allegations, no specific role has been attributed to the Noticee in the SCN. It is noted that allegations in respect to the Noticee is for execution of alleged non-genuine reversal trades resulting in misleading appearance of trading in terms of artificial volume. In this regard, as already noted above, information about the allegations and the supporting evidence in terms of trade-logs and summary of dealings of Noticee were provided to Noticee in the SCN. Thus it is clear that relevant information was provided for the charges mentioned in the SCN in respect of the Noticee. Having settled the technical issues raised by the noticee, the core issues are being examined as under.

Issue a) - Whether the Noticee has violated the provisions of Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations 2003?

17. Reversal trades were considered those trades in which an entity reversed its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. These trades were alleged to have been reversed in short period of time with significant variation in price. It has been alleged that the said reversal trades were non genuine trades as they were not executed in normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were deceptive and manipulative.

18. Since the aforesaid reversal trades did not effect change in beneficial ownership, it has been alleged that they created artificial volume. Artificial volume is considered to be the volume (no. of units) reversed in both legs of reversal trades entered between same counterparties while keeping out the volume, if any, which was not reversed.

19. Noticee executed 146 reversal trades in 69 Stock option contracts, which were allegedly non genuine and same resulted into artificial volume of total 4232750 units. Contract wise dealings of Noticee in said 69 contracts during the I.P is as follows:

Sl	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the Contract	Artificial volume generated by Noticee in the Contract (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	ALBK15MAY110.00PE	7.90	12000	10.10	12000	2	24000	100%	33%	100%	38%
2	ALBK15MAY125.00PE	21.90	14000	25.50	14000	2	28000	100%	50%	100%	50%
3	ALBK15MAY90.00CE	8.50	10000	11.90	10000	2	20000	100%	14%	100%	4%
4	AMTK15MAY130.00CE	18.50	14000	23.90	14000	2	28000	100%	100%	100%	100%
5	AMTK15MAY135.00CE	15.90	14000	20.50	14000	2	28000	100%	100%	100%	100%
6	AMTK15MAY140.00CE	12.10	14000	16.90	14000	2	28000	100%	50%	100%	41%
7	AMTK15MAY150.00CE	6.10	14000	10.90	14000	2	28000	100%	50%	100%	41%
8	ARVI15APR240.00CE	10.90	15000	15.90	15000	2	30000	100%	100%	100%	100%
9	ARVI15APR270.00PE	10.10	14000	16.10	14000	2	28000	100%	14%	100%	3%
10	ARVI15APR280.00PE	20.40	15000	25.90	15000	2	30000	100%	25%	100%	5%
11	ARVI15MAY240.00CE	10.50	12000	15.90	12000	2	24000	100%	33%	100%	23%
12	ARVI15MAY250.00CE	7.10	15000	11.50	15000	2	30000	100%	25%	100%	24%
13	ASPL15APR800.00PEW4	2.00	114000	16.00	114000	2	228000	100%	100%	100%	100%
14	CIPL15APR720.00PE	28.00	40000	38.90	40000	2	80000	100%	33%	100%	40%
15	DRRL15APR3650.00CE	15.00	31875	62.00	31875	2	63750	100%	17%	100%	23%
16	HDBK15APR1050.00PE	4.50	78500	18.50	78500	2	157000	100%	13%	100%	30%
17	HNDL15APR120.00CE	7.10	14000	14.50	14000	2	28000	100%	50%	100%	58%
18	HNDL15MAY105.00CE	30.10	12000	33.90	12000	2	24000	100%	50%	100%	38%
19	HNDL15MAY115.00CE	19.50	14000	23.90	14000	2	28000	100%	50%	100%	22%
20	HNDL15MAY130.00CE	8.10	14000	10.90	14000	2	28000	100%	25%	100%	9%
21	IBRL15MAY45.00CE	12.90	16000	16.50	16000	2	32000	100%	50%	100%	13%
22	ICIC15MAY290.00CE	18.50	15000	22.90	15000	2	30000	100%	100%	100%	100%
23	ICIC15MAY300.00CE	10.10	15000	15.50	15000	2	30000	100%	100%	100%	100%
24	ICIC15MAY330.00PE	20.70	15000	26.50	15000	2	30000	100%	100%	100%	100%
25	IDEA15MAY145.00CE	20.50	14000	25.90	14000	2	28000	100%	50%	100%	54%
26	IDEA15MAY150.00CE	17.50	14000	22.50	14000	2	28000	100%	100%	100%	100%
27	IDEA15MAY160.00CE	8.90	12000	13.90	12000	2	24000	100%	14%	100%	9%
28	IDEA15MAY185.00PE	14.10	14000	18.50	14000	2	28000	100%	33%	100%	35%

Sl	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the Contract	Artificial volume generated by Noticee in the Contract (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
29	IDEA15MAY190.00PE	17.50	14000	21.90	14000	2	28000	100%	13%	100%	13%
30	IDFC15APR175.00PE	6.40	14000	11.50	14000	2	28000	100%	50%	100%	9%
31	IDFC15APR180.00PE	10.50	12000	14.90	12000	2	24000	100%	100%	100%	100%
32	IDFC15MAY150.00CE	7.24	38000	10.76	38000	4	76000	100%	67%	100%	76%
33	IDFC15MAY155.00CE	7.80	14000	11.50	14000	2	28000	100%	50%	100%	50%
34	IDFC15MAY160.00CE	4.50	14000	7.90	14000	2	28000	100%	100%	100%	100%
35	IDFC15MAY170.00PE	11.50	24000	16.50	24000	2	48000	100%	50%	100%	55%
36	IDFC15MAY175.00PE	13.50	24000	17.00	24000	2	48000	100%	50%	100%	67%
37	IDFC15MAY180.00PE	16.52	38000	20.66	38000	4	76000	100%	50%	100%	53%
38	IDFC15MAY195.00PE	27.50	14000	33.90	14000	2	28000	100%	100%	100%	100%
39	INCM15APR100.00PE	7.50	14000	10.90	14000	2	28000	100%	100%	100%	100%
40	INCM15APR110.00PE	15.50	14000	19.90	14000	2	28000	100%	100%	100%	100%
41	INCM15APR75.00CE	10.90	12000	16.50	12000	2	24000	100%	100%	100%	100%
42	INCM15APR80.00CE	6.90	14000	11.50	14000	2	28000	100%	100%	100%	100%
43	INCM15MAY115.00PE	20.50	14000	26.90	14000	2	28000	100%	50%	100%	47%
44	INCM15MAY120.00PE	26.50	16000	31.90	16000	2	32000	100%	100%	100%	100%
45	INCM15MAY70.00CE	13.91	34000	18.74	34000	4	68000	100%	50%	100%	49%
46	INCM15MAY75.00CE	9.68	32000	14.08	32000	4	64000	100%	100%	100%	100%
47	IOBL15MAR48.00PEW3	1.90	556000	0.10	556000	2	1112000	100%	50%	100%	53%
48	JSWE15MAR115.00PEW3	4.90	232000	0.60	232000	2	464000	100%	22%	100%	23%
49	JUST15APR1350.00CE	63.00	5000	93.00	5000	2	10000	100%	50%	100%	33%
50	KARB15APR110.00CE	10.50	14000	15.10	14000	2	28000	100%	12%	100%	6%
51	KARB15APR115.00CE	6.60	12000	10.90	12000	2	24000	100%	33%	100%	32%
52	KARB15APR135.00PE	6.50	14000	10.90	14000	2	28000	100%	33%	100%	9%
53	KARB15APR140.00PE	10.10	12000	15.50	12000	2	24000	100%	50%	100%	46%
54	KARB15APR145.00PE	16.50	12000	21.00	12000	2	24000	100%	100%	100%	100%
55	KARB15MAY105.00CE	11.20	10000	16.90	10000	2	20000	100%	25%	100%	17%
56	KARB15MAY120.00CE	6.10	14000	9.10	14000	2	28000	100%	100%	100%	100%
57	KARB15MAY150.00PE	21.50	14000	26.90	14000	2	28000	100%	100%	100%	100%
58	KOTB15APR1320.00CE	35.00	20000	50.70	20000	2	40000	100%	25%	100%	56%
59	LNTL15APR1680.00CE	48.00	10000	78.10	10000	2	20000	100%	17%	100%	31%

Sl	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the Contract	Artificial volume generated by Noticee in the Contract (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
60	LUPL15APR1980.00CE	57.05	20000	77.00	20000	2	40000	100%	17%	100%	29%
61	LUPL15APR1980.00PE	59.25	30000	76.00	30000	2	60000	100%	50%	100%	63%
62	MARU15APR3800.00CE	23.00	64000	62.00	64000	2	128000	100%	<1%	100%	14%
63	PGCL15MAY125.00CE	11.50	14000	15.90	14000	2	28000	100%	14%	100%	9%
64	PGCL15MAY135.00CE	5.10	14000	8.90	14000	2	28000	100%	100%	100%	100%
65	PGCL15MAY145.00PE	1.90	12000	6.20	12000	2	24000	100%	50%	100%	55%
66	PLNG15MAY155.00CE	12.90	14000	18.50	14000	2	28000	100%	50%	100%	26%
67	PNBK15MAY135.00CE	19.50	15000	23.10	15000	2	30000	100%	100%	100%	100%
68	RANB15APR860.00PE	52.00	40000	62.20	40000	2	80000	100%	100%	100%	100%
69	TATP15MAY60.00CE	10.50	16000	15.50	16000	2	32000	100%	100%	100%	100%

20. It is noted that all the trades executed by Noticee in aforesaid 69 contracts were reversal trades. It shows that Noticee's dealings in the aforesaid 69 contracts only comprised indulging in reversal of trades with same counterparties on the same day.

21. It is also pertinent to note that Noticee through its reversal trades contributed significantly to the total no. of trades (up to 100%) and volume (up to 100%) in the 69 contracts. In 24 of the 69 contracts, volume generated by Noticee has contributed 100% of the total volume in these contracts. It shows that Noticee through above reversal trades dominated the dealing in these stock option contracts.

22. As per SCN, Noticee has undertaken reversal of trades in two legs, viz, first it entered into buy or sell trade with a certain counterparty, and subsequently in second leg, it reversed the position taken in aforesaid trade through reverse sell or buy trades with same counterparty. Upon perusal of Annexure C of the SCN comprising trade-log of the aforesaid 146 alleged non genuine reversal trades, it is noted that Noticee executed two legs of reversal trades within a very short span of time wherein in 66 of the aforesaid 69 contracts, trades were reversed within a minute.

23. It is noted that Noticee, in each of the 69 contracts, executed rapid reversal of trades in course of few seconds to few minutes with substantial variation in price. For instance, gist of the dealing of Noticee in 3 contracts viz, HDBK15APR1050.00PE, ASPL15APR800.00PEW4, and MARU15APR3800.00CE are given below:

Sl.	**Buyer Name**	**Seller Name**	**Rate** (Rs.)	**Trade Qty** (no. of Units)	**Trade Time** (hh:mm:ss)	**Buy order Time** (hh:mm:ss)	**Sell Order Time** (hh:mm:ss)	**Time difference in order entry** (hh:mm:ss)	**Time difference in reversal of trades** (hh:mm:ss)
1	Dealing in contract viz, HDBK15APR1050.00PE on 24/03/2015								
(i)	Dippy Investments Pvt Ltd	Ask Realty and Developers Ltd	4.50	78500	14:05:22	14:05:22	14:05:22	00:00:00	00:00:05
(ii)	Ask Realty and Developers Ltd	Dippy Investments Pvt Ltd	18.50	78500	14:05:27	14:05:27	14:05:27	00:00:00	
2	Dealing in contract viz, ASPL15APR800.00PEW4 on 25/03/2015								
(i)	Dippy Investments Pvt Ltd	Kundan Rice Mills Ltd	2	114000	11:06:51	11:06:51	11:06:51	00:00:00	00:00:05
(ii)	Kundan Rice Mills Ltd	Dippy Investments Pvt Ltd	16	114000	11:06:56	11:06:56	11:06:56	00:00:00	
3	Dealing in contract viz, MARU15APR3800.00CE on 26/03/2015								
(i)	Royal Fincomm Pvt Ltd	Dippy Investments Pvt Ltd	62	64000	13:45::48	13:45::48	13:45::48	00:00:00	00:00:04
(ii)	Dippy Investments Pvt Ltd	Royal Fincomm Pvt Ltd	23	64000	13:45:52	13:45:52	13:45:52	00:00:00	

a) While dealing in the contract viz, HDBK15APR1050.00PE on 24/03/2015, Noticee at 14:05:22 hrs entered into buy trade for 78500 units at a rate of Rs.4.50 per unit with counterparty viz, Ask Reality and Developers Ltd. Subsequently, within mere 5 seconds of the aforesaid trade, at 14:05:27 hrs, Noticee reversed the above buy trade by entering into 1 sell trade with same counterparty for same no. of units, at premium rate of Rs. 18.50 per unit. It is noted that orders for execution of both the legs of reversal trades were entered by Noticee and its counterparty at the same time. Above dealings resulted into total 2 reversal trades (1 buy trade + 1 sell trade) with total volume 157000 units.

b) While dealing in the contract viz, ASPL15APR800.00PEW4 on 25/03/2015, Noticee at 11:06:51 hrs entered into buy trade for 114000 units at a rate of Rs.2 per unit with counterparty viz, Kundan Rice Mills Ltd. Subsequently, within mere 5 seconds of the aforesaid trade, at 11:06:56 hrs, Noticee reversed the above buy trade by entering into 1 sell trade with same counterparty for same no. of units, at premium rate of Rs. 16 per unit. It is noted that orders for execution of both the legs of reversal trades were entered by Noticee and its counterparty at the same time. Above dealings resulted into total 2 reversal trades (1 buy trade + 1 sell trade) with total volume 228000 units.

c) While dealing in the contract viz, MARU15APR3800.00CE on 26/03/2015, Noticee at 13:45:48 hrs entered into sell trade for 64000 units at a premium rate of Rs.62 per unit with counterparty viz, Royal Fincomm Pvt Ltd. Subsequently, within mere 4 seconds of the aforesaid trade, at 13:45:52 hrs, Noticee reversed the above sell trade by entering into 1 buy trade with same counterparty for same no. of units, at a of Rs. 23 per unit. It is noted that orders for execution of both the legs of reversal trades were entered by Noticee and its counterparty at the same time. Above dealings resulted into total 2 reversal trades (1 sell trade + 1 buy trade) with total volume 128000 units.

24. Following are the common observations from the dealings of Noticee in above mentioned 3 contracts. It is noted that there was precise synchronisation in placement of buy /sell orders by Noticee and its counterparties to match the trades. The two legs of reversal trades were entered at substantial variation in price considering that reversal was taken place within mere 5 seconds. In these reversal trades of Noticee, positions of both the parties to trades were squared off among themselves only and no open positions were carried forward. Hence, there was no change in beneficial ownership of the units traded in aforesaid reversal trades, and volume generated was artificial which gave misleading appearance of trading.

25. Similar modus operandi was seen in the dealing of Noticee in rest of the contracts. Synchronisation of trades is visible in the dealings of Noticee and its counterparties. From the trade-log provided in Annexure C of the SCN, it is noted that in 119 of the 146 reversal trades executed by Noticee, orders were entered by Noticee and its counterparties at the same time with matching quotes and same do not appear to be a mere coincidence. With the above facts taken into consideration, contention of the Noticee that its trades were executed in an anonymous trading environment of the Stock Exchange without any knowledge of its counterparties, do not draw any merit. It is clear that these reversal trades of the Noticee could not have been possible without close co-ordination with the counterparties.

26. With regards to the Copy of Communication appointing Adjudication Officer, the Noticee states that the said communication is ambiguous as there is no mention of any specific grounds on the basis of which the Ld. Whole Time Member prima facie found grounds to adjudicate upon the alleged violation. In this regard, reliance is placed on the judgement of Hon'ble High Court, New Delhi, order dated July 31, 2018 in the matter of SEBI vs Amit Jain it was stated that "*the ratio of the decision, if applied to other cases, would have grave, opprobrious and opalescent effect and consequences. Matter required detailed consideration and examination and till then status quo should be maintained*". As far as the noticee is concerned, all the relied upon information has already been provided to the Noticee along with the copy of the appointment order in the instant proceedings.

27. Noticee submits that no warning or caution has been preferred by BSE against the alleged violation at prevalent point of time and hence the allegation of execution of non-genuine trades by the Noticee is based on assumptions, surmises and conjectures. In this regard, it is to be mentioned that the Noticee cannot abdicate his responsibility for his manner of reversal trades and that BSE has not taken any action does not prejudice the power of SEBI to take action in

such manner of trading. As regards charges based on assumptions and surmises, as already dealt with earlier, the noticee has been provided the relevant information substantiating the charge of reversal trade.

28. Noticee makes an argument that had its intention was to create artificial volume, then all 148 trades in 69 contracts would have been non-genuine however, only 146 trades are alleged to be non-genuine. From the trading pattern itself it is borne out that out of all the trades executed by the Noticee in the BSE Stock Option Segment during the I.P, 98.6% of the trades are allegedly non-genuine which has contributed significantly as upto 100% to the total no. of trades in the 69 contracts and the same cannot be a mere co-incidence. As per his statement itself 146 trades out of 148 trades were non-genuine.

29. Noticee submits that the trades executed by it cannot be categorised as non-genuine because the trades have all the traits of being genuine as they were executed on the anonymous platform of exchange and settled through the clearing mechanism of the Exchange. In this regard, it is pertinent to note that the above mentioned dealings of Noticee resulted into misleading appearance of trading in terms of generation of artificial volume in 69 stock option contracts. It is clear that such reversal trades executed by Noticee do not follow the basic trading rationale, as they are not executed in normal course of trading in which trading inter-alia happens in anonymous and spontaneous environment with economic sense. Therefore such trades are considered non genuine. In this regard, reliance is also placed on following observation in judgement of Hon'ble Supreme Court in the matter in the matter of SEBI vs. Rakhi Trading Pvt Ltd in Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on 08.02.2018, which was a similar case involving execution of reversal trades in index options.

"31…. The non-genuineness of these transactions is evident from the fact that there was no commercial basis to suddenly, within a matter of minutes, reverse a transaction when the value of the underlying had not undergone any significant change.

"73. Applying the test laid down in Kishore R. Ajmera case to the present case, I find that by cumulative analysis of the reversal transactions between Respondent and Kasam Holding, quantity, time and significant variation of prices, without major variation in the underlying price of the securities clearly indicate that the Respondent's trades are not genuine and had only misleading appearance of trading in the securities market, without intending to transfer beneficial ownership.

30. Noticee has argued that it executed trades without any knowledge of the counterparty and it is not possible to have access over identity of counter party when the transactions are carried out on anonymous screen based trading platform provided by BSE. Further, the Noticee submits that nowhere in the SCN it is alleged that there was any connection/association between the Noticee and its counterparties, while to hold the impugn trades as manipulative, there has to be connection/association/relationship between Noticee and counterparties. Though the above submissions are made, however, it is pertinent to note that Noticee while dealing with its counterparties indulged in execution of reversal trades with synchronisation of orders, and same would not have been possible without prior meeting of mind with the counterparties at

some level. While synchronised trades may occur by accident in a liquid security, however, execution of synchronised trades in illiquid securities as in the present matter involving illiquid stock options, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price, and same cannot take place without pre-arrangement. Hence, evidently, Noticee acted in concert with its counterparties to undertake reversal of trades in pre-determined manner. In this regard, reliance is placed on following observation in judgement of Hon'ble Supreme Court in the matter of SEBI vs. Rakhi Trading Pvt Ltd in Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on 08.02.2018, which was a similar case involving execution of reversal trades in index options.

"92. 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….."

Reliance is also placed on following observation in judgement of hon'ble Supreme Court of India in the matter of SEBI Vs Kishore R. Ajmera in Civil Appeal No. 2818 of 2008 decided on February 23, 2016, which has similar scenarios as of the present case:

"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."

31. Noticee submits that it did not violate the PFUTP regulations as alleged in the SCN and the SEBI PFUTP regulations does not contain the definition of reversal of trades. In this regard, it is to be noted that reversal of trades has been defined in the SCN and these reversal trades of Noticee resulted into generation of artificial volume and gave misleading appearance of trading in 69 stock option contracts. It is pertinent to note that Regulation 4(2)(a) of PFUTP Regulations states that dealing in securities will be deemed to be a fraudulent and unfair trade practice if it involves "*indulging in an act which creates false or misleading appearance of trading in the securities market*".

32. These non-genuine and deceptive trades are covered under the definition of 'fraud' and dealing of Noticee noted hereinabove were 'fraudulent' as defined under regulation 2(1)(c) of SEBI PFUTP Regulations, 2003. Further, it cannot be ignored that repeated synchronisation of trades in pre-determined manner had an adverse impact on the fairness, integrity and transparency in the securities market.

33. In view of the above, it is clear that Noticee indulge in execution of 146 non genuine trades in 69 contracts and thereby created artificial volume of 4232750 units. Such act of Noticee was

deceitful and misleading to other unsuspecting investors, and amounts to manipulation of volume in these contracts. It is clear that by indulging in such execution of non-genuine trades, Noticee created a misleading impression of trading in said stock option contracts in a fraudulent manner, and thereby, it violated provisions of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations, 2003

Issue b) – Does the violation, if any, on part of the Noticees attract monetary penalty under Section 15HA of SEBI Act?

34. Given the findings hereinabove, it is clear that the reversal trades undertaken by Noticee were non genuine, and resulted into artificial volumes in 69 stock option contracts. It is also noted that Noticee has deliberately acted in this manner. The above conduct of Noticee has therefore violated the provisions of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations, 2003.

35. Reliance is also placed on order of the Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216(SC), where honourable court has also 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…"*.

36. Hence, the Noticee is liable for monetary penalty under Section 15HA of SEBI Act, which states as follows:

*88[**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 89[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].

88 Inserted by the SEBI (Amendment) Act, 2002, w.e.f.29-10-2002.
89 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

37. Given the above it is to be concluded that the noticee is liable to be imposed a monetary penalty under Section 15HA of SEBI Act.

Issue c) - If so, what quantum of monetary penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act read with rule 5 (2) of the SEBI Adjudication Rules, 1995?

38. While determining the quantum of penalty under section 15HA of SEBI Act, it is important to give consideration to the factors stipulated in section 15J of SEBI Act, which reads as follows:

Section 15J of SEBI Act - Factors to be taken into account by the Adjudicating Officer
While adjudging quantum of penalty under section 15-I of SEBI Act, 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."

93[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.]

93 Inserted by Part VIII of Chapter VI of the Finance Act, 2017 vide Gazette Notification No. 7, Extraordinary Prt II Section 1 dated March 31, 2017. This shall come into force from April 26, 2017.

39. Records shows the amount of gain / loss of the entities involved in non-genuine trades including the Noticee, however, it is pertinent to note that entities involved in such trades have either booked gains or loss from the dealings at the Stock Exchange. These gain / loss at Stock Exchange thus appears to be notional.

40. Hence, the impact of these non-genuine trades has been considered. It is noted that the trading was in illiquid stock option contracts in which there was nil or negligible participation by the public. When the impact of artificial volumes created by the two counterparties is seen as a whole, it is not possible from material available on record to quantify the actual amount of disproportionate gain or unfair advantage resulting from the artificial trades between the counterparties, or the consequent loss caused to investors as a result of the default.

41. It has been noted that Noticee executed 146 non genuine trades in 69 Stock Option Contracts, and thereby generated artificial volume of total 4232750 units. Though the Noticee had insignificant contribution when its dealings are compared with entire stock option segment at BSE during the I.P. However, it had significant contribution in trading in aforesaid 69 stock option contracts through its aforesaid non genuine trades and resulting artificial volume contributing to upto 100% of the total no. of trades and total volume in such contracts. It is pertinent to note that in 24 of the 69 contracts, volume generated by Noticee has contributed 100% of the total volume in these contracts.

42. Given the above, it is determined that an appropriate penalty needs to be imposed on the Noticee in the subject matter.

ORDER

43. In view of the above, after taking into consideration all the facts and circumstances of the case, violation established as mentioned above, a monetary penalty of Rs. 12,00,000/- (Rupees Twelve Lakhs only) is hereby imposed upon Noticee viz, Dippy Investments Private limited under Section 15HA of SEBI act for violation of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations, 2003.

44. Payment can be made online by following the below path at SEBI website www. sebi.gov.in: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW

45. The Noticee can also remit / pay the said amount of penalty within 45 (forty five) days of receipt of this order by way of Demand Draft (DD) in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, addressed to the Division Chief of the Enforcement Department 1 (EFD1) – Division of Regulatory Action (DRA 1) of SEBI.

46. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order is being sent to the Noticee and also to the SEBI.

Date: July 30, 2019	**Jeevan Sonparote**
Place: Mumbai	**Adjudicating Officer**