BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO.: ORDER/BS/MP/ 2021-22/15502

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

In respect of:
Mr. Mandeep Singh
PAN: BCPPS3224N

In the matter of dealings in Illiquid Stock Options at the Bombay Stock Exchange

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") observed large scale reversal of trades in the Stock Options Segment of the Bombay Stock Exchange (hereinafter referred to as "BSE") leading to the alleged creation of artificial volume. In this regard, SEBI conducted an investigation into the trading activity in the Stock Options Segment at the BSE for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as "Investigation Period").

2. It was observed during the course of investigation that a total of around 2.92 lakh trades comprising 81.4% of all the trades executed in the Stock Options Segment at the BSE during the investigation period were reversal trades, i.e. trades which involved reversal of buy and sell positions by the clients with their counterparties in a contract, on the same day. Such trades were executed with significant difference in the sell value and buy value of the contract.

3. It was observed that Mr. Mandeep Singh (hereinafter referred to as the "**Noticee**") was one such client whose reversal trades involved squaring off open positions with the same counterparty, with a significant difference in buy and sell price. The aforesaid reversal trades allegedly resulted into generation of artificial volumes in otherwise illiquid option contracts, leading to allegations that the Noticee had violated the provisions of regulations 3(a), (b),(c),(d) and Regulations 4(1),4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations, 2003**").

APPOINTMENT OF ADJUDICATING OFFICER

4. SEBI initiated adjudication proceedings and appointed the undersigned as Adjudicating Officer (hereinafter referred to as "**AO**") under section 15-I(1) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") *vide* order dated July 02, 2021 to inquire into and adjudge under section 15HA of the SEBI Act the alleged violations of the aforesaid provisions of PFUTP Regulations, 2003 by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice bearing reference no. SEBI/OCH/AO/BS/2021/27951 dated October 11, 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 the Noticee and why penalty should not be imposed on the Noticee under Section 15HA of the SEBI Act for the violations alleged to have been committed by the Noticee.

6. The SCN issued to the Noticee, *inter alia*, alleged the following:

> *"….5. It is alleged that the Noticee was one of the entities which indulged in reversal trades which created false and misleading appearance of trading, generating artificial volumes in the Stock Options Segment of BSE during the investigation period. The Noticee is alleged to have engaged in reversal trades (altogether two trades, one on the buy side and another on the sell side) in the contract ''LNTF15MAR90.00CEW1', which led to generation of alleged artificial volume of 2,08,000 units (buy side + sell side)...*
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> *6. Summary of the reversal trades of Noticee in Stock Options segment of BSE during the investigation period is as follows: …*
>
> > *(a) While dealing in the said contract on February 26, 2015, at 10:21:31.135944 hrs, the Noticee placed a sell order for 1,04,000 units @ Rs. 2.0 per unit. The sell order of the Noticee got executed at 10:28:12.330364 hrs against a buy order placed by one 'TEJPAL AMBALAL SHAH' at 10:28:12.330364 hrs at the same rate. Within few minutes at 10:34:12.307743 hrs, the Noticee placed a buy order in the same contract for 1,04,000 units @ Rs.0.05 per unit, which got*

executed at 10:34:12.307743 hrs against a pending sell order from the same counterparty 'TEJPAL AMBALAL SHAH' placed at 10:32:59.167809 hrs at the same rate.

(b) The trade entered by the Noticee was reversed within few minutes with the same counterparty at a substantial price difference without any basis for significant change in the contract price. This prima facie indicates that these trades are artificial and are non-genuine in nature.

7. In view of the foregoing, it is alleged that, the Noticee, by indulging in placing synchronised orders and executing non-genuine reversal trades in illiquid Stock Option with same entity within a few minutes, created false and misleading appearance of trading in stock options and therefore violated Regulation 3(a), (b), (c) & (d) and Regulations 4(1) & 4(2)(a) of PFUTP Regulations, 2003. …"

7. The SCN was served on the Noticee via Speed Post Acknowledgement Due. Thereafter, the Noticee, *vide* letter dated October 25, 2021, acknowledged the receipt of the SCN and submitted, *inter-alia*, the following:

   (i) The Noticee has not violated any provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) the of PFUTP Regulations, 2003.

   (ii) Matching of only one trade (includes buy and sell position of one same trade) may not be considered as artificial and fraudulent in any manner. The Noticee has bought and sold only 104,000 units and the profit is Rs. 1.95 per unit thereby generating a total profit of Rs. 202,800 only. It could be a matter of chance that one trade gets matched on either side of buy and sell with same party.

   (iii) The scrips in which the Noticee has traded were at no time banned and it would be far-fetched for the Noticee to assume that these stocks are illiquid.

   (iv) The alleged trades were executed in the normal course of business and the Noticee was in no way related to the alleged counterparty Tejpal Ambalal Shah. The SCN has failed to establish any connection between the Noticee and his counterparty, except for matching 2 trades.

(v) *Till date, no investor complaints have been received for trading in the said illiquid scrips/ stocks.*

(vi) *The Noticee has been trading in various scrips and the purported illiquid scrips were for him, normal scrips in which he could undertake trades.*

(vii) *The Noticee had authorized his broker to manage his funds by trading in stocks and was not aware of the day to day trades, as the broker was trading on his behalf. It is impossible for the Noticee to know who the counterparties to his trades are. Even the broker is not aware of the counterparty to any trade carried out. The trading system prevents a member who places any orders from identifying counterparty member or client, and thus ensures anonymity of trades.*

(viii) *Price of any shares/ stocks vary due to various components including sentiments, market conditions, economic and political development, etc. Therefore, only for the reason of huge price variations, Noticee's trades cannot be classified as non-genuine. The Noticee sold the scrip because the price had gone up and sought to make profits out of such trades. The Noticee has duly accounted for his profits in his Income Tax Returns.*

(ix) *Noticee's trades were intra-day trades, wherein, he purchased some stocks and when prices started going up, he sold the shares.*

(x) *Matching of 2 trades for a minuscule quantity on a given day is coincidental and these trades cannot be termed non-genuine or to be for creating artificial volume as alleged in the SCN. There is a huge time difference between the buy and sell trades. The percentage of trades executed by the Noticee compared to market volume may have been lower in absence of heavy trade volumes on the Exchange platform, of which he is not aware and does not have the means and resources to find out.*

8. In the interest of natural justice and in terms of the Adjudication Rules, the Noticee was provided with an opportunity of personal hearing in the matter on January 05, 2022 through the online Webex platform. Advocate Rajesh Khandelwal, Juris Link, appeared as the Authorised Representative ("**AR**") on behalf of the Noticee on the stipulated date of hearing. During the course of the hearing, the AR reiterated the submissions made by the Noticee in his reply dated October 25, 2021. Further, vide email dated January 07, 2022 the AR made the following additional submissions:

(i) *There has been an inordinate delay of more than six years in issuing the Show Cause Notice. The SCN is liable to be quashed and set aside for this reason.*

(ii) *The Hon'ble Securities Appellate Tribunal (SAT) in case of Narendra Vallabhji Bahuva Vs. SEBI (Appeal no. 516 of 2019 decided on 14.07.2021) observed that one single trade cannot lead to a conclusion that the appellant was involved in fraudulent execution of trades with a manipulative intent.*

(iii) *As a client, the Noticee had only instructed the broker to buy or sell stocks specifying the quantity and the name of the scrip.*

(iv) *There was no meeting of mind with the alleged counter party Tejpal Ambalal Shah and that matching of trades is a matter of coincidence.*

(v) *In case of Abhideep Global Finance Private Limited in the matter of Dealing in illiquid stock options the AO has imposed a penalty of Rs. 3 Lakh on the Noticee viz. Abhideep Global Finance Private Limited under the erstwhile provisions of section 15HA of the SEBI Act for the violation of regulation 3(a), 4(1) and 4(2)(a) of the PFUTP Regulations.*

(vi) *Noticee has requested that a lenient view be taken and the present proceedings qua the Noticee may be dropped and the Noticee may be exonerated from all the charges as mentioned in the show cause notice.*

CONSIDERATION OF ISSUES AND FINDINGS

9. I have taken into consideration the facts and circumstances of the case, the material/documents made available on record and the submissions of the Noticee. The issues that arise for consideration in the instant case are:

   (a) Whether the Noticee has violated the 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?

(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?

10. With respect to the alleged violations in the instant matter, I note that it is pertinent to refer to the relevant provisions of the PFUTP Regulations, 2003, which are reproduced as follows:

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 6[manipulative] 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;

11. Before proceeding with the matter on merits, I shall deal with the procedural issues raised by the Noticee.

12. It has been submitted by the Noticee that the delay of six years in issuing the Show Cause Notice renders the same liable to be quashed. I note that there is no provision under SEBI Act which prescribes a time limit for taking cognizance of a breach of the provisions of SEBI Act and Rules and Regulations made thereunder. Further, as per Section 11C of SEBI Act, SEBI can initiate investigation at any point of time, for any period of alleged violation or any period of alleged transactions.

13. It is also pertinent to note that, in the matter of SEBI Vs Bhavesh Pabari (2019) SCC Online SC 294, the Hon'ble Supreme Court of India has, *inter alia*, observed as follows:

    "*There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc*."

14. Further, I note that the Hon'ble SAT in the matter of Pooja Vinay Jain vs. SEBI (Appeal No. 152 of 2019, Date of Decision – 17.03.2020) 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*".

15. Investigations relating to fraudulent trading are complex (considering the volume of transactions, connections and examination of trading of shares, etc.) and time consuming. In the instant matter, I note that 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. Meanwhile, SEBI initiated a detailed investigation relating to Stock Options Segment of BSE which was completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's Stock Option Segment during the Investigation Period. The proceedings initiated *vide* the aforementioned Interim Order were disposed of vide Final Order dated April 05, 2018

also considering that appropriate action was initiated against the said 14,720 entities in a phased manner.

16. 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”*.

17. I note that SEBI had framed a settlement scheme in accordance with the provisions of the SEBI (Settlement Proceedings) Regulations, 2018 which provided a one-time opportunity to the concerned entities to settle the proceedings in the matter of dealings in illiquid Stock Options at BSE. I observe that 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. As can be seen from the narration of facts in the foregoing paragraphs, pursuant to appointment of the undersigned as AO vide communique dated July 06, 2021, the SCN was issued on October 11, 2021. Thus, the Adjudication Proceeding was initiated after a series of legal and judicial developments. In view of the aforesaid and considering the facts of the present matter, I do not find any merit in the contentions of the Noticee that the SCN may be quashed.

18. Next, I shall deal with the submission of the Noticee regarding illiquid nature of the contract in which he has traded. It is the contention of the Noticee that the scrips in which he has traded were at no time banned and it would be far-fetched for him to assume that these stocks are illiquid. Also, there were no investor complaints for trading in the said illiquid scrips/ stocks. In this regard, I note that the allegation in the instant matter is not whether the Noticee has traded in an illiquid contract or not, but whether the trades executed by the Noticee in the concerned Illiquid contract were non-genuine or not. Therefore, I dismiss the contentions of the Noticee in this regard.

19. Now I will address the submission of the Noticee that he was not aware of the day to day trades, as the broker was trading on his behalf. In this regard I observe that one of the submissions of the Noticee through his AR was that he had instructed the broker to buy and sell stocks specifying the scrip name and quantity. The aforesaid submission of the Noticee indicates that the decisions to buy and sell specific scrips/ contracts through the trading account were taken by the Noticee in each case. Further, to establish *bonafide* of his trades, the Noticee in the reply to the SCN has also provided a rationale to his trades by stating that he had purchased some stocks and that when prices started going up, he sold the shares. Considering the same, I

find no merit in the submission of the Noticee that he was not aware of the day to day trades.

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

21. As regards the allegation of non-genuine trades, the major contentions of the Noticee are reiterated below:

    - *It could be a matter of chance that one trade gets matched on either side of buy and sell with same party.*

    - *The Noticee was in no way related to the alleged counterparty Tejpal Ambalal Shah. The SCN has failed to establish any connection between the Noticee and his counterparty, except for matching 2 trades, which could be by chance.*

    - *Price of any scrip/ stock varies due to various components including sentiments, market conditions, economic and political development, etc. Therefore, only for the reason of huge price variations, his trades cannot be classified as non-genuine. The Noticee sold the scrip because the price had gone up and sought to make profits out of his trades. The Noticee has captured the profits earned from his trades in his Income Tax returns and have duly accounted for them by paying appropriate taxes.*

    - *Matching of 2 trades for a minuscule quantity on a given day is coincidental and these trades cannot be termed non-genuine or to be for creating artificial volume as alleged in the SCN.*

22. I note from the trade details of the Noticee that he had executed 2 trades in the contract LNTF15MAR90.00CEW1 in stock options segment of BSE during the Investigation Period. I further note that the above mentioned trades of the Noticee had resulted in total volume of 2,08,000 units in the said contract. Summary of the trades of the Noticee are as follows:

- *Contract Name: LNTF15MAR90.00CEW1*
- *Date of Trade(s): 26-February-2015*

Trade Id	Buy Client	Sell Client	Buy Order Time	Sell Order Time	Trade Time	Trade Rate	Traded Qty
16792	Tejpal Ambalal Shah	Mandeep Singh	10:28:12.330 364	10:21:31.135 944	10:28:12.330 364	2.0	104000
16523	Mandeep Singh	Tejpal Ambalal Shah	10:34:12.307 743	10:32:59.167 809	10:34:12.307 743	0.05	104000

23. I note that the trades executed by the Noticee in the contract were squared up with a short span of time with the counterparty. To illustrate, on February 26, 2015, at 10:21:31.135944 hrs, the Noticee placed a sell order for 1,04,000 units @ Rs. 2.00 per unit. The sell order of the Noticee got executed at 10:28:12.330364 hrs against a buy order placed by one 'Tejpal Ambalal Shah' at 10:28:12.330364 hrs at the same rate.

24. After approximately 6 minutes, at 10:34:12.307743 hrs, the Noticee placed a buy order in the same contract for 1,04,000 units @ Rs.0.05 per unit, which got executed at 10:34:12.307743 hrs against a pending sell order from the same counterparty 'Tejpal Ambalal Shah', placed at 10:32:59.167809 hrs at the same rate.

25. The Noticee in his submissions has stated that his trades were intra-day trades, wherein, he purchased some stocks and when prices started going up, he sold the shares. However, contrary to the Noticee's submission, it is observed that the first transaction of the Noticee was a sell trade. The said short position was subsequently squared off through a buy order at a much lower rate. Therefore, the submissions of the Noticee with respect to the justification for his trades cannot be accepted.

26. Now I shall address the submission of the Noticee that matching of orders with the same counterparty was coincidental. As seen from the order details, the time difference between the buy order and sell order was approximately 7 minutes for the first transaction of the Noticee and just over 1 minute in the second transaction. In this regard it is pertinent to note that in an illiquid security, it is not necessary for matching orders to be synchronized to ensure that matching is only between predetermined traders/ clients. When trades are executed in an illiquid security, the seller can ensure that his order matches only with the desired counterparty by putting his order at a rate which is unattractive to the market.

27. The buy and sell orders entered by the Noticee matched with the same counterparty in both his transactions despite the time difference between the matching orders. In

this regard, I note that the orders of both the Noticee as well as that of his counterparty were limit orders. i.e. the price and quantity were specified by the clients. The fact that the orders of the Noticee and his counterparty matched with such precision in both the trades, indicates a prior meeting of minds with a view to execute the reversal trades at a predetermined price with a predetermined counterparty. Therefore, I disagree with the contention of the Noticee that matching of his orders with the same counterparty is a matter of chance.

28. In this context, I would like to rely on the judgment of the Hon'ble Supreme Court of India in SEBI Vs Kishore R Ajmera (AIR 2016 SC 1079), 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..."*

29. The Hon'ble Supreme Court of India further held in the same matter that "*…It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."*

30. In the instant matter, I note that though direct evidence regarding meeting of minds or collusion of the Noticee with the counterparty is not forthcoming, the trading behavior of the Noticee makes it clear that the aforesaid could not have been possible without meeting of minds. In this context, I find it pertinent to refer to the Hon'ble SAT Order dated July 14, 2006 in the matter of Ketan Parekh Vs SEBI (Appeal No. 2 of 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.”

31. In the matter of SEBI Vs Rakhi Trading Pvt Ltd (Civil Appeal no, 1969 of 2011, 3174-3177 of 2011 and 3180 of 2011, decided on February 08, 2018), the Hon’ble Supreme Court of India 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....”*

32. Additionally, the Hon’ble SAT in its judgment dated September 14, 2020 in the matter of Global Earth Properties and Developers Pvt Ltd Vs SEBI (Appeal No. 212 of 2020) relied upon the aforesaid judgment of the 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.”*

33. I note that to support the assertion of the Noticee that his trades are not non-genuine in nature, reference has been drawn to the order of the Hon’ble SAT in case of Narendra Vallabhji Bahuva Vs. SEBI (Appeal no. 516 of 2019) wherein it was held that a “single trade cannot lead to a conclusion that the appellant was involved in fraudulent execution of trades with a manipulative intent”. However, it is seen that the aforesaid SAT order has taken into consideration various factors such as percentage of reversal, contribution to total volume, etc. to arrive at its decision. Further, the facts and circumstances in the aforesaid case of Narendra Vallabhji Bahuva Vs. SEBI are different from the facts in the instant case. Therefore, the decision of the Hon’ble SAT in case of Narendra Vallabhji Bahuva Vs. SEBI may not be applicable in the instant case.

34. From (a) the trading behavior of the Noticee i.e. reversal of trades within a short period of time, with the same counterparty, (b) the wide variation in prices of the

trades without any known basis; (c) the contradiction between the Noticee's submission on trading rationale and the sequence of his order placement, I conclude that the trades executed by the Noticee were not genuine trades and being non-genuine, created artificial trading volumes in the contract 'LNTF15MAR90.00CEW1'. Any trade that is non-genuine would constitute fraudulent trading activity. The number of such trades being more or less would not change the fraudulent nature of such trading activity.

35. At this juncture, I find it relevant to note that in the matter of SEBI v. Rakhi Trading Private Limited (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 08, 2018), which was a similar case involving execution of reversal trades in index options, the Hon'ble Supreme Court held that *"... the traders thus having engaged in a fraudulent and unfair trade practice while dealing in securities, are hence liable to be proceeded against for violation of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations..."*

36. In view of the aforesaid, I find that the Noticee, by engaging in non-genuine transactions which created a misleading impression of trading in the contract 'LNTF15MAR90.00CEW1', dealt in the stock options contracts in a fraudulent manner in violation of Regulation 3(a) and 4(1) and 4(2)(a) of the PFUTP Regulations, 2003.

37. Since the violation of Regulation 3(a) and 4(1) and 4(2)(a) of the PFUTP Regulations, 2003 has been established against the Noticee as brought out in the foregoing paragraphs, the Noticee is liable for monetary penalty under the provisions of section 15HA of the SEBI Act, which reads as follows:

    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 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.*

38. With regard to imposition of penalty amount, the Noticee has drawn reference to the Adjudication Order in case of Abhideep Global Finance Private Limited in the matter of dealing in illiquid stock options, wherein the penalty imposed is Rs. 3 Lakh. However, the transactions dealt with in the said order were executed during July 2014, and are covered under the erstwhile provisions of section 15HA of the SEBI Act. However, the transactions of the Noticee are of February 2015 and the erstwhile provisions of section 15HA of the SEBI Act are not applicable to the transactions of

the Noticee. Therefore, the determination of penalty in the instant matter, if any, is required to be under the current provisions of section 15HA of the SEBI Act.

39. While determining the quantum of penalty under section 15 HA of the SEBI Act, it is pertinent to consider the relevant factors stipulated in section 15J of the SEBI Act, which reads as under:

    Factors to be taken into account while adjudging quantum of penalty
    15J. *While adjudging quantum of penalty under 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.

40. I observe that the material / documents made available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticee and the losses, if any, incurred by the investors as a result of the reversal trades /non-genuine trades executed by the Noticee with its counter parties. However, the Noticee has indulged in execution of reversal trades in stock options on BSE in the Investigation Period 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), 4(1) and 4(2)(a) of PFTUP Regulations, 2003.

41. In regard to the discretion exercisable by the AO for determining penalty depending on facts and circumstances of the case, I note that the discretion by AO can be exercised subject to the minimum penalty prescribed by statute.

ORDER

42. After taking into consideration all the facts and circumstances of the case, the material / documents made available on record including the submissions of the Noticee, the factors mentioned in section 15J of the SEBI Act and in exercise of the power conferred upon me under section 15-I of the SEBI Act read with rule 5 of the

Adjudication Rules, I hereby impose a penalty of ₹5,00,000/- (Rupees Five Lakh only) on the Noticee, viz. Mr. Mandeep Singh, under section 15HA of the SEBI Act for the violation of regulation 3(a), 4(1) and 4(2)(a) of PFTUP Regulations, 2003.

43. The Noticee shall remit / pay the said amount of penalty within 45 (forty five) days of the receipt of this order either by way of Demand Draft ("**DD**") in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai or through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in, i.e. ENFORCEMENT → Orders → Orders of AO → PAY NOW or at https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html

44. The Noticee shall forward the aforesaid DD / payment confirmation details to the Division Chief, Enforcement Department -I (EFD), Division of Regulatory Action –I, SEBI Bhavan, Plot No.C4-A,' G' Block, Bandra Kurla Complex (BKC), Bandra (East), Mumbai –400 051 and also send an email to tad@sebi.gov.in with the following detail:

1.	Case Name	
2.	Name of the 'Payer / Noticee' along with PAN of Noticee	
3.	Date of Payment	
4.	Amount Paid	
5.	Transaction No.	
6.	Bank Name and Account No.	
7.	Purpose of payment	

45. In the event of failure to pay the aforesaid amount of penalty within 45 days of receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said penalty amount along with interest thereon, *inter alia,* by attachment and sale of movable and immovable properties.

46. In terms of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee and SEBI.

DATE: March 22, 2022 **BIBHUDUTTA SAMAL**

PLACE: MUMBAI **ADJUDICATING OFFICER**