BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/RG/NM/2021-22/14691/2)

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

In respect of

Shri Ankit Lalitkumar Sodhani

PAN: COLPS8042D

In the matter of dealings in Illiquid Stock Options at the BSE

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **SEBI**) conducted investigation into the trading activity in illiquid stock options on BSE Limited (hereinafter referred to as **BSE**) for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as **Investigation Period/IP**) after observing large scale reversal of trades in the Stock Options segment of the BSE.

2. Pursuant to investigation, it was observed that during the Investigation period total of 2,91,744 trades comprising substantial 81.41% 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 IP. It was observed that Shri Ankit Lalitkumar Sodhani (hereinafter referred to as **Noticee**) was one of the various entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. Such trades were observed to be non-genuine in nature and created false and misleading appearance of trading in terms of artificial volumes in stock options segment and therefore were alleged to be manipulative, deceptive in nature. In view of the same, SEBI initiated

adjudication proceedings against the Noticee for violation of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as **PFUTP Regulations, 2003**).

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI appointed the undersigned as Adjudicating Officer under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **SEBI Act, 1992**) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **Adjudication Rules, 1995**) vide order dated July 02, 2021 to inquire into and adjudge under Section 15HA of the SEBI Act, 1992 against the Noticee for the alleged violation of aforesaid provisions of PFUTP Regulations, 2003. The appointment of the AO was communicated vide communique dated July 06, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice having reference no. AO/RG/NKM/OW/P/19327/1/2021 dated August 13, 2021 (hereinafter referred to as **SCN**) was served upon the Noticee under rule 4(1) of the Adjudication Rules, 1995 to show cause as to why an inquiry should not be held and penalty be not imposed against the Noticee under Section 15HA of the SEBI Act, 1992 for the alleged violation of the provisions of Regulation 3(a),(b),(c),(d) and 4(1), 4(2)(a) of the PFUTP Regulations, 2003.

5. It was inter alia alleged in the SCN that the Noticee was one of the various entities which indulged in reversal trades which allegedly created false and misleading appearance of trading, generating artificial volumes in Stock Options segment of the BSE during the Investigation Period. Out of the total 6 trades for 1,10,000 units executed in the contract viz. ACCL15APR1500.00PE, the Noticee had executed 2 non genuine trades in one contract on March 27, 2015 which resulted in artificial volume of 20,000 units. Summary of dealings of the Noticee in the Stock Option contract, in

which the Noticee allegedly executed non genuine trades during the IP are as follows:

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% 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	ACCL15APR1500.00PE	10.00	10,000	20.00	10,000	100%	33.33%	100%	18.18%

6. From the above table, following is noted as regards to dealings of Noticee in the contract "ACCL15APR1500.00PE":
    a) Noticee had executed alleged non-genuine trades in the above contract, wherein 100% trades were non-genuine trades.
    b) No. of non-genuine trades of Noticee significantly contributed to the total no. of trades from the market in the above contract, as a substantial 33.33% of the trades happened in aforementioned contract were due to alleged non-genuine trades executed by the Noticee.
    c) A substantial 18.18% of volume generated by the Noticee in the above contract was artificial volume.
    d) Alleged non-genuine trades executed by Noticee in above contracts had significant differential in buy rates and sell rates considering that the trades were reversed on same day.

7. By indulging in execution of aforesaid non-genuine reversal trades, the Noticee was alleged to have violated the provisions of Regulation 3(a),(b),(c),(d) and 4(1), 4(2)(a) of the PFUTP Regulations, 2003.

8. The SCN was served to the Noticee via Speed Post Acknowledgement Due (SPAD) and via email dated August 13, 2021. Vide letter dated August 26, 2021, Noticee replied to the SCN. Vide hearing notice dated September 28, 2021, an opportunity of hearing was granted to the Noticee on October 20, 2021 through video conferencing due to Covid-19 pandemic. On the scheduled date of hearing the Authorized Representative (AR) on behalf of the Noticee attended the hearing and reiterated the submissions made earlier

by the Noticee vide its letter dated August 26, 2021 and informed that some case laws would be forwarded. Accordingly, the AR vide e-mail dated October 20, 2021 forwarded three judgements such as SEBI & Ors vs Kanhaiyalal Baldevbhai Patel & Ors – Order passed by Hon'ble Supreme Court dated September 20, 2017, Ketan Parekh vs. SEBI - Order passed by Hon'ble Securities Appellate Tribunal dated July 14, 2006, Subhkam Securities Private Limited vs SEBI - Order passed by Hon'ble Securities Appellate Tribunal dated July 25, 2012. The personal hearing in the matter was completed and hearing minutes are on record. Reply of the Noticee is as follows:

"The Noticee denies each and every allegation or contention or conclusion sought to be drawn in the said Show Cause Notice which is contrary to and/or inconsistent to what is stated herein and repeats and reiterates the facts submitted herein. It is submitted that the Noticee is not connected with and/or associated with the counterparty at any given time or in any manner whatsoever. The Noticee states that nothing stated in the SEBI Order should be deemed to be admitted on account of non-traverse unless specifically admitted herein, and the same is hereby denied as if specifically set out herein.

………………………..

In this connection, it is denied that the trades are non-genuine reversal trades. It is submitted that the trades entered into by the Noticee were genuine and fair and that they were carried out without any ill intention or ulterior motive of generating artificial volumes. The Noticee had entered into these trades as routine trades on the basis of his working knowledge, judgment and analysis.

It is submitted that in order to establish an involvement in non-genuine reversal trades, a connection between the buyer and the seller and, a prior meeting of the minds must be established. The Noticee denies any connection or relation with the other entity. Without establishing this connection, the charge of generating artificial volumes through non-genuine reversal trades cannot be sustained. It is further submitted that under the screen-based trading system, it is impossible to know about the identity of the other party to the transaction and at the time of the transaction the Noticee did not know who the counter party was, SEBI, too, has not established a nexus or a collusion between the Noticee and the counter party to the contract. In the absence of any connection between the seller and the buyer, the principle of preponderance of probability cannot be invoked and the Noticee cannot be held liable for engaging in non-genuine reversal trades. It is reiterated that the

Noticee is not connected with and/or associated with the counterparty at any given time or in any manner whatsoever and that no evidence whatsoever is adduced to show any connection between the Noticee and the counterparty.

The Noticee submits that both the trades were executed at the Stock Exchange screen based trading system (SBTS) and hence the identities of the counterparties, even if same counterparty, could not have been known to the Noticee since the SBTS electronically matches the buyer and seller in an order driven system and finds the customer the best price available in a quote driven system and hence fraud cannot be alleged in the present scenario since the shares were purchased on SBTS.

It is submitted that it was only by coincidence that the rates and units of one party matched with those of the same other party to the contract. It is reiterated that at the time of the trades the identity of one party was unknown to the other party. Since the parties were not known to each other, there was no collusion between them, and the trades were executed routinely without a common motive. It was only by chance that the trades of the parties matched, serious charge of market manipulation cannot sustain on mere suspicion, conjectures, surmises or hypothesis. There is no preponderance of evidence in favour of the allegation.

The Noticee was not known to the counter party and hence the question of any fraudulent trades, as alleged, doesn't arise. Hon'ble Supreme Court in the matter of SEBI Vs Kanaiyalal Baldevbhai Patel (2017)15 SCC 1 (para 31) has held that the element of "inducement" must exist and should be proved before holding that a person is guilty of fraud. In the SCN there is neither any allegation nor any evidence to show that the Noticee had induced the counter party or someone else and thereby played a fraud in the securities market. Assuming without admitting that the concept of preponderance of probabilities would also apply in the case of the Noticee, still, it must be proved by cogent evidence that the Noticee is guilty of "inducement ". In the absence of any such evidence, the charge of fraud is not proved, nor the provisions of Regulation 3 and 4 of PFUTP Regulations get attracted.

For proving the charge of fraudulent or manipulative practice, it is necessary to prove the mens rea or intention to commit such violation. In Ketan Parekh Vs SEBI (2006) and Shubhkam Securities Private Limited Vs SEBI, the Apex Court has held that synchronized trades per se are not illegal, and that only when it is proved that synchronized trades were carried out with intention to manipulate the market the provisions of PFUTP Regulations get attracted. In the instant case, the SCN has proceeded on assumption that the reverse (synchronized) trades are illegal per se and no shred of evidence is produced *to show that the Noticee had any intention to inflate the volume of trades, as alleged.*

It is pertinent to note that the Noticee had entered into only two trades out of a total of 2,91,744 reversal trades, thereby constituting a minuscule of the total number of alleged reversal trades. It is respectfully submitted that only two trades of 20,000 units in aggregate cannot create false or misleading appearance of trading in the securities market under regulation 4(2)(a) of PFUTP Regulations, particularly, when there is no allegation that the Noticee had been acting in concert with other entities/counterparties who had executed 2,91,744 reversal trades.

With a view to project misleading picture of the Noticee's trading in only two trades, of the value of Rs 1,00,000/ and Rs 2,00,000/, the SCN has given percentage values of non-genuine trades and artificial volume created in the aforementioned Contract without appreciating that the said Contract was only one of several contracts under which 2,91,744 trades were executed and the Noticee had entered into only 2 trades out of the alleged 2,91,744 reversal trades . Given the trivial nature of the allegation, it is submitted that the Noticee be absolved of any charges and be exonerated accordingly.

The Noticee had not entered into any non-genuine trade but had entered into a genuine sell trade of the value of Rs 2,00,000/ only and buy trade of Rs 1,00,000/ only thereby making a profit of Rs 1,00,000/ only. The Noticee by profession is a day trader and enters into trades for making profit; and hence his two trades in question deserve to be considered against that background.

In view of the aforesaid submissions, it is prayed that the Noticee be discharged/exonerated, and the show cause notice be disposed of without imposing any monetary penalty."

CONSIDERATION OF ISSUES AND FINDINGS:

9. I have taken into consideration the facts and circumstances of the case, reply of the Noticee and the material available on record, the issues that arise for consideration in the present case are:

   Issue (a): Whether the reversal trades in illiquid Stock Options carried out by the Noticee during the Investigation Period were in violation of Provisions of Regulation 3(a), (b), (c), (d) and 4(1) & 4(2)(a) of the PFUTP Regulations, 2003?

Issue (b): If yes, whether the violation, on the part of the Noticee would attract monetary penalty under Section 15HA of the SEBI Act, 1992?

Issue (c): If yes, what would be the quantum of monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act, 1992, read with rule 5(2) of the Adjudication Rules, 1995?

10. Before proceeding further, I would like to refer to the relevant provisions of the PFUTP Regulations, 2003 as below:

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly –

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;

(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 or 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. I note that allegation against the Noticee is that, while dealing in the stock option contracts at BSE during the IP, he had executed reversal trade which were allegedly non-genuine trades and the same had resulted in generation

of artificial volume in stock option contracts at BSE. Reversal trades are considered to be those trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non-genuine trades as they are not executed in the normal course of trading, lack basic trading rationale, lead to false or misleading appearance of trading in terms of generation of artificial volumes and hence are deceptive and manipulative.

12. The Noticee stated that he has not violated the PFUTP Regulations as alleged in SCN and he had only entered into two trades. I note from the trade log that the Noticee had traded in one contract in the stock options segment of BSE during the investigation period namely ACCL15APR1500.00PE. It is observed that the Noticee had executed two non-genuine trades in the aforesaid contract. I further note that the above mentioned trades of the Noticee had resulted in the creation of alleged artificial volume of 20,000 units in the aforesaid contract. The summary of the non-genuine trades of the Noticee are as follows:

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% 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	ACCL15APR1500.00PE	10.00	10,000	20.00	10,000	100%	33.33%	100%	18.18%

13. It is noted that the Noticee had executed non-genuine trades in the aforesaid contract, wherein the percentage of non-genuine trades of the Noticee in stock option contract to total trades in the said contract was 33.33%. Further, artificial volume generated by the Noticee in the said contract to Noticee's Total Volume amounted to the entire 100% of total volume generated in the contracts. It is also noted that artificial volume generated by the Noticee contributed 18.18% of the total volume from the market in the said contract. Non-genuine trades executed by the Noticee in the aforesaid contract had

significant difference in buy rate and sell rate considering that the trades were reversed on the same day i.e. March 27, 2015.

14. The Noticee has denied any connection or relationship or collusion with the counterparty and stated that it was only by coincidence that the rates and units of one party matched with those of the same other party to the contract. In this regard, I note from the trade log that the trades executed by the Noticee in the aforesaid contract were squared up within a short span of time with the same counterparty. To illustrate, the Noticee on March 27, 2015 at 10:05:31 hrs (Order time of the Noticee: 10:05:29 hrs and Counterparty order time: 10:05:31 hrs) entered into one sell trade with the counterparty viz. Kundan Rice Mills Ltd. for 10,000 units at the rate of Rs. 20.00/- per unit in the aforesaid contract. Thereafter, immediately, on the same day within a gap of three seconds, the Noticee at 10:05:34 hrs (Order time of the Noticee: 10:05:34 hrs and Counterparty order time: 10:05:34 hrs) entered into one buy trade with same counterparty for 10,000 units at the rate of ₹ 10.00 per unit in the same contract. It is noted that while dealing in the said contract during the investigation period, the Noticee executed reversal trades with same counterparty i.e. Kundan Rice Mills Ltd. on the same day within a gap of three seconds and with a significant price difference in buy and sell rates. Thus, the Noticee, through his dealing in the contract viz. “ACCL15APR1500.00PE”, executed non genuine trades which was 33.33% of the total trades on the market in the said contract and thereby, generated artificial volume of 20,000 units which was 18.18% of the volume traded in the said contract during the investigation period. I note that the charges against the Noticee for the aforesaid trades and the provisions of PFUTP Regulations, 2003 alleged to have been violated as stated above have been cogently spelt out in the SCN dated August 13, 2021 served on the Noticee. Therefore, the contentions of the Noticee are devoid of any merit.

15. Further Noticee contended that both the trades were executed at the Stock Exchange screen based trading system (SBTS) and hence the identities of the counterparties, even if same counterparty, could not have been known to the Noticee since the SBTS electronically matches the buyer and seller in an

order driven system and finds the customer the best price available in a quote driven system and hence fraud cannot be alleged in the present scenario since the shares were purchased on SBTS. Noticee denies any connection or relation with the counterparty. In this regard, I note that in the screen based trading, which is virtually anonymous, it may not be ordinarily possible for anyone to enter into such reversal trades. However, considering the precision at which the reversal transactions have taken place i.e. synchronisation of the quantity, order price and order time and sale with price variations as observed in the instant matter, the same couldn't have been possible without prior meeting of minds. In this regard, I find it relevant to refer to the decision of Hon'ble Supreme Court in the matter of SEBI vs. Rakhi Trading Private Ltd., in Civil appeals no., 1969 of 2011 decided on February 8, 2018 wherein it has been held that: *"considering the reversal transactions, quantity, price and time and sale, parties being persistent in the number of such trade transactions with huge price variations, it will be too naïve 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"*

16. The non-genuineness of these transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within a short span of time, the Noticee reversed the position with the same counterparty with a significant price difference. I note from the trade log of the Noticee that he reversed the non-genuine trades within few seconds. Such a short span of time taken for reversing the trades in an illiquid stock option contract suggests the non-genuineness of these trades executed by the Noticee. The fact that the transactions in a particular contract were reversed with the same counterparty within a few seconds indicates a prior meeting of minds with a view to execute the reversal trades at a predetermined price. Since these trades were done in illiquid option contracts, there was no trading

in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contracts, within a short span of time, is a clear indication that there was pre-determination in the prices by the counterparties while executing the trades. Thus, it is observed that Noticee had indulged in reversal trades with his counterparty in the stock options segment of BSE and the same were non-genuine trades.

17. I note that it is not mere coincidence that Noticee could match his trades with the same counterparty with whom he had undertaken first leg of the respective trade. This is the outcome of meeting of minds elsewhere and it was a deliberate attempt to deal in such a fashion. Here I would like to rely on the judgment of Hon'ble Supreme Court in SEBI v Kishore R Ajmera (AIR 2016 SC 1079) decided on February 23, 2016, wherein it was held that - *"…in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive..."* .

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

inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."

19. I note that though direct evidence is not forthcoming in the present matter regarding meeting of minds or collusion of the Noticee with other entities, the trading behaviour of the Noticee makes it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level. In this context, I deem it appropriate to refer to the Hon'ble SAT order dated July 14, 2006, in the case of Ketan Parekh vs. SEBI (Appeal no. 2/2004), wherein the Hon'ble SAT has held that - *"The nature of transactions executed, the frequency with which such transactions are undertaken, the value of the transactions, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."*

20. I place my reliance on the judgment of Hon'ble Supreme Court in the matter of SEBI vs Rakhi Trading Private Limited (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018), in which the Hon'ble Supreme Court held that - *"Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities….."*

21. Further, the Hon'ble SAT in its judgement dated September 14, 2020 in the matter of Global Earth Properties and Developers Pvt Ltd relied upon the aforesaid judgement of Hon'ble Supreme Court and held that, *"It is not a mere coincidence that the Appellants could match the trades with the counter party*

with whom he had undertaken the first leg of respective trade. In our opinion, the trades were non-genuine trades and even though direct evidence is not available in the instant case but in the peculiar facts and circumstances of the present case there is an irresistible inference that can be drawn that there was meeting of minds between the Appellants and the counter parties, and collusion with a view to trade at a predetermined price." The Hon'ble SAT reaffirmed its stand taken in Global Earth Properties and Developers Pvt Ltd Vs SEBI (Appeal No. 212 of 2020), in its judgment dated November 24, 2021 in the matter of Radha Malani vs. SEBI (appeal no. 698 of 2021), has held the that *"Having heard the learned counsel for the appellant, in our view the controversy involved in the present appeal is squarely covered by a decision of this Tribunal in Global Earth Properties and Developers Pvt. Ltd. vs. SEBI (Appeal No. 212 of 2020 decided on September 14, 2020).In view of the aforesaid, the appeal is dismissed with no order as to costs."*

22. Further, I would like to rely on the judgement of Hon'ble Supreme Court passed in the case of SEBI vs. Rakhi Trading Private Ltd. (supra), wherein the Apex Court held that "*the entities were engaged in a fraudulent and unfair trade practice while dealing in Options and hence were liable for violation of SEBI (PFUTP) Regulations".* The Hon'ble Apex Court has also held that in the absence of direct proof of meeting of minds, the test should be one of preponderance of probability and also stated that the conclusion has to be gathered from various circumstances like volume of trade, period of persistence of trading, particulars of buy and sell orders, proximity of time between the two and such other relevant factors.

23. In line with the aforesaid judgements of Hon'ble Supreme Court and Hon'ble SAT, I note from the foregoing findings that the trading pattern of the Noticee in terms of volume of reversal trades, proximity of buy/sell and subsequent reversal evidences the indulgence of the Noticee beyond a reasonable doubt of the manipulative intent in creation of artificial volume. Further, the dealings by Noticee only in such options contracts which was illiquid clearly demonstrates the manipulative intent to use stock exchange platform to carry

out non-genuine trades with the aim to execute such trades for manipulative purposes.

24. In this regard, I would like to rely on the judgement of Hon'ble Supreme Court in the matter of SEBI vs. Rakhi Trading Private Ltd.(supra) decided on February 8, 2018, where Apex Court held that, *"The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed the price nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity and transparency of the stock market."*

25. The Noticee contended that it was only by chance that the trades of the parties matched, serious charge of market manipulation cannot sustain on mere suspicion, conjectures, surmises or hypothesis. I am of the view that dealing in Illiquid stock options not only displays an unreal picture of market activity to other investors but also defeats the basic premise of screen based electronic trading system and price discovery mechanism by execution of pre-decided reversal trades at irrational/arbitrary prices. Such activity deliberately or otherwise damages market integrity apart from presenting wrong picture of liquidity to gullible investors which could affect their trading/investment decisions. Options as financial instruments, ordinarily, provide hedging avenues to investors. The trading of the Noticee in the instant matter was abnormal and was clearly designed to create artificial volumes in the illiquid stock option contracts, fail to justify any of the normal strategies of hedging/ arbitrage. In my view, the abuse of such financial instruments, which are made available to the investors for the purpose of protection of their investment portfolios from the risks of adverse price movement, needs to be dealt with strictly. I also note that while the stock exchange provides a platform for carrying out the trades, the obligation to ensure genuineness of the trades executed on the exchange platform primarily lies on the Noticee. Thus, the submission of the Noticee cannot be accepted.

26. In view of the above, the trading behaviour of the Noticee confirms that such trades were not normal and wide variation in prices of the trades in the same contract in a short time without any basis for such wide variation, all indicate that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in the contract i.e. ACCL15APR1500.00PE. In view of the above, I find that the allegation of violation of provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003 by the Noticee stands established. The Hon'ble Supreme Court of India in the matter of SEBI Vs Shri Ram Mutual Fund [2006] 68 SCL 216(SC) 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..*"

27. In view of the aforesaid judgment of the Hon'ble Supreme Court, I am convinced that, in the instant matter, the Noticee is liable for monetary penalty under the provisions of Section 15HA of the SEBI Act, 1992 which reads as follows:

15HA. Penalty for fraudulent and unfair trade practices.

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.

28. While determining the quantum of penalty under Section 15HA of the SEBI Act, 1992, the following factors stipulated in Section 15J of the SEBI Act, 1992, have to be given due regard:

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.

29. 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, suffered by the investors due to such violations on part of the said Noticee. However, Noticee has entered into two non-genuine trades in one stock option contract during the investigation period. Therefore, I note that the Noticee indulged in execution of reversal trades in stock options on BSE during 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 provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFTUP Regulations, 2003.

ORDER

30. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15-I(2) of the SEBI Act, 1992 read with rule 5 of the Adjudication Rules, 1995, I hereby impose a penalty of ₹5,00,000/- (Rupees Five Lakh only) upon the Noticee i.e., Shri Ankit Lalitkumar Sodhani (PAN: COLPS8042D), under Section 15HA of the SEBI Act, 1992 for violation of provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations, 2003.

31. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through Demand Draft in favour of "SEBI -Penalties Remittable to Government of India", payable at Mumbai, or the online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

32. The Noticee shall forward the aforesaid Demand Draft / payment confirmation details to the Division Chief, Enforcement Department-I (EFD), Division of Regulatory Action -I [EFD1-DRA-1] 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 details:

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	

33. 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, 1992 for realization of the said penalty amount along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

34. In terms of the provision of rule 6 of the Adjudication Rules, 1995, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

Place: Mumbai **RAJESH GUJJAR**

Date: December 31, 2021 **ADJUDICATING OFFICER**