

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/GR/HK/2023-24/29535]

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
Indian Optics Private Limited
(PAN: AAACI3163P)

In the matter of Trading in Illiquid Stock Options on BSE

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) observed large scale reversal of trades in stock options segment of Bombay Stock Exchange (hereinafter referred to as “**BSE**”). SEBI observed that such large scale reversal of trades in stock options lead to creation of artificial volume at BSE. In view of the same, SEBI conducted an investigation into the trading activities of certain entities in illiquid stock options at BSE for the period April 1, 2014 to September 30, 2015 (hereinafter referred to as “**IP**”).
2. Pursuant to investigation, it was observed that total of 2,91,744 trades comprising 81.40% of all the trades executed in stock options segment of BSE during the IP were allegedly non genuine trades. The aforesaid alleged non-genuine trades resulted into creation of artificial volume in stock options segment of BSE during the IP. It was observed that Indian Optics Private Limited (PAN: AAACI3163P) (hereinafter referred to as the “**Noticee**”) was

one of the various entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. Such trades were alleged to be non-genuine in nature and created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore were alleged to be manipulative, deceptive in nature. In view of the same, SEBI initiated adjudication proceedings against the Noticee for alleged 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. The undersigned was appointed as Adjudicating Officer in the matter, conveyed vide communique dated July 27, 2021, under Section 19 read with Section 15-I(1) of the SEBI Act, 1992 (hereinafter referred to as 'SEBI Act, 1992') and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as 'Adjudication Rules') to conduct adjudication proceedings in the manner specified under Rule 4 of Adjudication Rules read with Section 15-I(1) and (2) of SEBI Act, 1992, and if satisfied that it is liable, impose such penalty as deemed fit in terms of Rule 5 of Adjudication Rules and Section 15HA of SEBI Act, 1992.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice dated August 02, 2022 (hereinafter referred to as "SCN") was issued to the Noticee under Rule 4(1) of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against it and why penalty should not be imposed under Section 15HA of the SEBI Act, 1992 for the violations alleged to have been committed by the Noticee.

5. It was *inter alia* alleged in the SCN that the Noticee had executed 39 non-genuine trades in 18 Stock Options contracts which resulted in artificial volume of total 10,05,000 units. Summary of dealings of the Noticee in the said Options contracts, in which the Noticee allegedly executed non-genuine trades during the I.P, is as follows:

S. No.	Contract Name	Avg. Buy Rate (Rs)	Total Buy Volume (No. of units)	Avg. Sell Rate (Rs)	Total Sell Volume (No. of units)	% 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	AUPL15APR1 200.00CE	25.5	15000	42.5	15000	100	20	100	23.62
2	AUPL15APR1 200.00PE	72.3	12500	93.75	12500	100	25	100	17.86
3	AXIS15APR5 00.00CE	48	30000	65	30000	100	33.33	100	37.97
4	AXIS15APR5 00.00PE	3	30000	8	30000	100	100	100	100
5	AXIS15APR5 20.00CE	41.5	60000	47	60000	100	66.67	100	77.92
6	AXIS15APR5 20.00PE	11	40000	14.6	40000	100	100	100	100
7	AXIS15APR5 40.00PE	15	30000	22	30000	100	20	100	13.57
8	AXIS15APR5 60.00CE	15	30000	23	30000	100	15.38	100	11.9
9	AXIS15APR5 60.00PE	25	40000	31	40000	100	11.76	100	20.36
10	AXIS15APR5 80.00CE	9	30000	15	30000	100	20	100	8.38
11	AXIS15APR6 00.00CE	5.5	40000	9.3	40000	100	33.33	100	23.12

12	AXIS15APR6 00.00PE	59	30000	73	30000	100	33.33	100	12.82
13	MARU15APR 3500.00PE	38	20000	58	20000	100	0.03	100	1.37
14	MARU15APR 3650.00PE	105.25	20000	125	20000	100	9.09	100	6.55
15	MARU15APR 3700.00CE	38	20000	60	20000	100	0.27	100	11.39
16	MARU15APR 3700.00PE	135	15000	155	15000	100	50	100	27.27
17	MARU15APR 3750.00CE	26	20000	48	20000	100	0.15	100	3.82
18	MARU15APR 3750.00PE	148.5	20000	170	20000	100	100	100	100

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

- (a) The Noticee had executed alleged non genuine trades in 18 contracts, wherein all the trades of Noticee in the said contracts were allegedly non-genuine trades.
- (b) No. of alleged non-genuine trades of the Noticee had significantly contributed to total no. of trades ranging from 0.03% to 100% in the market in the above contracts, as 0.03% to 100% of the trades that happened in the said contracts were due to non-genuine trades executed by the Noticee.
- (c) 100% of volume generated by Noticee in the above contracts was alleged to be artificial volume and further, the percentage of alleged artificial volume generated by the Noticee in the above contracts to the total volume from the market in said contracts was in the range of 1.37% to 100%. Therefore, the Noticee allegedly generated artificial volume in the above contract.

7. The SCN with reference no. EAD/EAD-4/ADJ/GR/PU/33458/1/2022 dated 02.08.2022 was served on the Noticee through digitally signed email dated August 11, 2022. The aforesaid SCN was indicated the nature of offence

alleged to have been committed by the Noticee and also intimated to the Noticee regarding the SEBI Settlement Scheme, 2022. The intimation regarding settlement scheme given to the Noticee is as follows:

7.1. SEBI has framed the SEBI Settlement Scheme, 2022 pursuant to the Order dated May 13, 2022 passed by the Hon'ble Securities Appellate Tribunal, wherein the following directions were issued to SEBI: ***"17. We are, thus, of the opinion that SEBI should reconsider and seriously give a thought in coming out with a fresh scheme under Clause 26 of the Settlement Regulations, 2018. Such scheme can be a onetime scheme for this class of person. The terms of settlement should be attractive so that it could attract the noticees / entities to come forward and settle the matter which will ameliorate the harassment of penalty proceedings to the noticees and at the same time would help to clear the backlog of these pending matters before various AOs."*** (Emphasis Supplied)

7.2. In compliance with the above directions of the Hon'ble Securities Appellate Tribunal, SEBI has introduced a one-time settlement scheme called the SEBI Settlement Scheme, 2022, in terms of Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of Illiquid Stock Options. The said scheme proposes payment of Settlement Amount as per the details given below:

S No	Number of Contracts*	Settlement Amount (Rs.)
1	1-5	1,00,000/-
2	6-50	2,00,000/-
3	51 and above	5,00,000/- base amount + 10,000 per contract

* You may refer to the relevant Annexure/table of the SCN which contains a summary of the contracts you entered to determine the applicable slab for settlement.

7.3. The period of the SEBI Settlement Scheme, 2022 will commence on August 22, 2022 and will close on November 21, 2022, so as to provide an opportunity for settlement to the entities who have executed

reversal trades in the stock options segment of BSE during the period April 01, 2014 to September 30, 2015, against whom enforcement proceedings have been initiated and are pending. In case you wish to avail the benefit of the said Scheme, you may access the details of the said Scheme, which would be available on the website of SEBI i.e. www.sebi.gov.in, during the said period.

7.4. Necessary application for settlement may be filed within the validity period of the scheme and payment of the settlement amount shall be made online. Additionally, for any clarification in regard to settlement scheme, you may refer to the FAQs at SEBI website or send email to scheme2022@sebi.gov.in

7.5. In case you do not wish to avail of the facility under the SEBI Settlement Scheme, 2022, the adjudication proceedings in respect of the allegations contained in Part A of the SCN shall resume. Accordingly, an inquiry shall be held against you in terms of Adjudication Rules read with section 15-I of the SEBI Act, and penalty, if any, shall be imposed under section 15HA of the SEBI Act. In such case, you are called upon to file your reply within 30 days of receipt of this Show Cause Notice.

8. Pursuant to that, vide public notice dated November 21, 2022, it was advertised/informed that *“Considering the interest of entities in availing the Scheme, the competent authority has extended the period of the Scheme till January 21, 2023”*.

9. The Noticee submitted reply to the SCN vide letter dated August 30, 2022. In its reply following was stated:

a) *The Noticee was never part of such manipulations and concerned persons of M/s Mauzampuriah Securities Broking Pvt. Ltd. or some other connected persons carried the same out. For using Noticee’s profit generating entries to create false loss entries for some other entity, M/s*

M/s Mauzampuriah Securities Broking Pvt. Ltd. are only responsible and accountable.

- b) Since the transactions on stock exchanges are conducted through screen based electronic trading, in which it is not possible to choose the counter parties for the trades.*
- c) The nature of stock market is highly volatile and therefore the prices keeps changing at a greater pace within few seconds. Secondly, the nature of F&O transactions is in such way that leads to execution of huge quantity of transactions within seconds and not even hours.*
- d) The proceedings before the income tax department involving the same transactions have been dropped, which shows that the Noticee had not indulged in any type of fraudulent and unfair trade practices relating to securities.*

10. Further, it was observed that Noticee did not avail the SEBI Settlement Scheme. In view of which, the adjudication proceeding against the Noticee was resumed.

11. In terms of Rule 4 of Adjudication Rules and in the interest of natural justice, it was provided an opportunity of personal hearing vide hearing notice dated June 19, 2023 served to the Noticee vide email dated June 20, 2023 and vide Speed Post (SPAD) on June 24, 2023. The Noticee was advised to appear before the undersigned on July 05, 2023. However, the Noticee did not appear for the said personal hearing. Subsequently, vide letter dated July 17, 2023 the Noticee sought another opportunity for personal hearing and accordingly the same was provided on August 25, 2023 which was communicated vide email dated August 21, 2023. However, the Noticee again failed to appear in the personal hearing.

12. I am of the view that the principles of natural justice have been adhered to, as the SCN and the Hearing Notice were duly served upon the Noticee, which is on record and sufficient opportunity was granted to it to reply to the SCN and appear for the personal hearing.

CONSIDERATION OF ISSUES AND FINDINGS

13. I have carefully perused the charges levelled against the Noticee and the documents / material available on record. The issues that arise for consideration in the present case are:

- (a) Whether the Noticee has violated provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003?*
- (b) Does the violation, if any, attract monetary penalty under section 15HA of the SEBI Act, 1992?*
- (c) If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act, 1992?*

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

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

18. Before proceeding to deal with the merits of the case, I wish to settle the preliminary objection raised by the Noticee stating that the proceedings before the Income tax department involving the same transactions have been dropped, which shows that the Noticee had not indulged in any type of fraudulent and unfair trade practices relating to securities.

19. The said contention is patently misplaced as the present proceeding has no relation with the one before Income Tax department. The present proceeding was initiated to adjudicate upon the allegation of the violation of SEBI PFUTP Regulations 2003, for which SEBI under the SEBI Act, 1992 has the power to adjudicate. Though the subject matter under both the proceedings may be same i.e. the transactions in the illiquid stock options,

the proceedings were initiated by two different authorities under two separate laws. The outcome of proceeding before Income Tax has no bearing on the present proceeding. Hence, I am bound to reject the said contention and shall now examine the key issues.

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

20. Before proceeding to the merits of the case, 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.

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*".

A Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided one-time opportunity for settlement of proceedings in the Illiquid Stock Options matter. The said scheme was kept open from August 01, 2020 till December 31, 2020.

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

Further, another settlement scheme was introduced pursuant to the order of Hon'ble SAT dated May 12, 2022. The details of SEBI settlement scheme is given at paragraph 7 above.

21. I further note that there are no timelines prescribed in the SEBI Act, 1992 for the purpose of identifying trades as non-genuine. In this regard, I feel it is 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, held that:

“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.”

22. I shall now proceed to deal with the transactions executed by the Noticee in the alleged non-genuine trades.

23. As can be seen from the narration of facts in the foregoing paragraphs, I note that allegation against the Noticee is that, while dealing in the stock option contracts at BSE during the IP, it had executed reversal trades which were allegedly non-genuine and the same had resulted in generation of artificial volume in stock option contracts at BSE. Reversal trades are considered to be those trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non-genuine trades as they are not executed in the normal course of

trading, lack basic trading rationale, lead to false or misleading appearance of trading in terms of generation of artificial volumes and hence are deceptive and manipulative.

24. I note from the trade log of the Noticee that it had traded in 18 contracts in the stock options segment of BSE during the IP. It is observed that the Noticee had allegedly executed 39 non-genuine trades in said contracts. I further note that the above mentioned trades of the Noticee had resulted in the creation of artificial volume of 10,05,000 units in the said contracts. Summary of non-genuine trades of the Noticee is as follows:

S. No.	Contract Name	Avg. Buy Rate (Rs)	Total Buy Volume (No. of units)	Avg. Sell Rate (Rs)	Total Sell Volume (No. of units)	% 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	AUPL15APR1 200.00CE	25.5	15000	42.5	15000	100	20	100	23.62
2	AUPL15APR1 200.00PE	72.3	12500	93.75	12500	100	25	100	17.86
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4	AXIS15APR5 00.00PE	3	30000	8	30000	100	100	100	100
5	AXIS15APR5 20.00CE	41.5	60000	47	60000	100	66.67	100	77.92
6	AXIS15APR5 20.00PE	11	40000	14.6	40000	100	100	100	100
7	AXIS15APR5 40.00PE	15	30000	22	30000	100	20	100	13.57

8	AXIS15APR5 60.00CE	15	30000	23	30000	100	15.38	100	11.9
9	AXIS15APR5 60.00PE	25	40000	31	40000	100	11.76	100	20.36
10	AXIS15APR5 80.00CE	9	30000	15	30000	100	20	100	8.38
11	AXIS15APR6 00.00CE	5.5	40000	9.3	40000	100	33.33	100	23.12
12	AXIS15APR6 00.00PE	59	30000	73	30000	100	33.33	100	12.82
13	MARU15APR 3500.00PE	38	20000	58	20000	100	0.03	100	1.37
14	MARU15APR 3650.00PE	105.25	20000	125	20000	100	9.09	100	6.55
15	MARU15APR 3700.00CE	38	20000	60	20000	100	0.27	100	11.39
16	MARU15APR 3700.00PE	135	15000	155	15000	100	50	100	27.27
17	MARU15APR 3750.00CE	26	20000	48	20000	100	0.15	100	3.82
18	MARU15APR 3750.00PE	148.5	20000	170	20000	100	100	100	100

25. It is noted that the Noticee had allegedly executed non-genuine trades in said contracts, wherein the percentage of alleged non-genuine trades of the Noticee in stock options contracts to total trades in the contracts was in the range of 0.03% to 100%. Further, alleged artificial volume generated by Noticee in the contracts amounted to 100% of total volume generated by it in the contract. It is also noted that alleged artificial volume generated by the Noticee contributed in the range of 1.37% to 100% of the total volume from the market in the said contracts.

26. The details of squaring up done by the Noticee in the contract 'MARU15APR3750.00PE' is as given below:

Trade Date	Client Name	CP Client Name	Trade Time	Trade Rate (Rs.)	Traded Quantity	Buy/Sell by the Noticee
27/03/2015	SHIVA COMMODITIES PRIVATE LIMITED	INDIAN OPTICS PRIVATE LIMITED	10:29:37.669028	170	20000	Sell
27/03/2015	INDIAN OPTICS PRIVATE LIMITED	SHIVA COMMODITIES PRIVATE LIMITED	10:29:54.558021	148.5	20000	Buy

i.As can be seen from the table above, the trades executed by the Noticee in the contract were squared up within a short span of time, with the same counterparty as under;

On March 27, 2015 at 10:29:37.669028 the Noticee entered into 1 sell trade for 20000 units at the average rate of ₹170 per unit with counter party Shiva Commodities Private Limited, in the above mentioned contract. Thereafter, on the same day, Noticee entered into 1 buy trade at 10:29:54.558021 with the same counterparty i.e. Shiva Commodities Private Limited, for 20000 units at the average rate of ₹148.5 per unit.

ii. These trades were entered into with the same counterparties in the same contract. It is noted that while dealing in the said contract during the IP, the Noticee executed reversal trades with same counterparty viz. Shiva Commodities Private Limited on the same day, with significant price difference. Thus, the Noticee, through its dealing in the contract viz. 'MARU15APR3750.00PE' during the I.P., executed non genuine trades which was 100% of the total trades from the market in the said contract during the I.P., and thereby, Noticee generated artificial volume of 40000

units which was 100% of the volume traded in the said contract from the market during the I.P.

27. The non-genuineness of these transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within a short span of time, the Noticee reversed the position with its counterparties with significant price difference on the same day. The fact that the transactions in a particular contract were reversed with the same counterparties indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid option contract, there was negligible trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contract, within a short span of time, is a clear indication that there was pre-determination in the prices by the counterparties while executing the trades. Thus, it is observed that Noticee had indulged in reversal trades with its counterparty in the stock options segment of BSE and the same were non-genuine trades.

28. The Noticee has contended that the transactions on stock exchanges are conducted through screen based electronic trading, in which it is not possible to choose the counter parties for the trades. Further, it was contended that, the nature of stock market is highly volatile and therefore the prices keeps changing at a greater pace within few seconds. For the said contentions, I note that it is not mere coincidence that the Noticee could match its trades with the same counterparty with whom it had undertaken first leg of the respective trades. The fact that the transactions in a particular contract were reversed with the same counterparty for the same quantity of units, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. This is the outcome of meeting of minds elsewhere and it was a deliberate attempt to deal in such a manner. I note

in matters dealing with violation of PFUTP Regulations, 2003, the reason as regards execution of non-genuine trades might not be immediately forthcoming. However, the correct test instead, is one of preponderance of probabilities. Here I would like to rely on the judgment of Hon'ble Supreme Court in **SEBI v Kishore R Ajmera** (AIR 2016 SC 1079) decided on February 23, 2016, wherein it was held that-*"...According to us, knowledge of who the 2nd party / client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naïve to rest the final conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming...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 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.”

The observations made in the aforesaid judgments of Hon'ble Supreme Court apply with full force to the facts and circumstances of the present case. Therefore, applying the ratio of the above judgments, I am convinced that the execution of trades by the Noticee in the illiquid options segment with such precision in terms of order placement, time, price, quantity etc. and also the fact that the transactions were reversed with the same counterparty clearly indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. The only reason for the wide variation in prices of the same contract, within short span of time was a clear indication that there was pre-determination in the prices by both the counterparty when executing the trades. Thus, the nature of trading, as brought out above, clearly indicates an element of prior meeting of minds and therefore, a collusion of the Noticee with its counterparty to carry out the trades at pre-determined prices.

30. I note the following from the judgement of the Hon'ble SAT in the matter of **Ketan Parekh vs SEBI** (supra):

In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4 (a) of the Regulations.

31. I also place my reliance on the judgment of Hon'ble Supreme Court in the matter of **SEBI v Rakhi Trading Private Limited** (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018), in which the Hon'ble SC 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. 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 Hon'ble Supreme Court judgement in the matter of **SEBI v Rakhi Trading Private Limited** (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018), 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. Noticee has further contended that the said trades of the Noticee were actually conducted by the broker of the Noticee, M/s Mauzampuriah

Securities Pvt. Ltd.. For using Noticee's profit generating entries to create false loss entries for some other entity, M/s M/s Mauzampuriah Securities Broking Pvt. Ltd. are only responsible and accountable. In this regard, I note that the Noticee was the principal and the broker was his agent and as per settled law, the principal is responsible for the deeds done by agent carried out on behalf of the principal. Therefore, I note that the Noticee was obligated to ensure genuineness of the trades executed by him on the exchange platform and accordingly, I find no merit in the above contention of the Noticee. The duty to carry out the trades in lawful manner cannot be transferred absolutely and cannot be further made the ground to plead innocence.

34. Therefore, the trading behaviour of the Noticee confirms that such trades were not normal indicating that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in respective contracts. In view of the above, I find that the allegation of violation of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003 by the Noticee stands established.

Issue No 2: Does the violation, if any, attract monetary penalty under Section 15HA of the SEBI Act, 1992?

33. Considering the findings that the Noticee as mentioned above has executed non-genuine trades resulting in the creation of artificial volume, thereby violating the provisions of Regulation 3(a), (b), (c) & (d) & Regulation 4(1) and 4(2)(a) of the PFUTP Regulations, 2003 and in terms of the judgment of Hon'ble Supreme Court of India in the matter of **SEBI Vs. Shri RAM Mutual Fund** [2006] 68 SCL 216 decided on May 23, 2006 held that "*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is*

established and hence the intention of the parties committing such violation becomes wholly irrelevant...” I am convinced that it is a fit case for imposition of monetary penalty under the provisions of Section 15 HA of SEBI Act which reads as under:

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.*

Issue 3: If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in Section 15J of the SEBI Act, 1992?

31. While determining the quantum of penalty under Section 15HA of SEBI Act, it is important to consider the factors as stipulated in Section 15J of the SEBI Act which reads as under:

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or 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 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.

32. I observe, that the material available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticee and the losses, if any, suffered by the investors due to such violations on part of the said Noticee. However, the Noticee has entered into 39 non-genuine trades, which demonstrates the violation of PFUTP Regulations, 2003.

ORDER

33. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act, 1992 and in exercise of power conferred upon me under Section 15-I of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, 1995, I hereby impose following penalty under Section 15HA of the SEBI Act, 1992 on the Noticee:

Name of the Noticee	Violation provisions	Penalty
Indian Optics Private Limited (PAN: AAACI3163P)	Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003	₹5,00,000/- (Rupees Five Lakhs only)

I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee.

34. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW

35. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.
36. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

Date: October 03, 2023

Place: Mumbai

G. RAMAR

ADJUDICATING OFFICER