BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/GG/VV/2021-22/ 15421

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:

SANJAY BANSAL
(PAN: AMOPB5850H)

In the matter of Dealings in Illiquid Stock Options at BSE

A. BACKGROUND OF THE CASE

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

2. Pursuant to a preliminary examination conducted in the Illiquid Stock Options matter an Interim order was passed by SEBI on August 20, 2015 against 59 entities which were confirmed vide Orders dated July 30, 2016 and August 22, 2016. Meanwhile,

SEBI initiated a detailed investigation relating to trading in stock options segment of BSE which was completed in the year 2018. The investigation findings revealed that of all trades executed in the stock options segment of BSE during the Investigation Period, 81.38% of the trades, that is 2,91,643 trades, were trades which involved a reversal of buy and sell positions by the clients and counterparties in a contract. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock options segment during the investigation period.

3. The proceedings initiated against the first set of 59 entities, vide the aforementioned Interim Order were disposed of vide final Order dated April 05, 2018, without any further directions, observing that the Adjudicating Officer shall continue the proceedings in accordance with the SEBI Act, 1992 and SEBI (Procedure for Holding and Imposing Penalties by Adjudicating Officer) Rules, 1995 and pass appropriate order on merits. It was also recorded therein that SEBI has decided to take appropriate action against all 14720 entities in phases. The captioned proceedings initiated against the Noticee is part of the aforesaid mass action initiated by SEBI against the large number of entities.

4. In the meantime, the Hon'ble Securities Appellate Tribunal (SAT), vide its Order dated October 14, 2019, in the case of *R. S. Ispat Ltd Vs SEBI*, *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".*

5. Thereafter, a Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided a 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. Finally, adjudication

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

6. It was observed that 13,186 entities had not availed of the opportunity of settlement and therefore Adjudication proceedings were initiated against the entities in a phased manner. In order, to duly expedite the Adjudication proceedings against the entities, SEBI had appointed additional Adjudicating officers to adjudicate against the said entities. However, owing to the huge number of alleged entities, the adjudication proceedings are being conducted in a phased manner that would require adequate time to complete the proceedings against all entities.

7. It was observed that, Sanjay Bansal (PAN: AMOPB5850H) (hereinafter referred to as the "**Noticee")** was one of the entities, who did not seek settlement under the Settlement Scheme in 2020 and whose reversal trades allegedly involved squaring off of open positions with a significant price difference without any basis. The aforesaid reversal trades allegedly contributed to the generation of artificial volumes, leading to allegations that the Noticee had violated the provisions of Regulations 3(a), (b), (c), (d) and Regulation 4(1) and 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as the "**PFUTP Regulations**").

B. APPOINTMENT OF ADJUDICATING OFFICER

8. SEBI initiated adjudication proceedings and appointed me, as the Adjudicating Officer under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "**SEBI Act**") read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as

the "**SEBI Adjudication Rules**") *vide* communication dated November 12, 2021 to inquire into and adjudge under section 15HA of the SEBI Act, with respect to the allegations against the Noticee.)

C. SHOW CAUSE NOTICE, REPLY AND HEARING

9. A Show Cause Notice dated December 13, 2021 (hereinafter referred to as "**SCN**") was served upon the Noticee, vide Speed post with acknowledgement due (hereinafter referred to as '**SPAD**') and by email, under Rule 4(1) of the SEBI Adjudication Rules to show cause as to why an inquiry should not be initiated against the Noticee and thereafter penalty imposed against him under section 15HA of the SEBI Act for the alleged violation of the provisions of Regulations 3((a),(b),(c),(d)), 4(1) and 4(2)(a) of the PFUTP Regulations.

10. The SCN issued to the Noticee, *inter alia* alleged, that the Noticee engaged in executing 14 non-genuine trades, through 1 unique contract with 1 counterparty viz. N M Impex Private Limited on 1 day viz. 06/04/2015 which led to the generation of artificial volume of 488000 units. The 14 trades each entered into by the Noticee were reversed on the same day with the same counterparties at a substantial price difference without there being any rationale. The summary of the dealings of the Noticee in 1 stock option contract, in which the Noticee allegedly executed the 14 trades during the investigation period is given as Table-1:

Table -1 Summary of the dealings of the Noticee in 2 stock option contracts

S. No.	Date	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	Total Vol 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.	06/04/2015	VOLT15APR260.00CEW2	15	280000	25.29	244000	718000	87.14	67.97

Source: Trade log provided by BSE

11. The abovementioned contract which resulted in 4 non-genuine trades creating artificial volumes may be understood through an illustration of the contract viz. "VOLT15APR260.00CEW2", *(Annexure- 2 may be referred for the details of the contract given below in the illustration*), which is as follows :-

(a) During the investigation period, in the said contract viz. "VOLT15APR260.00CEW2", the Noticee on 06/04/2015 has executed 14 trades for a total volume of 524000 units with counterparty, viz. N M Impex Private Limited.

(b) While dealing in the said contract on 06/04/2015, the Noticee at 14:01:37.075 hrs executed one buy trade for 280000 units at the rate of Rs.15 per unit with counterparty, N M Impex Private Limited. In 16 seconds after the aforementioned buy trade, the Noticee reversed the trade by executing 13 sell trades from 14:01:53.575900 hrs to 15:08:41.765436 hrs for 244000 units at the rate of Rs.25.29 per unit with the same counterparty.

(c) From the above, it is noted that while dealing in aforesaid contract (i.e VOLT15APR260.00CEW2) during the investigation period, the Noticee executed a total of 14 trades (1 buy trade and 13 sell trades). This made up to 67.97% of the total market volume for this contract during the investigation period.

12. Based on the above, it was alleged that the Noticee by indulging in execution of the aforesaid non-genuine reversal trades, had violated the provisions of Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) of the PFUTP Regulations, text of which is reproduced below:

PFUTP Regulations

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; ………

13. The Noticee had replied to the SCN, vide email dated January 18, 2022. The relevant submissions made by the Noticee from the reply letter are reproduced below:

Preliminary Submissions:

Delay in initiating proceedings

a) *The Noticee submits that the allegations framed in the SCN relate to the Illiquid Stock Options (ISO), which was more than six years ago. The SCN does not provide any explanation to justify the inordinate and unconscionable delay in initiation of proceedings against Noticee.*

Vague Show Cause Notice

b) *The so-called irregularities alleged in the SCN do not point to the facts or evidence on the basis of which such draconian conclusions were drawn by SEBI. It is respectfully submitted that in absence of a specific charge being spelt out with respect to the alleged non-compliance of the SEBI laws against the Noticee in alleged reversal trades, the SCN stands vitiated and is liable to be set aside. The SCN is silent as to how PFUTP Regulations/ LODR Regulations have been violated.*

Specific responses to the allegations

c) *The Noticee submits that that all the relevant documents relied upon by SEBI to initiate the instant proceedings in the matter of Illiquid Stock Options are not provided to the Noticee. The Noticee states that the trade data furnished in the SCN does not include unexecuted orders, modified orders and cancelled orders. Moreover, due to the delay in the issuance of the SCN and in the absence of the order logs, the Noticee is handicapped in as much as it does not remember the circumstance in which the trades were executed. The Noticee states that on account of not making available these orders data, call and voice logs, the analysis of data furnished would remain one sided, incomplete, incorrect, inconclusive and hence the answers to the charges could not be proper, complete thus resulting into violations of principles of natural justice.*

d) *In order to establish meeting of minds, one has to consider executed, non-executed (pending, modified, deleted) orders and executed within the so-called group and executed outside such group along with order placement. This trade data has not been made available to the Noticee.*

Creation of 'artificial' or 'reversal' trade is of no consequence in option segment of exchange and therefore the Noticees trades cannot be said to be non-genuine in any' manner whatsoever

e) *The Noticee submits that SEBI has alleged that Noticee transacted in `Illiquid options' on the basis that the trades were in far-off strike prices and therefore very few entities were trading in such strike rates. However, in that case, it may also be concluded that said trades could have had no effect on other investors or market at large and that such illiquidity would be reason for volatility and alleged 'reversal' transactions since variations in option price would be dramatic if the chosen strike price is thinly traded.*

f) *BSE and SEBI have themselves allowed and permitted trading in options for 'far months' with a strike price which are at large variance to current market price. It is pertinent to mention that stock exchanges regularly come out with list of illiquid scrips in cash segment. However, no such list is issued by exchanges or regulator for dealing in stock options contracts. Thus, to fasten the responsibility or allege a single entity that it traced in illiquid option is unwarranted and unfair.*

g) *BSE issued the Reversal Trade Prevention Check (RTPC) in the equity derivatives segment in March 2016. The Noticee craves leave to refer to and rely upon the BSE Ltd. circular no. 20151218-30, dated 18th December 2015 and circular no. 20160308-33, dated 08th March 2016.*

h) *Noticee traded in the stock market in ordinary course consequent to the bona fide trading in option segment. Thus, it is erroneous to allege that the trades created artificial volume on BSE. Going by the logic of SEBI if these were illiquid stock options, then any trade and transaction would look significant. In fact, the impugned trades constituted a miniscule percentage of overall trades. There was no major movement in price of underlying scrip which itself proves that the trades had no impact on market. Thus, the transactions neither distorted the equilibrium in market nor caused any loss or prejudice to investors.*

Element of Fraud Missing

i) *It is respectfully submitted that the requirement of 'intention' is a pre- requisite to prove 'fraud' for violation of PFUTP Regulations. The judicial precedents indisputably hold that fraud is a serious offence and, therefore, the standard of proof must be of a higher degree. SEBI has failed to establish as to how on a single day the alleged non-genuine trades of the Noticee lead to fraud.*

No evidentiary basis for alleging fraud

j) *Creation of 'artificial' or 'reversal' trade is of no consequence in option segment of exchange and therefore the Noticees trades cannot be said to be non-genuine in any' manner whatsoever*

No Connection/Collusion with Counter-Party entity

k) *SEBI has failed to demonstrate how the Noticee has acted in concert with the said counter party to defraud the market. The Noticee submits that it did not act in concert or in collusion with \anyone and nor were part of any group or connected with anyone for the purpose of influencing price and volume or for any manipulative activity as alleged or otherwise. Further, the SCN purports to establish some connivance between the Noticee and the counter party to the trade without showing the connection and it leading to violation of PFUTP.*

l) *It shall be appreciated that the information displayed on 'BOLT' with respect to alleged trades and trading history available in public domain, equally nurtures and meets with the requisition of investor wherein question of creation of artificial volume or misleading appearance does not arise at all.*

m) *Further, the reasons of trades being carried out at a substantial price difference and reversed with the same party are also genuine as the RDD issued by SEBI envisages such a situation and also warns the investors and traders against them as it accepts that these are bound to happen.*

n) *The Noticee clarifies that the Noticee's trades on one day, in stock options was in the nature of intra-day buy and sell during trading session. The Noticee had faith in his trading, member who was marketing a product approved by BSE (a recognized stock exchange). There was no reason why the Noticee would smell a fraud.*

BSE as first level regulator responsible for fraud in illiquid stock options.

o) *The Noticee states that there is suppressio veri and suggestio falsi in as much as there is no reference of SEBI's previous proceedings, diversion of cause of action, mid-way changes in regulatory philosophy and reasons thereof, non-recording of BSE's failures (some of which have been noted by SEBI itself in the orders.*

Reversal Trades not recognized as unlaw/illegal at the relevant time period

p) *The Noticee submits that the very fact that BSE subsequently introduced 'Reversal Trade Prevention Check' feature in its system, mean that at the relevant time, Trading Members were not aware of names of counter Trading Members and then they keyed-in orders of clients in the normal course as per their instructions.*

q) *The raison d'etre to consider intra-day trading as reversal is flawed and not admitted. The very fact that trading in Stock options was illiquid, mean same party in the first leg of transaction (buy) was likely to be a counterparty in the second leg (sale) and premium is bound to be outcome of dynamics - volatility, rationality / irrationality, liquidity / illiquidity. In reality market is inefficient, volatile, illogical and unstable. The desperate buyer who does not want to carry forward its position was bound to sell even at distress rate and book the loss.*

r) *There is no prohibition in law for the 'So called reversal of trades' as they are permissible trades, given the speculative element built in the first trade (or first leg of trade). Further every trade is a separate contract. In the very nature of intra-day trading, there has necessarily to be two orders / trades. The Noticee submits that at the relevant time when the Noticee executed the objectionable trades, there was no such thing as a `reversal trade' in existence. It was only after March, 2014 that the Reversal Trade Prevention Check ("RTPC") for the Stock Options segment of BSE came into existence and thereafter the phenomenon of reversal trades was recognized as illegal.*

Intermediaries responsible for Fraud of Illiquid Stock Options on BSE

s) *The Noticee states that the objectionable trades executed in the so-called illiquid stock options on BSE were initiated and executed by Trading Members/intermediary. The constituents were lured to invest in the scheme through SEBI and BSE registered intermediaries who at the relevant time convinced the clients to participate in such transactions and executed trades in the name and code of the constituents, like the Noticee. The number of purported reversal orders executed by* *the trading member in the Noticee's account were only 14 and the same originated from the mind of the trading member. The Noticee was under the impression that the transactions executed in the Noticee's account, by the trading member were within the four corners of the law. The Noticee acted in good faith based on the representations of the Trading Member. Pertinently, no objection till date has been taken by BSE for such trades. The Noticee made some profit by carrying out the trades and the same was disclosed in the Income Tax Return for the F.Y. 2015-16. The same model/practice was followed by all the trading members at the relevant time and the Noticee was one of such constituents for whom the trading member executed such transactions. The alleged violations are not an instance, but a market vide phenomenon. The trading member did not collect any margin from the Noticee, and no order placement proof of any nature has been referred to and relied upon by SEBI in the SCN while alleging the charges against the Noticee.*

t) The profile of the Noticee has not been taken into consideration. The Noticee does not understand the nitty gritties of the stock market let alone the intricacies involved in F&O trading.

Noticee cannot be penalized for the fraud of illiquid stock options on BSE.

u) The Noticee states that as a general rule of construction, the amended definition of dealing in securities as introduced by the SEBI (PFUTP) (Amendment) Act, 2018, the said definition among other substitutions introduced by the SEBI (PFUTP) (Amendment) Act, 2018 shall come into force form February 2019 and cannot be applicable to the objectionable trades of the Noticee which were executed back in 2015.

v) The Noticee is guided by the Hon'ble Supreme Court order in the matter of SEBI v Bhavesh Pabari wherein the court harmoniously interpreted Section 15J and observed that Section 15A never intended to limit the discretionary power of the AO rather it only prescribed minimum penalty and thus, technically allowed the AO to grant even the denomination of one rupee as a penalty.

w) The Noticee stated that at the outset one single transaction of the Noticee with a single counter party with whom no connection has been established whatsoever cannot be construed as violation of the PFUTP transactions, as more specifically set out in the captioned SCN. Further the Noticee states that SEBI has a power to levy lesser penalty than INR 5,00,000 (as contented in SEBI v. Bhavesh Pabari in Section 15HA of the SEBI Act 1992 or `Nil' penalty which is clarified in the matter of SEBI v. Bhavesh Pabari in Civil Appeal number 11311 of 2013 vide order dated 28th February 2019.

x) *The Noticee submitted that there he has not made any disproportionate gain or gained any unfair advantage, whether quantifiable or otherwise; that the Noticee has not caused any loss to any investor or group of investors as a result of its trades; that the Noticee is not a habitual or repetitive defaulter. In view of what is explained above, the Noticee submits that there was no any motive or any manipulative intention or lapse or wrongdoing on part of the Noticee as alleged or otherwise; that there was no mens rea or guilty intent reflected in Noticee's pattern of trading and conduct. The Noticee's trading were genuine and real, and it did not involve any market mischief. The Noticee therefore, requested for relief from the SCN proceedings.*

14. The Noticee’s submissions were taken into consideration. Subsequently, vide hearing Notice dated December 30, 2021 issued through SPAD and email, the Noticee was granted an opportunity of personal hearing on January 11, 2022.

15. The Noticee had engaged R V Legal- Advocates as the Authorized Representative (hereinafter referred to as “**AR**”). The AR vide email dated January 04, 2022 sought time to reply to the SCN and requested for adjournment of hearing. The Noticee/AR was granted another opportunity of hearing on January 21, 2022. The AR represented by Mr.Sumit Yadav, Advocate attended the hearing scheduled through video conference, which was an option given to the Noticees due to the Covid -19 pandemic situation. The AR of the Noticee, appeared for the hearing and reiterated the contentions in his reply dated January 18, 2022 and January 20, 2022. The AR further *interalia* submitted that the case proceedings were initiated with a delay of 6 years from the date of the alleged trades. The AR stated that the Noticee was an intra-day trader and that he was not aware of the counterparty to the alleged trades. The AR sought time to file additional submissions and was granted time till January 27, 2022 for the same. The AR made additional submissions vide email dated January 24, 2022. The relevant additional submissions made by the Noticee are reproduced as follows:

The Noticee in the captioned matter refers to and relies upon the below authorities:

a) Adjudicating officer's order dated 30th November 2021 in the matter of Abhideep Global Finance Private Limited (AGFPL) wherein a penalty of INR 3,00,000 (INR 3 Lacs) has been imposed on the AGFPL for its dealings in the Illiquid Stock Options as the trades of the Noticee pertained to a period prior to 8th September 2014 and the minimum penalty of INR 5,00,000 (INR Five Lacs) under 15HA was not applicable to such trades.

b) Further, this position of imposing a minimum penalty has been clarified by the Hon'ble Supreme Court vide its order dated 28th February 2019 in the matter of SEBI v. Bhavesh Pabari in Civil Appeal number 11311 of 2013, stating that "6. ...The explanation to Section 15- J of the SEBI Act added by Act No.7 of 2017, quoted above, has clarified and vested in the Adjudicating Officer a discretion under Section 15-J on the quantum of penalty to be imposed while adjudicating defaults under Sections 15-A to 15-HA.

c) Hence, it is prayed that the aforesaid orders may be considered while deciding the quantum of penalty in the case of the Noticee.

16. The submissions made by the Noticee and by the AR of the Noticee, have been taken into consideration. As the Noticee sought inspection of documents related to the matter, the Noticee was provided with the relevant part of the investigation report for inspection vide email dated March 11, 2022. The Noticee was granted time till March 15, 2022, to make additional written submissions, if any. However, no additional submissions were received from the Noticee in this regard.

D. CONSIDERATION OF ISSUES

17. I have taken into consideration the facts of the case, the material on record and the submissions made in the case. I now proceed to consider the issues that arise in this case.

18. The Noticee has contended that there is a gap of six and half years in issuing the SCN and that the delay in initiating the proceedings is inordinate. It may be noted, that the factors leading to the time taken for investigation and adjudication in the instant case, have been brought out in the introductory paragraphs of this order and is also a matter on record. I observe, that the period of alleged delay includes, the time taken for the investigation against the initial set of 59 entities, the subsequent set of 22 entities and finally the time taken to identify the entire universe of 14270 entities who had done similar violations in the market, following the principle of parity in initiation of enforcement action.

19. The time taken to initiate the current proceedings was also due to the Board having framed a Settlement Scheme, keeping it open in the first instance from August 01, 2020 to October 31, 2020 and further extending it to 31st December, 2020. In this connection, it is worth mentioning that since several entities did not go in for settlement. Finally, Adjudication proceedings were initiated against those 13,186 entities, who did not go in for settlement. Delay in these cases is merely owing to the huge number of entities involved in the matter. On merits of the contention of delay, I feel that the propensity for the violation exhibited by these many entities in the illiquid stock option segment of BSE at the relevant time, is such that, delay cannot by itself, be treated as a reason for vitiating the proceedings.

20. The Noticee interalia quoted judgements on period of limitation for issuing the SCN. I observe that, it is settled legal position that if a statute does not prescribe a period of limitation, then the action ought to be initiated within a reasonable period. On the issue of delay, the Supreme Court in the case of ***Adjudicating Officer, SEBI vs. Bhavesh Pabari (2019) SCC Online SC 294*** *held "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." Since the delay in the instant case, is justified on facts, I do not find that the proceedings stand vitiated.

21. On merits, the core issue that arises for consideration in the instant matter is whether the trading in illiquid stock options done by the Noticee during the Investigation Period was in violation of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations? If yes, whether the Noticee is liable for Monetary penalty to be levied under section 15HA of the SEBI Act or not and what should be the quantum of penalty.

22. I have brought out the details of the Noticee's trades in the contract in the table shown hereunder, culling out the relevant figures from the Trade log of the Noticee provided by BSE, (that was enclosed as Annexure II to the SCN), for analysis.

Table No.2 ***Summary of dealings of Noticee in contract VOLT15APR260.00CEW2***

S. No.	Date	Name of the client	Name of the counter party client	Trade Time (in hrs)	Order LM(Last traded) TIME	CP Order _LM TIME	Trade Rate (Rs.)	Order _LM rate	CP Order _LM rate	Trade quantity (qty) / Vol (no. of units)	Order _LM QTY	CP Order _LM OTY
1.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	14:01:53.575900	14:01:53.370958	14:01:53.575900	17	17.0	17.0	1000	1000	1000
2.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	15:06:11.928446	15:06:11.629343	15:06:11.928446	25.5	25.5	25.5	25000	25000	25000
3.	06/04/2015	SANJAY BANSAL	N M IMPEX PRIVATE LIMITED	14:01:37.075859	14:01:36.674831	14:01:37.075859	15	15.0	15.0	280000	280000	280000

4.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	14:02:00.976253	14:02:00.871203	14:02:00.976253	19.9	19.9	19.9	1000	1000	1000
5.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	14:02:22.877565	14:02:22.680607	14:02:22.877565	21.85	21.85	21.85	3000	3000	3000
6.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	15:06:37.329819	15:06:37.130901	15:06:37.329819	25.3	25.3	25.3	27000	27000	27000
7.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	15:08:41.765436	15:08:41.564416	15:08:41.765436	25.65	25.65	25.65	19000	19000	19000
8.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	15:07:13.534054	15:07:13.333071	15:07:13.534054	25.15	25.15	25.15	22000	22000	22000
9.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	15:07:01.933334	15:07:01.632329	15:07:01.933334	25.35	25.35	25.35	32000	32000	32000
10.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	15:07:54.936573	15:07:54.835633	15:07:54.936573	25.2	25.2	25.2	23000	23000	23000
11.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	15:06:47.132478	15:06:46.931462	15:06:47.132478	25.55	25.55	25.55	28000	28000	28000
12.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	15:08:06.037298	15:08:05.936197	15:08:06.037298	25.3	25.3	25.3	24000	24000	24000
13.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	15:06:25.929145	15:06:25.630201	15:06:25.929145	25.4	25.4	25.4	24000	24000	24000
14.	06/04/2015	N M IMPEX PRIVATE LIMITED	SANJAY BANSAL	15:08:26.064426	15:08:25.863506	15:08:26.064426	25.6	25.6	25.6	15000	15000	15000

Source: Trade log provided by BSE

23. I note from Table - 2 above, the following aspects of trading in the above contract:

a) The Noticee and the counterparty have placed their buy orders and sell orders exactly at the same time or within a difference of a few seconds that show synchronization of time even while placing the orders.
b) The Noticee on 06/04/2015 executed one buy trade at 14:01:37.075859 hrs and instantly reversed the buy trade in 16.5 seconds i.e.in less than 1 minute by executing thirteen sell trades from 14:01:53.575900 hrs to 15:08:41.765436 hrs with counterparty, N M Impex Private Limited. This indicates that the reversal of trades between the Noticee and the counterparty were synchronized.
c) The reverse trades executed between the Noticee and counterparty show that it did not intend to have a genuine change of rights of 244000 units, as the Noticee bought and then sold the same quantum of units to the same counterparty viz. N M Impex Private Limited.
d) The Noticee and the counterparty had placed identical buy and sell order rates and quantities, in all instances.
e) The Noticee executed one buy trade at the rate of Rs.15 and thirteen sell trades at an average rate of Rs. 25.29 with sell rates ranging from Rs. 17 to Rs. 25.65, reversing the trade with a difference in rate of Rs.10.29.
f) The Noticee had placed the buy trade for 280000 units and had placed thirteen sell trades for 244000 units, selling almost 87% of the units bought.
g) The Noticee by reversing the buy and sell trades, with a price difference of Rs. 10.29 for 244000 units had made a profit to the extent of Rs.25,10,760/.
h) I observe that the counterparty has made an equivalent loss and that such loss incurred by the counterparty was due to the high buy order rate followed by a low sell order rate placed within a minute.
i) Therefore, such trades are non-genuine trades executed by the Noticee in this contract that had led to the generation of artificial volume of 488000 units.

j) The trades of the Noticee in the contract had contributed to 67.97% of the market volume of the contract.

24. Therefore, I observe that both the limbs of the reversal transaction were synchronized time wise and were put with identical rate and quantity, that led to the execution of trades. The above aspects of the Noticee’s trades in the contract such as, the proximity in the time of the reversal of trades; no intention or possibility of change of rights of the units traded and above all the absence of rationale to justify the variation in the sell and buy price placed within 16 seconds, certainly go to show that these are non-genuine artificial trades. I note that in the contract traded, the reversal of trades by the Noticee, was done in each instance within a minute and was thereby synchronized.

25. Before I conclude, I see that the Noticee in his reply, had contended that it was erroneous to allege that the trades created artificial volume; the impugned trades constituted a miniscule percentage of overall trades; that there was no major movement in price of underlying scrip; that the said trades could have had no effect on other investors or market at large; the Noticee's trades on one day, in stock options was in the nature of intra-day buy and sell during trading session; that the number of purported reversal orders executed by the trading member in the Noticee's account were only 14 and the same originated from the mind of the trading member and that the Noticee does not understand the nitty gritties of the stock market.

26. The Noticee interalia submitted that the Noticee made some profit by carrying out the trades and the same was disclosed in the Income Tax Return for the F.Y. 2015-16; that one single transaction of the Noticee with a single counter party with whom

no connection has been established whatsoever cannot be construed as violation of the PFUTP; that the Noticee has not made any disproportionate gain or gained any unfair advantage; that the Noticee has not caused any loss to any investor or group of investors as a result of its trades; that the Noticee is not a habitual or repetitive defaulter. The Noticee submitted that there was not any motive or any manipulative intention or lapse or wrongdoing on part of the Noticee as alleged; that there was no mens rea or guilty intent reflected in Noticee's pattern of trading and conduct. The Noticee's trading were genuine and real, and it did not involve any market mischief. The Noticee referred to SEBI Adjudicating Officer's Order dated 30th November 2021 in the matter of Abhideep Global Finance Private Limited (AGFPL) wherein a penalty of INR 3,00,000 (INR 3 Lacs) was levied. The Noticee prayed referring to relevant orders that the Adjudicating Officer by discretion has a power to levy lesser penalty than INR 5,00,000.

27. In my view, the Noticee is not disputing the execution of trades. The Noticee is rather putting forth the defence that his trades do not partake the character of a fraudulent trade. These aspects have been elaborately considered in para Nos. 22 and 23 herein above and do not merit separate consideration. I observe that the trades placed by the Noticee were in 2015 and consideration of the judgement in the matter of AGFPL, cannot be applied in this case. Further, I note that all 14 trades executed between the Noticee and counterparty were repetitively matching in terms of time, quantity and rates placed, which cannot be a mere market coincidence. The nature of the trades executed by the Noticee indicates prior meeting of minds. Therefore, these repetitive trades executed by the Noticee, are not indicative of normal market trades and are non-genuine, generating artificial volumes in the stock option segment of BSE.

28. The trades of the Noticee, could not have resulted in change of rights in the contract, as the reversal of trades were with the same counterparty. The trades ex facie appear to be pre-meditated to book profits for the Noticee and for the counterparty to bear losses in both the contracts. The non-genuine trades executed by the Noticee, therefore is a manipulative act of contributing to merely generating an artificial volume in the stock options segment of BSE and a violation of SEBI (PFUTP) Regulations.

29. In this context, it is relevant to quote the judgment of the Hon'ble Supreme Court in the matter of **Rakhi Trading (SEBI Vs. Rakhi Trading- CANo.1969/2011, Order dated February 8, 2018)**

*"**1**. Fairness, integrity and transparency are the hallmarks of the stock market in India"*.

Their Lordships have considered similar transactions in the same segment.

"35. … *Nobody intentionally trades for loss. An intentional trading for loss per se, is not a genuine dealing in securities. The platform of the stock exchange has been used for a non-genuine trade. Trading is always with the aim to make profits. But if one party consistently make loss and that too in pre-planned and rapid reverse trades, it is not genuine; it is an unfair trade practice."*

"37. ... *even in the derivative segment there is a change of rights in a contract. In the instant case, through reverse trades, there was no genuine change of rights in the contract...*."

*"**38.** ….The repeated reversals and predetermined arrangement to book profits and losses respectively, made it clear that the parties were not trading in the normal sense and ordinary course. Resultantly, there has clearly been a restriction on the free and fair operation of market forces in the instant case."*

*"**41** …. 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." (***Paragraph Nos. 1,35,37,38 and 41** of the part of the judgement authored by His Lordship Mr.Justice Kurian Joseph*).*

*"**38.** The smooth operation of the securities market and its healthy growth and development depends upon large extent on the quality and integrity of the market. Unfair trade practices affect the integrity and efficiency of the securities market and the confidence of the investors. Prevention of market abuse and preservation of market integrity are the hallmark of securities law…" (***Paragraph No.38** of the part of the judgment authored by Her Ladyship Ms. Justice R. Bhanumathi). *For this, the Hon'ble Judge also relied on the apex court observations in N.Narayanan Vs. Adjudicating Officer, Securities and Exchange Board of India(2013) 12 SCC 152 wherein it was inter alia observed: "Market abuse" impairs economic growth and erodes investor's confidence."*

*"**42**. Where certain unscrupulous elements are trying to manipulate the market to serve their own interest, it becomes imperative on the part of SEBI to intervene and to curb further mischief and to take necessary action to maintain public*

*confidence in the integrity of the securities market…" (***Paragraph No.42** of the part of the judgment authored by Her Ladyship Ms. Justice R. Bhanumathi).

30. Finally, to answer the question as to whether these trades fall within the ambit of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations, I would like to rely on the following extract of the judgment of the Hon'ble Supreme Court in the matter of **Rakhi Trading**:

"**39.** *Regulation 2(1)(c) defines fraud. Under Regulation 2(1)(c)(2) a suggestion as to a fact which is not true while he does not believe it to be true is fraud. Under Regulation 2(1)(c)(7), a deceptive behavior of one depriving another of informed consent or full participation is fraud. And under Regulation 2(1)(c)(8), a false statement without any reasonable ground for believing it to be true is also fraud. In synchronized and reverse dealing in securities, with predetermined arrangement to book loss or gain between pre-arranged parties, all these vices are attracted.*

***40.** Regulation 3(a)expressly prohibits buying, selling or otherwise dealing in securities in a fraudulent manner. Under Regulation 4(2) dealing in securities shall be deemed to be fraudulent if the trader indulges in an act which creates a false or misleading appearance of trading in the securities market. It is a deeming provision. Such trading also involves an act amounting to manipulation of the price of the security in the sense that the price has been artificially and apparently prefixed. The price does not at all reflect the value of the underlying asset. It is also a transaction in securities entered into without any intention of performing it and without any intention of effecting a change of ownership of such securities, ownership being understood in the limited sense of the rights of the contract." (per His Lordship Mr.Justice Kurian Joseph's findings in paragraph Nos. **39&40**).*

31. The Hon'ble Appellate Tribunal has summarised the circumstances identified by the Apex court in **Rakhi Trading Judgment** in the case of **Global Earth Properties and Developers Pvt. Ltd. Vs Securities and Exchange Board of India (Appeal No.212 of 2020 decided on September 14, 2020).** In para 14 of the said order, the Hon'ble SAT enlisted the following circumstances:

> *"**14 e.** In synchronised and reverse trades, there is no genuine change of rights in the contract."*

32. Further in paragraph No. 20 of the said order in **Global Earth (supra),** the Hon'ble Tribunal held as below:

> *"**20.** From the aforesaid cumulative analysis of the reversed transactions with the counter party, quantity, time and significant variation of the price clearly indicates that the trades were non-genuine and had only misleading appearance of trading in the securities market without intending to transfer the beneficial ownership. One finds it to be naïve to presume that the perception of the two counter parties to a trade changed within few seconds/minutes and positions were interchanged and the contracts were changed where one party made profit and the other party ended up making losses every time without prior meeting of mind. 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. From the above position in law and facts, it follows that the Noticee’s transactions in question falls within the mischief of unfair and fraudulent or manipulative trade practice, as contemplated in the SEBI (PFUTP) Regulations. Hence, I am inclined to impose monetary penalty on the Noticee.

34. From the facts of the matter and the legal position laid down by the Hon’ble Supreme Court, I find that the subject trades are non-genuine and artificial. On being convinced of the generation of artificial volumes in the market by the Noticee, I am of the view that a penalty ought to be imposed on the Noticee which is commensurate to the violation. I find that a penalty of Rs. 5,00,000/- (Rupees Five Lakh only), being the statutory minimum penalty prescribed for PFUTP under section 15 HA, is appropriate in the instant case.

E. ORDER

35. Therefore, in exercise of powers conferred upon me under Section 15-I (2) of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby impose a penalty of Rs. 5,00,000/- (Rupees Five Lakhs only) upon the Noticee i.e., Sanjay Bansal (PAN: AMOPB5850H) under Section 15HA of the SEBI Act for violation of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations.

36. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favor of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, or through online payment facility

available on the SEBI website **www.sebi.gov.in** on the following path by clicking on the payment link.

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

In case further assistance would be required in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

37. The Noticee shall forward the said demand draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-I, SEBI, in the format given in table below:

Case name	
Name of payee	
Date of payment	
Amount paid	
Transaction no	
Bank details in which payment is made	
Payment is made for	Penalty

38. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: March 21, 2022 **GEETHA G**

Place: Mumbai **ADJUDICATING OFFICER**