BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/JS/RJ/2025-26/31801]

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

In respect of:
Abhijit Mangaldas Shanghavi
PAN: ALWPS8086M
In the matter of dealing in Illiquid Stocks Options on BSE

BACKGORUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**"), observed large scale reversal of trades in the Illiquid Stock Options (hereinafter also referred to as "**ISO**") at BSE Ltd. (hereinafter referred to as "**BSE**") leading to creation of artificial volume. In view of the same, SEBI conducted an investigation into the trading activities of certain entities in ISO at BSE for the period from April 1, 2014 to September 30, 2015 (hereinafter referred to as **"IP**").

2. Investigation by SEBI revealed that during the IP, a total of 2,91,643 trades comprising 81.38% of all the trades executed in stock options segment of BSE were trades involving reversal of buy and sell positions by the clients and counterparties in a contract. In these trades, entities reversed their buy or sell position in a contract with subsequent sell or buy position with the same counter party. These reversal trades were alleged to be non-genuine as they lacked basic trading rationale and allegedly lead to false or misleading appearance of trading leading to creation of artificial volume in those contracts. In view of the same, such reversal trades were alleged to be deceptive and manipulative in nature.

3. During the IP, 14,720 entities were found to have executed non-genuine trades in BSE's stock options segment. It was observed that Abhijit Mangaldas Shanghavi (hereinafter referred to as the **"Noticee"**) was one of the entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. His trades were alleged to be non-genuine in nature which created false or misleading appearance of trading in terms of artificial volumes in stock options. Therefore, his trades were alleged to be manipulative and 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**").

APPOINTMENT OF ADJUDICATING OFFICER

4. Pursuant to transfer to the cases from erstwhile Adjudicating Officer (hereinafter referred to as "**AO**"), the undersigned was appointed as AO in the matter vide order dated April 04, 2025, 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 SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Rules"**), to inquiry into and adjudge under the provisions of section 15HA of the SEBI Act for the alleged violations by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice dated May 24, 2021 (hereinafter referred to as "**SCN**") was served to the Noticee under rule 4(1) of Rules to show cause as to why an inquiry should not be held and penalty, if any, should not be imposed upon him for the alleged violations of the provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations.

6. It was alleged in the SCN that the Noticee had executed trade reversals through 16 non-genuine trades in 6 stock options contracts creating artificial volume of 8,07,000 units. Summary of the dealings of Noticee in one of the said six options

contracts, in which the Noticee allegedly executed non-genuine reversal trades during the IP, is as follows:

Table No. 1

Contract name	**Avg. buy rate (₹)**	**Total buy volume (no. of units)**	**Avg. sell rate (₹)**	**Total sell volume (no. of units)**	**% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract**	**% of Artificial volume generated by the Noticee in the contract to Total volume in the contract**
A	**B**	**C**	**D**	**E**	**F**	**G**
IDFC15MAR175.00CE	2.3	72,000	0.2	72,000	100%	18.18%

7. The aforesaid reversal trade is illustrated through the dealings of the Noticee in one contract, viz., 'IDFC15MAR175.00CE' during the IP as follows:
   (a) During the IP, 2 trades for 144,000 units were executed by the Noticee in the said contract on March 11, 2015;
   (b) While dealing in the said contract on March 11, 2015, at 13:28:09 hours, Noticee entered into a sell trade with the counterparty 'Sri Prakash Mantri HUF' for 72,000 units at Rs. 0.2 per unit. At 14:06:12 hours, Noticee entered into a buy trade with the same counterparty for 72,000 units at Rs. 2.3/- per unit;
   (c) The Noticee's two trades while dealing in the abovementioned contract during the IP generated artificial volume of 144,000 units, which constituted 18.18% of total market volume in the said contract during the IP;
   (d) The Noticee executed buy and sell trades with a significant price difference of Rs. 2.1/- within a short span of time.

8. The SCN was duly served upon the Noticee through email. Noticee vide email dated June 10, 2021 requested for further time to submit reply to the SCN. The request of the Noticee was acceded to and he was granted time till July 30, 2021 to submit reply to the SCN. Thereafter, vide email dated July 30, 2021, Noticee requested for further time to submit reply.

9. Vide Post SCN Intimation (hereinafter referred to as **"PSI"**) dated August 03, 2022, Noticee was informed that SEBI had introduced a Settlement Scheme, i.e., SEBI Settlement Scheme, 2022 (hereinafter referred to as "**Settlement Scheme 2022**") in terms of regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as "**Settlement Regulations**"). It was informed that the Settlement Scheme 2022 provides a one-time opportunity to the entities against whom proceedings were initiated and appeals against the said proceedings were pending. The scheme commenced from August 22, 2022 and was to be closed on November 21, 2022. The PSI was served to the Noticee through SPAD and email.

10. Subsequently, 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*".

11. However, the Noticee did not avail the Settlement Scheme 2022. Therefore, the adjudication proceedings against him were resumed. Accordingly, vide notice of hearing dated April 13, 2023, Noticee was granted an opportunity of hearing on April 23, 2023.

12. Vide letter dated April 20, 2023, Noticee replied to the SCN and made the following submissions:
    (a) It was observed during the investigation that a large number of trades executed out of total trades executed in the stock options segment at the BSE during the investigation period were reversal trades between the clients and the counterparties in a contract on the same day. It was observed that Noticee was one such client whose reversal trades involved squaring off open positions with significant price difference without any basis for such change in the contract price. The same allegedly resulted into generation of artificial

volumes, leading to allegations that the Noticee had violated some of the provisions of regulations of PFUTP Regulations.

(b) The factual aspect in proper angle to the extent of genuinity about the dealing of Noticee by participating in the process not questionable. That no-where it was found from the evidence that Noticee voluntarily and intentionally violated any provision of law if any such incident happened, it is the finding of the adjudicating process, however when the issue already been tested and the authority came to the final conclusion the Noticee is duty bound to obey the direction of the court of law passed time to time regarding the issues but it is open to the SEBI to settle the matter by considering the factual aspect and the involved amount during impugned trade.

(c) Noticee participated in the stock auction process and total purchased value was Rs. 1,65,600/- and sale value was 14,400/- so Noticee lost Rs. 1,51,200/-. So question of penalty fixed by following the scheme should be determined in a different angle by considering the money involved in the said trade.

(d) Noticee is interested to achieve the settlement scheme but not in a position to pay Rs. 1,00,000/- which is appearing in the notice issued by AO and AO is requested to waive the penalty considering that Noticee did not make any profit and suffered huge lose from that trade stated above or by imposing affordable amount (between Rs. 10 to 20 thousand) by treating Noticee as exempted category by reviewing the decision so that Noticee can settle the issue amicably without interference any court of law.

13. On April 28, 2023, Noticee along with his authorised representative (hereinafter referred to as **"AR"**), Mr. Mani Sankar Chattopadhyay appeared for the hearing through video-conferencing and reiterated the submissions made by the Noticee vide letter dated April 20, 2023.

14. Subsequently, a second PSI dated March 06, 2024 was issued to the Noticee, wherein it was informed that SEBI introduced another Settlement Scheme, i.e., SEBI Settlement Scheme, 2024 (hereinafter referred to as "**Settlement Scheme**

2024") in terms of regulation 26 of Settlement Regulations. It was informed to the Noticee that the Settlement Scheme 2024 provided an opportunity to the entities against whom proceedings were initiated and appeals against the said proceedings were pending. The applicable period of the scheme was from March 11, 2024 to May 10, 2024. The second PSI was served to the Noticee through SPAD and email. The Settlement Scheme 2024 was extended till June 10, 2024 by SEBI.

15. It was observed that Noticee did not avail the Settlement Scheme 2024, therefore, the adjudication proceedings against him were resumed. Accordingly, vide notice of email dated February 05, 2025, Noticee was granted opportunity of submitting further reply by erstwhile AO until March 10, 2025, however, he did not avail the said opportunity. In response, Noticee, vide email dated February 06, 2025, reiterated his earlier submission.

16. Pursuant to appointment of the undersigned as AO, vide notice of hearing dated July 11, 2025, Noticee was granted a fresh opportunity of hearing on August 04, 2025. Vide email dated July 14, 2025, Noticee submitted the following:

    (a) I have communicated by email to you several times as per your notice sent to me from time to time through my advocate representative Mr. Manisankar Chattopadhyay and also appeared for video conference adjudication. My representative advocate high court Mr. Manisankar Chattopadhyay has made clear that Abhijit Shanghavi should not be penalised for the fraud committed by their broker. They have done fraud and duped us by making losses instead of giving us profit as per their commitment and guarantee. Many such frauds are being done recently. I have nothing more to say than what I have already pleaded before. I hope you will take my case sympathetically and relieve me of the fines.

17. On August 04, 2025, Noticee appeared for the hearing through video-conferencing and reiterated the submissions made by the Noticee vide letter dated April 20, 2023 and email dated February 06, 2025.

CONSIDERATION OF ISSUES AND FINDINGS

18. I have perused the allegations levelled against the Noticee in the SCN, his reply, submissions made during personal hearing and the material available on record. In the instant matter, the following issues arise for consideration and determination:
    I. Whether the Noticee violated regulations 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations?
    II. Do the violations, if any, on part of the Noticee attract monetary penalty under section 15HA of SEBI Act?
    III. 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?

19. Before proceeding further, it is pertinent to refer to the relevant provisions of PFUTP Regulations which are alleged to have been violated by the Noticee, as under:

"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 recognised 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 recognised 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 recognised stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder."

"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;"*

Issue No. 1: Whether the Noticee violated provisions of regulations 3(a), (b), (c), (d) and regulation 4(1) and 4(2)(a) of PFUTP Regulations?

20. I note that it was alleged in the SCN that the Noticee, while dealing in the stock options contract at BSE during the IP, had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock options contracts at BSE. The said reversal trades were alleged to be non-genuine trades as they were 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, were deceptive and manipulative.

21. From the documents on record, I note that the Noticee was one of the entities who had indulged in creating artificial volume of 8,07,000 units through 16 non-genuine trades in six stock options contracts during the IP. The summary of trades is given below:

Table No. 2

Contract name	Avg. buy rate (in Rs.)	Total buy volume (no. of units)	Avg. sell rate (in Rs.)	Total sell volume (no. of units)	% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract	% of Artificial volume generated by the Noticee in the contract to Total volume in the contract
A	B	C	D	E	F	G
AMBC15MAR260.00PE	5.4	88000	2	88000	100	7.99
AMBC15MAR270.00CE	4.1	128000	0.2	128000	100	100
BHEL15APR250.00CE	5.8	100000	4.3	100000	100	100

GRSM15APR3650.00CE	130	10500	73.1	10500	100	8.5
GRSM15APR3800.00CE	33	5000	53	5000	100	2.72
IDFC15MAR175.00CE	2.3	72000	0.2	72000	100	18.18

22. The relevant details regarding the 6 stock options contracts as mentioned in table no. 2 is provided as under:

(a) On March 10, 2015, the Noticee, at 13:42:35 hours, entered into a sell trade in a contract, viz., 'AMBC15MAR260.00PE' with counterparty 'Sandeep Agarwal' for 88,000 units at Rs. 2/- per unit. On the same day, at 13:42:39 hours, Noticee entered into a buy trade of same contract with the same counterparty, for 88,000 units at Rs. 5.4/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of two trades (one buy trade and one sell trade) with same counterparty, viz., 'Sandeep Agarwal' on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's two trades while dealing in the aforesaid contract during the IP generated artificial volume of 176,000 units, which made up 7.99% of total market volume in the said contract during this period. Further, the artificial volume generated by the Noticee in the said contract made up to 100% of his total volume in the contract during the IP.

(b) On March 10, 2015, the Noticee, at 13:44:31 hours, entered into a sell trade in a contract, viz., 'AMBC15MAR270.00CE' with counterparties 'Castle Metals Private Limited' and 'Manik Sagar Jain' for 128,000 units at Rs. 0.2/- per unit. On the same day, at 13:44:36 hours, Noticee entered into a buy trade of same contract with the same counterparties, for 128,000 units at Rs. 4.1/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of four trades (two buy trades and two sell trades) with same counterparties, viz., 'Castle Metals Private Limited' and 'Manik Sagar Jain' on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's four trades while dealing in the aforesaid contract during the IP generated artificial volume of 256,000 units, which made up 100% of total market volume in the said contract during this period. Further, the artificial volume generated by the Noticee in the said contract made up to 100% of his total volume in the contract during the IP.

(c) On March 31, 2015, the Noticee, at 11:58:26 hours, entered into a sell trade in a contract, viz., 'BHEL15APR250.00CE' with counterparty 'Naren Agarwal' for 50,000 units at Rs. 0.6/- per unit. On the same day, at 11:58:31 hours, Noticee entered into a buy trade of same contract with the same counterparty, for 50,000 units at Rs. 5.6/- per unit. Thereafter, at 11:59:33 hours, Noticee again entered into a sell trade with the same counterparty for 50,000 units at Rs. 8/- per unit. On the same day, at 11:59:39 hours, Noticee entered into a buy trade of same contract with the same counterparty, for 50,000 units at Rs. 6/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of four trades (two buy trades and two sell trades) with same counterparty, viz., 'Naren Agarwal' on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's four trades while dealing in the aforesaid contract during the IP generated artificial volume of 200,000 units, which made up 100% of total market volume in the said contract during this period. Further, the artificial volume generated by the Noticee in the said contract made up to 100% of his total volume in the contract during the IP.

(d) On March 24, 2015, the Noticee, at 15:11:50 hours, entered into a buy trade in a contract, viz., 'GRSM15APR3650.00CE' with counterparty 'Horizen Commodities Dealaer Private Limited' for 10,500 units at Rs. 130/- per unit. On the same day, at 15:22:02 hours, Noticee entered into a sell trade of same contract with the same counterparty, for 10,500 units at Rs. 73.1/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of two trades (one buy trade and one sell trade) with same counterparty, viz., Horizen Commodities Dealaer Private Limited' on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's two trades while dealing in the aforesaid contract during the IP generated artificial volume of 21,000 units, which made up 8.5% of total market volume in the said contract during this period. Further, the artificial volume generated by the Noticee in the said contract made up to 100% of his total volume in the contract during the IP.

(e) On March 24, 2015, the Noticee, at 15:24:28 hours, entered into a buy trade in a contract, viz., 'GRSM15APR3800.00CE' with counterparty 'Cosmic Information and Technology Ltd.' for 5,000 units at Rs. 33/- per unit. On the same day, at 15:24:33 hours, Noticee entered into a sell trade of same contract with the same counterparty, for 5,000 units at Rs. 53/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of two trades (one buy trade and one sell trade) with same counterparty, viz., 'Cosmic Information and Technology Ltd.' on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's two trades while dealing in the aforesaid contract during the IP generated artificial volume of 10,000 units, which made up 2.72% of total market volume in the said contract during this period. Further, the artificial volume generated by the Noticee in the said contract made up to 100% of his total volume in the contract during the IP.

(f) On March 11, 2015, the Noticee, at 13:28:09 hours, entered into a sell trade in a contract, viz., 'IDFC15MAR175.00CE' with counterparty 'Sri Prakash Mantri HUF ' for 72,000 units at Rs. 0.2/- per unit. On the same day, at 14:06:12 hours, Noticee entered into a buy trade of same contract with the same counterparty, for 72,000 units at Rs. 2.3/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of two trades (one buy trade and one sell trade) with same counterparty, viz., 'Sri Prakash Mantri HUF' on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's two trades while dealing in the aforesaid contract during the IP generated artificial volume of 144,000 units, which made up 18.18% of total market volume in the said contract during this period. Further, the artificial volume generated by the Noticee in the said contract made up to 100% of his total volume in the contract during the IP. Hence, Noticee's contention that his trades were insignificant is not acceptable.

23. In this regard, reference is drawn to 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), wherein it was held that:

"….Orchestrated trades are a misuse of the market mechanism. It is playing the market and it affects the market integrity.

…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."

24. In view of the aforesaid, it is noted that the reversal trades affect the price discovery system and have an adverse impact on the fairness, integrity and transparency of the stock market.

25. Noticee submitted that he should not be penalised for the fraud committed by his stock broker. In this regard, it is noted that Noticee has not furnished any evidence in support of his claim. Further, it is noted that the responsibility of ensuring the genuineness of trades rests with the Noticee. The Noticee is expected to act with due diligence and cannot shift responsibility for his own trading decisions on the stock broker. Furthermore, I note that Noticee neither disputed / objected to the said trades nor he took any action against his stock broker for the said reversal trades. This indicates that he was well aware of the said trades and also gave his consent for the same, hence, he is responsible for the said trades. In view of the above, the contentions of the Noticee are not tenable.

26. Noticee has contended that he had suffered losses in the said transactions and his losses should be considered while imposing the penalty. In this regard, I note that the non-genuineness of the 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 significant price difference on the same day, within a short span of time which ranged from few second to few minutes. The fact that the transactions in a particular contract were reversed with the same counterparty 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 contracts, there was negligible trading in the said contracts and hence, there was no price discovery in the strictest terms. The wide variation in price 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 counterparties in the stock options segment of BSE and the same were non-genuine trades.

27. I further note that it is not a mere coincidence that the Noticee could match his trades with the same counterparty with whom he 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. It is further noted that direct evidence is not forthcoming in the present matter as regards meeting of minds or collusion with other entities, *inter alia*, the counterparties or agents/fronts. However, trading behaviour as noted above makes it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level.

28. Here, I would like to rely on the following judgement of Hon'ble Supreme Court in the matter of *SEBI v. Kishore R Ajmera* (AIR 2016 SC 1079), 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.*

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."

29. Therefore, applying the ratio of the above judgment, it is observed 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 prices. The only reason for the wide variation in price of the same contract, within a short span of time is a clear indication that there was pre-determination of the prices by the counterparties. 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 his counterparty to carry out the trades at pre-determined prices.

30. It is also relevant to refer to judgement of the Hon'ble Securities Appellate Tribunal in the matter of *Ketan Parekh v. SEBI* (Appeal No. 2 of 2004), wherein it was held as follows:

"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. In this regard, further reliance is placed on 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 on similar factual circumstances, which, *inter alia,* stated as under:

    "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. 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 contract. In view of the above, I find that the allegation of violation of regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) of PFUTP Regulations by the Noticee stands established.

Issue No. 2: Do the violations, if any, on part of the Noticee attract monetary penalty under section 15HA of SEBI Act?

33. In the findings made in foregoing paragraphs, it has been established that the Noticee executed non-genuine reversal trades, which created false and misleading appearance of trading, thereby generated artificial volumes in the stock options segment of BSE during the IP, therefore, Noticee violated the provisions of regulations 3(a), (b), (c) and (d) and regulation 4(1) and 4(2)(a) of the PFUTP Regulations.

34. Therefore, considering the above findings and the judgement of Hon'ble Supreme Court in the matter of *SEBI v. Shriram Mutual Fund* ([2006] 68 SCL 216 (SC)) decided on May 23, 2006, wherein it was 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. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.",* I am convinced that it is a fit case for imposition of monetary penalty under the provisions of section 15HA 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 No. 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?

35. While determining the quantum of penalty under section 15HA of the SEBI Act, the following factors as stipulated in section 15J of the SEBI Act are taken into account-

"Factors to be taken into account while adjudging quantum of penalty.

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."

36. As established above, the trades by the Noticee were non-genuine in nature and created a misleading appearance of trading in the aforesaid contract. I note that when the impact of artificial volume created by the two counterparties is seen as a whole, it is not possible, from the material on record, to quantify the amount of disproportionate gain or unfair advantage resulting from the artificial trades between the counter parties or the consequent loss caused to investors as a result of the default. Further, the material available on record does not demonstrate any repetitive default on the part of the Noticee. However, considering that the 16 non-genuine trades entered by the Noticee in six options contracts led to creation of artificial trading volumes which had the effect of distorting the market mechanism in the stock options segment of BSE, I find that the aforesaid violations were detrimental to the integrity of securities market and therefore, the quantum of penalty must be commensurate with the serious nature of the aforesaid violations.

ORDER

37. Taking into account the facts and circumstances of the case, material available on record, submissions of the Noticee, findings hereinabove and factors mentioned in section 15J of the SEBI Act, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose monetary penalty of Rs. 6,00,000/- (Rupees Six Lakh only) on the Noticee (Abhijit Mangaldas Shanghavi) under section 15HA of SEBI Act for the violation of regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) of PFUTP Regulations. I am of the view that the said penalty is commensurate with the violations committed by Noticee.

38. The Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order in either of the way, such as by following the path at SEBI website www.sebi.gov.in:

ENFORCEMENT >Orders >Orders of AO> PAYNOW

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

40. In terms of the provisions of rule 6 of the Rules, a copy of this order is being sent to the Noticee and to SEBI.

JAI SEBASTIAN

Digitally signed by JAI SEBASTIAN
Date: 2025.11.25 16:24:42 +05'30'

Place: Mumbai | **JAI SEBASTIAN**
Date: November 25, 2025 | **ADJUDICATING OFFICER**