BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/GG/VV/2021-22/ 15668

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:

SANJANA GUPTA

(PAN: AARPG3003C)

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, Sanjana Gupta (PAN: AARPG3003C) (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 01, 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 12 reversal trades through 6 unique contracts with 4 counterparties viz. South Delhi Promotors Limited, Xion Gems & Jewellers Private Limited, J. B. Overseas and Kundan Care Products Limited on 6 days viz.01/06/2015, 05/06/2015, 19/06/2015, 03/08/2015, 05/08/2015 and 06/08/2015 which led to the generation of artificial volume of 5,80,000 units. The 12 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.

11. The summary of the dealings of the Noticee in 6 stock option contracts, in which the Noticee allegedly executed the 12 trades during the investigation period is given as Table No.1.

Table No.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.	01/06/2015	DIVI15JUL1620.00PE	10	5000	29	5000	220000	100	4.55
2.	05/06/2015	RCAP15AUG430.00CE	4	25000	8	25000	144000	100	34.72
3.	19/06/2015	CIPL15JUL520.00PE	2	25000	5	25000	50000	100	100
4.	03/08/2015	MIND15SEP1170.00PE	8.25	15000	15	15000	118000	100	25.42
5.	05/08/2015	APLT15SEP185.00PE	0.4	50000	1.9	50000	692000	100	14.45
6.	06/08/2015	ALBK15SEP70.00PE	0.25	170000	1.2	170000	340000	100	100

Source: Trade log provided by BSE

12. The abovementioned 6 contracts which resulted in 12 reversal trades creating artificial volumes is elaborated through an illustration of one of the contract viz. "ALBK15SEP70.00PE" (Serial.no. 2 of Table -1 given above) which is as follows :- (Annexure- 2 may be referred for the details of the contract given below in the illustration)

    a) During the investigation period, in the said contract viz. "ALBK15SEP70.00PE", the Noticee on 06/08/2015 has executed 2 trades for a total volume of 340000 units with counterparty, viz. J.B.Overseas.

    b) While dealing in the said contract on 06/08/2015, the Noticee executed one buy trade at 13:35:20.78 hrs for 170000 units at the rate of Rs. 0.25 per unit with counterparty, J.B.Overseas. In 5 seconds after the aforementioned buy trade, the Noticee reversed the trades by executing one sell trade at 13:35:25.89 hrs for 170000 units at the rate of Rs.1.2 per unit with the same counterparty.

c) From the above, it is noted that while dealing in aforesaid contract (ALBK15SEP70.00PE") during the investigation period, the Noticee executed a total of 2 trades (1 buy trade and 1 sell trade). This made up to 100% of the total market volume for this contract during the investigation period. Likewise, in the contracts shown at S.no.2 to 6 of Table.1 of para 6, the Noticee has executed 2 reversal trades, which constituted 4.09% of market volume.

13. 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; ………

14. The Noticee had not replied to the SCN, within the 14 days' time granted to the submit a reply. Subsequently, vide Hearing Notice dated December 16, 2021 issued through SPAD and email, the Noticee was granted an opportunity of personal hearing on December 23, 2021. The Noticee replied vide email dated December 22, 2021, subsequent to the issuance of Hearing Notice, interalia submitting that the information provided in the SCN was not sufficient to provide a comprehensive reply; and that the Noticee has approached concerned authorities i.e BSE and Stock broker to get necessary information. The Noticee requested for 4 weeks' further to submit the reply and requested for postponement of hearing.

15. The Noticee vide Hearing Notice dated December 29, 2021 issued through SPAD and email, was granted a second opportunity of personal hearing on January 06, 2022. The Noticee vide email dated January 06, 2022 had sought adjournment of hearing. The Noticee was granted a third opportunity of Hearing on January 17, 2022, vide email dated January 06, 2022. However, vide email dated January 14, 2022 it was informed by INMACS law office that the Noticee had engaged them to file replies to the SCN and also sought adjournment of hearing on the ground that the senior counsel was affected by the Covid - 19 virus and was unable to resume duties.

16. The Noticee vide Hearing Notice dated February 09, 2022 issued through SPAD and email, was granted a fourth opportunity of personal hearing on February 24, 2022. The Noticee vide letter and email dated February 21, 2022 submitted the reply to the SCN along with Annexures. The Noticee replied vide letter and email dated February 19, 2022, interalia making the following relevant submissions:

a. *The alleged transactions in the SCN, being absolutely against the integrity and values of the Noticee, were not undertaken by the Noticee;*
b. *that the show cause notice is barred by limitation… the impugned SCN have been issued to the Noticee on 1st December, 2021 thereby a period of over 6 years have elapsed crossing the limitation period;*
c. *the SEBI PFUTP Regulations were amended by way of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 to be applicable with effect from February 01, 2019, before which date the said SEBI PFUTP Regulations were only applicable to persons listed in Section 12 of the SEBI Act, 1992; the PFUPT regulations itself did not apply to investor and applied only to intermediaries or persons listed in Section 12; the present show cause notice is trying to penalize the Noticee for violation of a law which was not in force at the time of the alleged transaction;*
d. *SEBI and has failed to protect the interest of the investors and has not charged the Broker nor the Stock Exchange for their alleged dealings in securities;*
e. *the Noticee is a mere bonafide small investor, who neither is an intermediary nor a person associated with stock exchanges, nor a company;*
f. *the noticee has not undertaken any of the alleged transactions on the BSE through the Stock Broker; the Noticee has no transaction at BSE and thus not connected with the allegation; The Noticee submits that the tables and annexures attached in the SCN are specifically denied as being conducted by the Noticee or at his /her behalf;*
g. *the noticee do not know nor recognize the alleged counter parties, "South Delhi Promoters Limited", "Xion Gems & Jewelers Private Limited", "J.B. Overseas" and "Kundan Care Products Limited." and has never had any communication or dealing or understanding, formal or informal, directly or indirectly and there was no meeting of mind with the counterparty;*

h. Noticee was not aware of the nitty gritties of the share market and undertook trades in the view to make some profits; moreover, trades executed were without any ill design or ill motives; That the said, trades were executed in the normal course of action in the electronic trading platform of the Stock Exchange wherein the buyer and seller are not known; that only for reasons of "huge" price variations, the said trades cannot be classified as non-genuine. In any case the variation in prices in the alleged trade were normal range of variation of rates as the underlying scrip went into much more variation in the prices as would be clear from the data being provided by notice based on information available on BSE website. the scrip has been active in the market and therefore it is incorrect to state that the said scrips are illiquid in nature;

i. that the alleged profit by Noticee while dealing in stock option segment was in ordinary course consequent to Noticee's bonafide trading in option segment…the total number of alleged non genuine trades were 1 (One) each as total which is very miniscule.… Noticee's trades did not create artificial volume on BSE… Noticee's transactions neither distorted the equilibrium in the market nor caused any loss or prejudice to investors at large;

j. the SCN contains no evidence to show that the Noticee is indulged in fraudulent and unfair trade practices;

k. the Noticee respectfully submits that the SEBI has failed to provide the Noticee with the investigation report or any other evidence in support of allegation of for the trading activity in the illiquid stock options at BSE;

17. The hearing as scheduled on February 24, 2022, was attended by Mr. Vinod Jain from INMACS law office who appeared as the Authorised Representative (hereinafter referred to as the '**AR**') of the Noticee. The AR made submissions before the AO interalia stating that he had not executed the trades and that he had not paid any margin to the broker and has filed a Notice against the Broker in the matter. The AR of the Noticee on being asked, however confirmed the PAN number in the trade log given was that of the Noticee. The AR requested for the Investigation Report and inspection of related documents for submitting additional reply in the matter and further requested that a lenient view be taken in the matter.

18. The Noticee was provided with the relevant part of the Investigation report vide email dated March 11, 2022. However, no further reply was submitted by the AR of the Noticee.

19. The Noticee and the AR of the Noticee, had earlier made submissions in the matter and the same have been taken into consideration.

D. CONSIDERATION OF ISSUES

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

21. The Noticee has contended that the present proceedings have been initiated with a delay of more than 5 years. 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.

22. 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 December 31, 2020. In this connection, it is worth mentioning that several entities did not go in for settlement and 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.

23. 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.

24. I have brought out the details of the Noticee's trades in one of the contracts 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 the six contracts ALBK15SEP70.00PE

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.	06/08/2015	SANJANA GUPTA	J.B.OVERSEAS	13:35:21 .427133	13:35:20 .786814	13:35:21 .427133	0.25	0.25	0.25	170000	170000	170000
2.	06/08/2015	J.B.OVERSEAS	SANJANA GUPTA	13:35:25 .927254	13:35:25 .927254	13:35:25 .896086	1.2	1.2	1.2	170000	170000	170000

Source: Trade log provided by BSE

25. I note from Table No. 2 above, the following aspects of trading in the one contract viz: ALBK15SEP70.00PE.

a) The Noticee and the counterparty have placed their buy orders and sell orders within a minute, with a difference of a few seconds that show synchronization of time while placing the orders. The Noticee and the counterparty had placed identical buy and sell order rates and quantities, as given above.

b) The Noticee on 06/08/2015 executed one buy trade at 13:35:21.427133 hrs and reversed it by executing one sell trade at 13:35:25.927254 hrs within 4 seconds, with the counterparty, J.B.Overseas.

c) The reverse trades executed between the Noticee and counterparty show that it did not intend to have a genuine change of rights of the 170000 units traded, as the Noticee bought and then sold the same quantity of units to the same counterparty.

d) The Noticee executed one buy trade at the rate of Rs. 0.25 and one sell trade at the rate of Rs. 1.2, reversing the trade with a difference in rate of Rs.0.95. The Noticee had placed the buy and sell trade for 170000 units. The Noticee by reversing the entire units of 170000 through the buy and sell trades, with a price difference of Rs. 0.95 had made a profit to the extent of Rs.1,16,500/.

e) I observe that the counterparty has made an equivalent loss and that such loss incurred by the counterparty was due to the low sell order rate followed by a high buy order rate.

f) The trades executed between the Noticee and the counterparty do not have the requisites of a regular market trade. The trades executed by the Noticee in this contract are considered to be non-genuine and as such had led to the generation of artificial volumes to the tune of 3,40,000 units.

g) The trades of the Noticee in the contract had contributed to 100% of the market volume of the contract.

26. Likewise, I observe that there is a pattern of trading in the other five contracts entered by the Noticee, as given in the Table No. 3:

Table No.3 Summary of dealings of Noticee in the five contracts viz.DIVI15JUL1620.00PE,RCAP15AUG430.00CE, CIPL15JUL520.00PE, MIND15SEP1170.00PE, APLT15SEP185.00PE

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	***DIVI15JUL1620.00PE***											
	01/06/2015	SANJANA GUPTA	SOUTH DELHI PROMOTORS LIMITED	14:52:54 .054178	14:52:53 .913186	14:52:54 .054178	10	10.0	10.0	5000	5000	5000
	01/06/2015	SOUTH DELHI PROMOTORS LIMITED	SANJANA GUPTA	14:52:48 .444719	14:52:48 .444719	14:52:47 .616644	29	29.0	29.0	5000	5000	5000
2	***RCAP15AUG430.00CE***											
	05/06/2015	SANJANA GUPTA	XION GEMS & JEWELLERS PVT. LTD	12:18:06 .245782	12:18:06 .167737	12:18:06 .245782	4	4.0	4.0	25000	25000	25000
	05/06/2015	XION GEMS & JEWELLERS PVT. LTD	SANJANA GUPTA	12:18:02 .339185	12:18:02 .339185	12:18:01 .370610	8	8.0	8.0	25000	25000	25000
3	***CIPL15JUL520.00PE***											
	19/06/2015	SANJANA GUPTA	J.B.OVERSEAS	12:01:29 .900885	12:01:29 .838296	12:01:29 .900885	2	2.0	2.0	25000	25000	25000
	19/06/2015	J.B.OVERSEAS	SANJANA GUPTA	12:01:37 .525584	12:01:37 .306942	12:01:37 .525584	5	5.0	5.0	25000	25000	25000
4	***MIND15SEP1170.00PE***											
	03/08/2015	SANJANA GUPTA	XION GEMS & JEWELLERS PVT. LTD	14:42:38 .473460	14:42:37 .442152	14:42:38 .473460	8.25	8.25	8.25	15000	15000	15000

	03/08/2015	XION GEMS & JEWELLERS PVT. LTD	SANJANA GUPTA	14:42:41 .582605	14:42:41 .582605	14:42:41 .442072	15	15.0	15.0	15000	15000	15000
5	***APLT15SEP185.00PE***											
	05/08/2015	SANJANA GUPTA	KUNDAN CARE PRODUCTS LIMITED	10:03:08 .027766	10:03:07 .449501	10:03:08 .027766	0.4	0.4	0.4	50000	50000	50000
	05/08/2015	KUNDAN CARE PRODUCTS LIMITED	SANJANA GUPTA	10:03:12 .027808	10:03:12 .027808	10:03:11 .840357	1.9	1.9	1.9	50000	50000	50000

Source: Trade log provided by BSE

a) I note from Table No. 3 above, that the Noticee had adopted the strategy of buying at a lesser rate and selling at a higher rate, in all the five contracts. The Noticee and the counterparties have placed their buy orders and sell orders within a difference of seconds (as given in the table above) that show synchronization of time in placing the orders. The Noticee and the counterparty had also placed identical buy and sell order rates and quantity in all the five contracts. It is evident that there is a synchronization of order time, rate and quantity between the Noticee and the five counterparties.

b) The Noticee in the five contracts reversed the trades with his counterparties within a minute, that is accurately within a time span of 3-8 seconds. This indicates that the reversal of trades in all the five contracts were synchronized between the Noticee and the counterparties.

c) The Noticee reversed the buy trades and the sell trades in contract Nos.1 to 5 (as given in the table above) with a difference in rate of Rs.19, Rs.4, Rs.3 Rs.6.75 and Rs.1.5 for each contract respectively. The Noticee and counterparties reversed the trades in contracts No.1 to 5 for identical quantities of 5000 units, 25000 units, 25000 units, 15000 units and 50000 units for each contract respectively. The Noticee by reversing the buy and sell trades at the rates and quantities as given above had booked profits in contracts No.1 to 5 to the tune of Rs. 95,000/-, Rs.1,00,000/-, Rs.75,000/-, Rs.101,250/- and Rs.75,000/- in each contract respectively, which totals to profit of Rs. 4,46,250/- in the five contracts.

d) I observe that the five counterparties have made an equivalent loss in the contracts.

e) The reversal of trades between the Noticee and counterparties did not intend to have a genuine change of rights of the 1,20,000 units traded, as the Noticee bought and then sold the quantity of units to the same counterparty in each contract. The non-genuine trades of the Noticee in the five contracts had led to the generation of artificial volume of 240,000 units, contributing to market volume in contract Nos.1 to 5 (as given in the Table -1 above) in the order of 4.55%, 34.72%, 100%, 25.42% and 14.45% respectively.

27. From the facts brought out in Tables Nos.1, 2 and 3 given above, I observe that by reversing the trades in the six contracts, the Noticee had booked profits to a total of Rs. 5,62,750/. Furthermore, I observe that in the six contracts, even when the counterparty in each contract were different, there is a similar pattern of synchronization of the order time, order rate and order quantity and that the orders were all limit orders. To substantiate this fact, I see from the trade log (which was enclosed as Annexure 2 to the SCN), under ‘order type’ and ‘CP_order Type’ given in columns 49 & 50 that the attribute tagged is “L”, for all the orders placed by the Noticee and counterparty, implying that the orders were placed by both the parties at prefixed rates and that the parties are not willing to execute trades for any other rate. Therefore, the trades were pre-mediated and as alleged are non-genuine in nature.

28. Furthermore, I observe a pattern of similarities in the reversal trades executed in all the six contracts by the Noticee, such as; synchronised reversal of trades; trades

placed with identical rate and quantity between the Noticee and counterparty, lack of intention or possibility of change of rights of the units traded as the counterparty to the sell and buy trades were the same in all the six contracts and the absence of rationale to justify the variation in the sell and buy price within a short span of time, go to show that these are non-genuine artificial trades. The nature of all the 12 trades are almost similar and synchronized that the matching of orders and the reversal of trades in these six contracts cannot be a mere market coincidence but is evidently due to a pre-mediated arrangement.

29. I observe that out of the six contracts, the market volume contribution of the Noticee’s trades in two contracts was to the extent of 100% and in other four contracts was between 4% to 35%.

30. Before, I conclude, I see that the Noticee in her reply, had initially disputed that the alleged trades were not executed by the Noticee, however subsequently in the reply the Noticee has stated that the trades were bonafide trades executed by the Noticee on the platform of BSE. Further, the Noticee has contended that all her transactions executed were without any ill design or ill motives; that the Noticee did not know the alleged counter parties; that there was no meeting of mind with the counterparty; that the Noticee undertook trades in the view to make some profits; the Noticee's trades did not create artificial volume on BSE; that the Noticee's transactions neither distorted the equilibrium in the market nor caused any loss or prejudice to investors. The Noticee also submitted that action under the PFUTP Regulations cannot be taken against the Noticee.

31. In my view, the Noticee has consented to execution of the trades for profits, though there are contradictory submissions made by the Noticee in the reply submitted. The Noticee’s submissions and allegations on the legalities of the proceedings cannot

be considered as it does not hold ground. The Noticee is rather putting forth the defence that her transactions are genuine and that her trades do not partake the nature of non-genuine trades. These aspects have been elaborately considered in para Nos. 24 and 29 herein above and do not merit separate consideration. Further, it was submitted that the Noticee had issued a Notice to the broker with regard to the alleged trades. However, as the trades have been admittedly done through the trading account of the Noticee, the Noticee cannot get absolved of the penal liability arising out of the subject trades.

32. On observing the facts of the case and the pattern of trading by the Noticee, I am convinced that the trades were a consequence of pre-meditated decision of both parties and hence are unfair trades for the purpose of SEBI (PFUTP) Regulations. The trades of the Noticee, fall in the category of non-genuine trades, as it has been entered by two parties on the stock exchange platform by mutual understanding, thereby attracting the prohibition against fraudulent or manipulative and unfair trade practices contained in SEBI (PFUTP) Regulations. The trades are ex facie pre-meditated to book profits for the Noticee and for the counterparty to bear losses in both the contracts. The 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.

33. 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)** wherein similar transactions in the same segment were considered.

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

***"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).

34. 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****).*

35. 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 that the trades were found to be manipulative in the following circumstances:

*"**14…***

- ***a.*** *If the trades are synchronized and reversed with the same counterparty within a time span of seconds to minutes during the same day.*
- ***b.*** *The prices at which the trades are undertaken is such that one party is making profit and other making loss.*
- ***c.*** *The orders are placed at unattractive prices which does not reflect the value of the underlying asset.*

__d.__ An intentional trading for loss per se, is not a genuine dealing in securities. Trading is always with the aim to make profits. But if one party consistently makes loss and that too in preplanned and rapid reverse trades, it is not genuine and the same is an unfair trade practice.

__e.__ In synchronised and reverse trades, there is no genuine change of rights in the contract."

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

"__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."

37. 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.

38. 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 Lakhs only), being the statutory minimum penalty prescribed for PFUTP under section 15HA, is appropriate in the instant case.

E. ORDER

39. 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., Sanjana Gupta (PAN: AARPG3003C) 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.

40. 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.

41. 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

42. 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 29, 2022 **GEETHA G**

Place: Mumbai **ADJUDICATING OFFICER**