BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: AO/SBM/EAD-1/07/2019)

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 BY ADJUDICATING OFFICER) RULES, 1995.

In respect of:

Annex Tradelinks Private Ltd

(Now known as Sunnyside Trading Private Limited)

PAN: AAICA7688K

Regd Office:- Room No. 102, Shree Swamisamarthapt NT
Dutta Mandir Road, Manvel Pada
Virar East Mumbai-401305

Correspondence address:- No 17, Ganesh Chandra Avenue, Room No
506 , 5th Floor, Business Point, Kolkata - 700013

In the matter of

Dealing in illiquid stock options at BSE

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') observed large scale reversal of trades in the Stock Options segment of Bombay Stock Exchange (hereinafter referred to as '**BSE**') leading to creation of artificial volume. In this regard, SEBI conducted an investigation into the trading activity in the illiquid Stock Options Segment at BSE for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as "**Investigation Period**").

2. It was observed during the course of investigation that a total of 2,91,643 trades comprising 81.38% of all the trades executed in the Stock Options Segment at BSE during the investigation period were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. It was also observed that the aforesaid trades resulted into creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in the Stock Options segment of BSE during the investigation period. In view of the large scale reversal of trades that were observed in the illiquid Stock Options segment at BSE, it is alleged that these trades were non-genuine in nature.

3. It was observed that M/s Annex Tradelinks Private Limited (now known as Sunnyside Trading Private Limited and hereinafter referred to as "**Noticee**") was one of the various entities which indulged in the execution of the non-genuine trades in the Stock Options Segment at BSE during the above referred investigation period. It was observed that Noticee had entered into reversal trades with its counterparties which involved squaring off transactions with significant difference in sell value and buy value of the transactions. Therefore, it is alleged that Noticee had executed the reversal trades which were non-genuine in nature and have created false or misleading appearance of trading in terms of creation of artificial volume in the Stock Options segment at BSE and therefore, it is alleged that Noticee has violated the provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**"). In view of the above reasons, adjudication proceedings have been initiated against the Noticee under the provisions of section 15 HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**).

APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned was appointed as the Adjudicating Officer, vide Order dated May 29, 2018 under Section 19 read with Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under the provisions of section 15HA of the SEBI Act for the aforementioned alleged violation of the provisions of law by the Noticee.

SHOW CAUSE NOTICE, HEARING AND REPLY

5. Show Cause Notice ref. SEBI/HO/EAD-1/25719/2018 dated August 27, 2018 (hereinafter referred to as '**SCN'**) was issued to the Noticee in terms of Rule 4 of the Adjudication Rules requiring the Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed on the Noticee under the provisions of section 15HA of the SEBI Act.

6. The SCN issued to the Noticee, *inter alia*, mentioned the following-:

   i. *It is observed from the trade log of the Noticee that it had traded in 36 unique contracts in the Stock Options segment of BSE during the relevant period, in which it has allegedly entered into non genuine trades in all 36 contracts wherein it executed a total of 108 trades all of which were allegedly non genuine trades. In view of this, it is alleged that the abovementioned trades of the Noticee had resulted into creation of artificial volume of total 1,39,81,824 units in the given 36 contracts. It is further alleged that the Noticee, by executing non genuine trades during the relevant period, registered a negative close out difference of Rs. 1,49,32,808.*

   ii. *Further, the summary of dealings of Noticee in 36 Stock Options contracts in which it had allegedly executed non genuine trades during the relevant period is as follows:*

Table 2– Summary of dealings of Noticee in contracts wherein it executed non genuine trades

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	ADPW15JUN24.00CEW2	10.00	128000	6.00	128000	100%	25%	100%	24%
2	ANBK15JUN60.00CEW2	12.53	232000	7.83	232000	100%	50%	100%	49%
3	ANBK15JUN65.00CEW2	6.90	144000	3.40	144000	100%	50%	100%	68%
4	ANBK15JUN75.00PEW2	8.00	108000	5.20	108000	100%	100%	100%	100%
5	DISH15JUN120.00PEW3	22.80	100000	15.30	100000	100%	50%	100%	41%
6	GMRI15JUN10.00CEW1	4.20	651283	2.84	651283	100%	60%	100%	61%
7	GMRI15JUN10.00CEW2	3.00	82557	1.80	82557	100%	100%	100%	100%
8	GMRI15JUN16.00PEW2	3.25	403612	1.85	403612	100%	60%	100%	65%
9	GMRI15JUN20.00PEW1	5.70	91730	4.60	91730	100%	20%	100%	12%
10	GMRI15JUN8.00CEW1	6.20	91730	4.10	91730	100%	50%	100%	33%
11	IBRL15JUN35.00CEW2	16.80	84000	9.80	84000	100%	100%	100%	100%
12	IDBI15JUN55.00CEW2	7.50	80000	4.35	80000	100%	40%	100%	31%
13	IFCI15JUN20.00CEW2	5.08	312000	3.28	312000	100%	33%	100%	33%
14	IFCI15JUN22.00CEW2	3.30	176000	2.20	176000	100%	33%	100%	43%
15	IFCI15JUN24.00CEW1	7.00	80000	3.40	80000	100%	8%	100%	14%
16	IFCI15JUN28.00PEW2	2.75	104000	1.50	104000	100%	50%	100%	36%
17	IOBL15JUN32.00CEW2	5.60	60000	3.50	60000	100%	100%	100%	100%
18	JAIA15JUN16.00PEW2	3.50	176000	1.80	176000	100%	33%	100%	41%
19	JAIA15JUN8.00CEW2	7.00	184000	4.35	184000	100%	25%	100%	18%
20	JPPW15JUN10.00PEW1	2.66	390000	1.89	390000	100%	25%	100%	18%
21	JPPW15JUN10.00PEW2	3.60	330000	2.10	330000	100%	33%	100%	55%
22	JPPW15JUN2.00CEW2	4.56	375000	3.06	375000	100%	50%	100%	58%
23	JPPW15JUN4.00CEW2	2.40	240000	1.63	240000	100%	40%	100%	25%
24	LNTF15JUN55.00CEW2	6.71	408000	4.13	408000	100%	50%	100%	55%
25	NHPC15JUN12.00CEW2	7.10	170000	4.40	170000	100%	14%	100%	29%
26	NHPC15JUN14.00CEW1	6.30	120000	3.90	120000	100%	14%	100%	13%
27	NHPC15JUN14.00CEW2	7.00	50000	5.00	50000	100%	11%	100%	4%
28	NHPC15JUN16.00CEW2	3.06	270000	1.84	270000	100%	33%	100%	86%
29	NHPC15JUN22.00PEW2	3.38	210000	2.20	210000	100%	40%	100%	35%
30	NHPC15JUN24.00PEW1	3.80	300000	2.80	300000	100%	20%	100%	28%
31	NHPC15JUN24.00PEW2	5.00	270000	3.13	270000	100%	100%	100%	100%

32	NTPC15JUN145.00PEW2	6.50	130000	2.80	130000	100%	100%	100%	100%
33	RPOW15JUN40.00CEW2	5.20	172000	3.30	172000	100%	33%	100%	44%
34	SAIL15JUN55.00CEW2	8.70	120000	4.60	120000	100%	50%	100%	51%
35	UNIT15JUN12.00CEW1	2.80	81000	1.60	81000	100%	50%	100%	23%
36	VOLT15JUN320.00CEW2	31.00	66000	19.20	66000	100%	100%	100%	100%

iii. *From the above table, it may be observed regarding the dealings of the Noticee that:-*

- *Noticee has allegedly executed non genuine trades in 36 contracts, wherein in all these contracts all the trades that had been executed by the Noticee were allegedly non genuine trades.*
- *Number of trades of the Noticee, which are alleged to be non-genuine, have contributed significantly when compared with the total number of trades from the market in the above contracts. The alleged non genuine trades of the Noticee ranged from 8% to 100% of the total trades that had happened in the aforementioned contracts.*
- *The whole volume of 1,39,81,824 units generated by the Noticee in all of the above contracts due to its alleged non genuine trades was artificial volume, and further this alleged artificial volume, generated by the Noticee, also contributed significantly to the extent of 4% to 100% of the total volume in said contracts in the market.*
- *These alleged non genuine trades, executed by Noticee in above contracts, had significant differential in buy rates and sell rates considering that the trades were reversed on same day. The Noticee has allegedly engaged in the non-genuine transactions in the option segment of BSE for the purpose creating false appearance of trading.*

iv. *For the sake of clarity on non-genuine trades and artificial volume, a contract viz, "ADPW15JUN24.00CEW2" in which Noticee has also traded during the Investigation period, is shown below covering all trades that were executed by the Noticee in the said contract during Investigation period:*

Table 1 - Trades of the Noticee in the contract of "ADPW15JUN24.00CEW2"

Sl.	Date	Buyer	Seller	Buy Order Time	Sell Order Time	Trade Time	Trade Rate (Rs.)	Trade Quantity
1	08/06/2015	ANNEX TRADELINKS PRIVATE LIMITED	SANGEETA PODDAR	13:24:53	13:24:53	13:24:53	10	128000
2	08/06/2015	SANGEETA PODDAR	ANNEX TRADELINKS PRIVATE LIMITED	13:27:39	13:27:39	13:27:39	6	128000
		Total						**2,56,000**

- *It is observed from the trade log that the Noticee had executed a total 2 trades during the Investigation period in the contract "ADPW15JUN24.00CEW2" and in all these instances, trading happened only on June 08, 2015.*
- *It is further observed that the Noticee, at 13:24:53 hrs placed a buy order for 1,28,000 units of call option of contract "ADPW15JUN24.00CEW2" at a price of Rs. 10. This buy order of the Noticee got matched with the sell order of another entity named Sangeeta Poddar, who had placed a sell order for 1,28,000 units in the same contract at 13:24:53 hrs i.e. at the same time when sell order was placed by the Noticee.*
- *Thereafter, the Noticee, at 13:27:39 hrs placed a sell order for 1,28,000 units of call option of contract "ADPW15JUN24.00CEW2" at a price of Rs. 6. This sell order of the Noticee got matched with the buy order of Sangeeta Poddar, who had placed a buy order for 1,28,000 units in the same contract at 13:27:39 hrs i.e. at the same time when the buy order was placed by the Noticee. Thus, the buy order placed by the Noticee at Rs. 10 was reversed with the same counterparty at Rs. 6, within few minutes.*

v. *From the above, it is seen that the total no. of non-genuine trades that were executed in contract "ADPW15JUN24.00CEW2" by the Noticee were 2 (as listed in table 1 above), and total artificial volume generated through such non genuine trades was 2,56,000 units.*

7. In response to the SCN, the Noticee vide its letter dated October 31, 2018, *inter alia*, made the following submissions:

   (i) *We deny the involvement of artificially inflating the price or creating false volume through continuous self-deals as alleged or otherwise or at all.*

   (ii) *Our conducts regarding trade is diligent and have carried out as applicable, provisioned, rules and regulations and above all with conformity of law of land.*

   (iii) *Trades in Stock Options Segment of BSE was done after due compliance of the applicable provisions relatable to 'Client-Broker-Relationship' on which basis only trade done by us. Our trades are conducted Fairley and Genuinely. We further firmly deny your allegation which you have alleged that the entities were indulged in execution on non-genuine trades.*

8. Thereafter, in the interest of natural justice, Noticee was provided with an opportunity of personal hearing in the matter on January 28, 2019. Upon receiving a request from the Noticee, the personal hearing was postponed to February 11, 2019. Mr. Rajiv Kumar Choudhary, Advocate appeared for the hearing on behalf of the Noticee on February 11, 2019 and reiterated the submissions made by the Noticee vide its letter dated October 31, 2018.

CONSIDERATION OF ISSUES AND FINDINGS:

9. I have taken into consideration the facts and circumstances of the case, the material available on record and the reply submitted by the Noticee. The allegation against the Noticee is that, while dealing in the Stock Option contracts at BSE during the Investigation Period, the Noticee has executed reversal trades which were non-genuine trades and the same has resulted in the generation of artificial volume in Stock Option contracts at BSE. In view of the same, it is alleged that Noticee has violated the provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) of PFUTP

Regulations and, therefore, is liable for penalty under the provisions of section 15HA of the SEBI Act.

10. Before moving forward, the relevant provisions of law allegedly violated by the Noticee and as mentioned in the SCN are 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;

11. Reversal trades are considered as those trades in which an entity reverses its buy or sell position in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non-genuine trades as they are not executed in the normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volumes, hence, these trades are deceptive and manipulative. From the facts/material made available, I find that the repeated reversal trades executed by the Noticee in the options contract, which was observed in the present case, were undertaken with the counterparties of the Noticee with a predetermined arrangement to book profit or losses respectively, and therefore, the parties to the trades were not trading in the normal sense and ordinary course of business. It is therefore alleged that the Noticee by indulging in such reversal trades with its counterparties in the illiquid stock option segment at BSE has managed to generate artificial volume in the said segment at BSE during the investigation period.

12. In this regard, it is pertinently noted upon examination of the trade log of the Noticee that it had traded in 36 unique contracts in the Stock Options segment of BSE during the above mentioned investigation period. It is observed that Noticee had executed 108 non-genuine trades in all these 36 contracts in which it had traded in the Stock Options segment of BSE. I observe that the abovementioned trades of the Noticee had resulted in the creation of artificial volume of a total of 1,39,81,824 units in the given 36 contracts and the said trades have also resulted in a negative close out difference of approximately Rs. 1,49,32,808/- for the Noticee. It is further observed from these trades executed by the Noticee that the same were squared up within a short span of time with the same counterparty i.e. these trades were reversed within seconds on many days by the Noticee with its counterparties. Thus, it is observed that Noticee has indulged in reversal trades with its counterparties in the stock option segment of BSE and the same were non-genuine trades.

13. I also find from the extracts of the trade log, which was also provided to the Noticee along with the SCN that the Noticee was a party to the 108 non–genuine trades that were executed in the 36 contracts and in as many as seven contracts, the Noticee had contributed to 100% of the total trading volume in these contracts at BSE during the investigation period. It was further observed that most of these trades were squared up by the Noticee with its counterparties within a short span of time and mostly within few seconds and with a significant price difference. The non-genuineness of these transactions executed by the Noticee is evident from the fact that there was no commercial basis to suddenly, within a matter of few seconds/ minutes, the Noticee reverses the position with its counterparties with a significant price difference when the value of the underlying had not undergone any major change. The frequent trade reversals in the said case points out to the fact that the parties to the transactions, including the Noticee, did not intend to transfer the beneficial ownership and through these orchestrated transactions, the intention of which was not regular trading, other investors have been excluded from participating in these trades. As already mentioned above, there was very little time gap between the buy and sell orders placed by the Noticee and its counterparties in different trades. The time gap between both the trades ranged from few seconds to minutes on many days, but it was ensured that the trades (both buy and sell trades) were closed on the same day. Given the fact that the Stock Option contracts were illiquid in nature at BSE and also in view of the observations made above, I am convinced that Noticee has entered into reversal/non-genuine trades with its counter parties and in the process also generated artificial volume in the otherwise illiquid stock option contracts at BSE.

14. To illustrate, it is observed that the Noticee had executed a total of 2 trades during the Investigation period in the contract “ADPW15JUN24.00CEW2” and specifically on June 08, 2015. It is further observed that the Noticee, at 13:24:53 hrs placed a buy order for 1,28,000 units of call option of contract

"ADPW15JUN24.00CEW2" at a price of Rs. 10/. This buy order of the Noticee got matched with the sell order of another person/entity namely Sangeeta Poddar, who herself had placed a sell order for 1,28,000 units in the same contract at 13:24:53 hrs i.e. within few milliseconds of the buy order placed by the Noticee. This resulted in trade with total traded quantity of 1,28,000 units.

15. Thereafter, on the same day, few minutes later, Noticee placed a sell order for 1,28,000 units of "ADPW15JUN24.00CEW2". It is observed that this sell order for total 1,28,000 units of the call option of contract "ADPW15JUN24.00CEW2" got matched with the respective buy order placed by same counterparty i.e. Sangeeta Poddar for 1,28,000 units. This resulted in trade with total trade quantity of 1,28,000 units at a price of Rs. 6. Thus, in the above manner, the Noticee executed a total of 2 trades in the contract "ADPW15JUN24.00CEW2" and generated artificial volume of 2,56,000 units in the above said contract through such non-genuine and reversal trades.

16. Considering the precision at which the reversal transactions had taken place, the quantity, price, time and sale, parties being persistent in a large number of such trade transactions with huge price variations, I am of the view that it will be too naïve to hold that these 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 w.r.t the transactions entered into by the Noticee with its counterparties and such synchronized trading is clearly violative of the transparent norms of trading in the securities market. In view of the above observations, I hold that all the 108 transactions executed by the Noticee in the 36 Stock Option Contracts were synchronized trades which were reversed by the Noticee with its counterparties within a small time gap and with prior meeting of mind. Needless to mention the fact that these transactions were manipulative/deceptive device with a view to create a desired loss and/or profit in the books of the respective parties to the

transactions and in the process, artificial volumes were also generated in such option contracts at BSE.

17. At this juncture, it is pertinent to refer to the decision of the Hon'ble Supreme Court of India in the matter of *Securities and Exchange Board of India vs. Rakhi Trading Private Limited* (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 dated February 08, 2018) wherein, the Hon'ble Supreme Court while cumulatively analyzing the reversal transactions held that, "*From the facts before us, it is clear that the traders in question did not intend to transfer beneficial ownership and therefore these trades are non-genuine. Rather than allowing the market forces to operate in their natural course, the traders repeatedly carried out the impugned transactions which deprived other market players from full participation. 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 the market forces in the instant case"*

18. In the same matter, Hon'ble Supreme Court further observed that- "……..*quantity, time and significant variation of prices, without major variation in the underlying price of the securities clearly indicate that Respondent's trades are not genuine and had only misleading appearance of trading in the securities market…………...*".

    " ….*the traders thus having engaged in a fraudulent and unfair trade practice while dealing in securities are hence liable to be proceeded against for the violation of Regulations 3(a),4(1) and 4(2) (a) of the PFUTP Regulations"*

19. In this context, I also find it relevant to refer to the decision of Hon'ble Supreme Court in the matter of *Securities and Exchange Board of India v. Kishore R Ajmera {(2016)} 6 SCC 368 : AIR 2016 SC 1079}* wherein, the Hon'ble Supreme Court has 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. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned…..”

20. In the same matter, the Hon'ble SC, has further held that, "…. *In the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of trade effected; the period of persistence in trading in a particular scrip; the particulars of buy and sell orders, namely the volume thereof; the proximity of time between the two and such relevant factors….”*

21. The observations made in the aforesaid judgments of Hon'ble Supreme Court apply with full force to the facts and circumstances of the present case. Therefore, applying the ratio of the above judgments, I am of the view that the execution of the 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 consistently with the same counterparties indicates a prior meeting of mind between the related parties with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid option contracts (as the strike price was far away from the market price of the underlying), there was no price discovery. The only reason for the wide variation in prices of the same contract, within seconds/ minutes was a clear indication that there was pre-determination in the prices by both the counterparties when executing the trades. Thus, the nature of trading, as brought out above, clearly indicates an element of prior meeting of minds

and therefore, a collusion of the Noticee with its counterparties to carry out the trades at pre-determined prices. It is not possible to comprehend the reason for which the Noticee would enter into an option contract with a strike price which was very far away from the current market price of the underlying except for the fact that it wanted to execute non-genuine trades.

22. Rather than allowing the market forces to operate in their natural course, the Noticee repeatedly carried out the impugned transactions with its counterparties which deprived other market players from full participation. 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 of business. Resultantly, there has clearly been a restriction on the free and fair operation of the market forces in the instant case.

23. 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 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 in the contract. By synchronization and repeated reversal trades, as has been carried out by the Noticee in the instant matter, 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. Therefore, from the foregoing paragraphs and the observations/findings contained therein, I am convinced that the Noticee has violated the provisions of Regulations 3(a), 4(1) and 4(2)(a) of the PFUTP Regulations.

25. In view of the above observations, I conclude that the Noticee is liable for monetary penalty under the provisions of section 15HA of the SEBI Act, which reads as follows :-

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.*

26. In this regard, the provisions of Section 15J of the SEBI Act and Rule 5 of the Adjudication Rules require that while adjudging the quantum of penalty, 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.

27. Clearly, from the above observations, the Noticee was instrumental in the creation of artificial volume in the illiquid stock option contracts at BSE during the investigation period by executing reversal / non-genuine transactions in the illiquid stock options segment at BSE. The Noticee has executed 108 non-genuine transactions in 36 stock option contracts with its counterparties which clearly demonstrates the repetitive nature of the default on its part. It is not possible from the material available on record to quantify the amount of loss caused to genuine investors as a result of the reversal trades/ non-genuine trades executed by the Noticee with its counterparties. From the manner in which Noticee executed the above mentioned transactions, the Noticee has clearly violated the statutory provisions of law. In this context, reliance is placed upon the order of the Hon'ble Supreme Court of India in the matter of Chairman, SEBI Vs Shriram Mutual Fund { [2006]5 SCC 361 } – wherein the Hon'ble Supreme Court of India 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…………..."

ORDER

28. Having considered all the facts and circumstances of the case, the material available on record, the reply of the Noticee and the factors mentioned in the preceding paragraphs, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, hereby impose a penalty of Rs 8,00,000/- (Rupees Eight Lakh only) on the Noticee viz. M/s Annex Tradelinks Private Limited (now known as Sunnyside Trading Private Limited) under the provisions of section 15HA of the SEBI Act for its violation of the provisions of Regulations 3(a), 4(1) and 4(2) (a) of the PFUTP Regulations.

29. The Noticee shall remit / pay the said amount of penalty within 45 days of the receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through e-payment facility into the Bank Account, the details of which are given below:-

Account No. for remittance of penalties levied by Adjudication Officer	
Bank Name	State Bank of India
Branch	Bandra-Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No	31465271959

30. The Noticee shall forward the said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief of Division of Regulatory Action-1, Enforcement Department-1 (EFD1-DRA1) of SEBI. The format for forwarding details / confirmation of the e-payments made to SEBI shall be in the form as provided at Annexure A of Press

Release No. 131/2016 dated August 09, 2016 shown at the SEBI Website which is mentioned as under:

1. Case Name:	
2. Name of Payee:	
3. Date of payment:	
4. Amount Paid:	
5.Transaction No:	
6. Bank Details in which payment is made:	
7. Payment is made for: (like penalties /disgorgement/recovery/Settlement amount and legal charges along with order details)	

31. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee viz. M/s. Annex Tradelinks Private Limited (now known as M/s Sunnyside Trading Pvt. Ltd.) and also to Securities and Exchange Board of India.

Place: Mumbai
Date: February 26, 2019

SURESH B MENON
ADJUDICATING OFFICER