



BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/AK/GN/2026-27/32380]

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

In respect of
Rowland Dealtrade Private Limited
(PAN: AAECR9003P)

In the matter of Trading in Illiquid Stock Options on BSE

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") observed large scale reversal of trades in stock options segment of Bombay Stock Exchange (hereinafter referred to as "**BSE**"). SEBI observed that such large scale reversal of trades in stock options lead to creation of artificial volume at BSE. In view of the same, SEBI conducted an investigation into the trading activities of certain entities in illiquid stock options at BSE for the period April 1, 2014 to September 30, 2015 (hereinafter referred to as "**IP**").
2. Pursuant to investigation, it was observed that total of 2,91,744 trades comprising 81.40% of all the trades executed in stock options segment of BSE during the IP were allegedly non genuine trades. The aforesaid alleged non-genuine trades resulted into creation of artificial volume in stock options segment of BSE during the IP. It was observed that Rowland Dealtrade Private Limited (PAN – AAECR9003P) (hereinafter referred to as the "**Noticee**") was one of the various entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. Such trades were alleged to be non-genuine in nature and created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore were alleged to be manipulative, deceptive in nature. In view of the same, SEBI initiated adjudication proceedings against the Noticee for alleged violation of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations, 2003").

APPOINTMENT OF ADJUDICATING OFFICER



3. Mr Prasanta Mahapatra was appointed as Adjudicating Officer in the matter, conveyed vide communique dated July 27th, 2021, under section 19 read with Section 15-I(1) of the SEBI Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”) and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Adjudication Rules**”) to conduct adjudication proceedings in the manner specified under Rule 4 of Adjudication Rules read with Section 15-I(1) and (2) of SEBI Act, 1992, and if satisfied that penalty is liable, impose such penalty deemed fit in terms of Rule 5 of Adjudication Rules and Section 15HA of SEBI Act, 1992. Pursuant to transfer of cases, the undersigned was appointed as the Adjudicating Officer in the matter vide Order dated April 04, 2025.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice dated September 23, 2021 (hereinafter referred to as “SCN”) was issued to the Noticee under Rule 4(1) of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against it and why penalty should not be imposed under section 15HA of the SEBI Act, 1992 for the violations alleged to have been committed by the Noticee.
5. It was *inter alia* alleged in the SCN that the Noticee had executed 6 non-genuine trades in 1 Stock Options contract which resulted in artificial volume of total 240000 units.
6. The SCN dated September 23, 2021 was issued to the Noticee via SPAD and email dated October 04, 2021 and the same was duly served.
7. Vide reply dated November 10, 2021 and November 20, 2021 Noticee made its preliminary submission.
8. Subsequently, 1st Post SCN intimation (PSI) dated August 03, 2022 was served to the Noticee via SPAD. The aforesaid PSI was served to the Noticee which intimated to the Noticee regarding the SEBI Settlement Scheme, 2022. The intimation regarding settlement scheme given to the Noticee is as follows:
 - i. SEBI has framed the SEBI Settlement Scheme, 2022 pursuant to the Order dated May 13, 2022 passed by the Hon’ble Securities Appellate Tribunal, wherein the following directions were issued to SEBI:
“17. We are, thus, of the opinion that SEBI should reconsider and seriously give a thought in coming out with a fresh scheme under Clause 26 of the Settlement



*Regulations, 2018. Such scheme can be a onetime scheme for this class of person. **The terms of settlement should be attractive so that it could attract the noticees / entities to come forward and settle the matter which will ameliorate the harassment of penalty proceedings to the noticees and at the same time would help to clear the backlog of these pending matters before various AOs.*** (Emphasis Supplied)

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

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

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

- iii. The period of the SEBI Settlement Scheme, 2022 will commence on August 22, 2022 and will close on November 21, 2022, so as to provide an opportunity for settlement to the entities who have executed reversal trades in the stock options segment of BSE during the period April 01, 2014 to September 30, 2015, against whom enforcement proceedings have been initiated and are pending. In case you wish to avail the benefit of the said Scheme, you may access the details of the said Scheme, which would be available on the website of SEBI i.e. www.sebi.gov.in, during the said period.
- iv. Necessary application for settlement may be filed within the validity period of the scheme and payment of the settlement amount shall be made online. Additionally, for any clarification in regard to settlement scheme, you may refer to the FAQs at SEBI website or send email to scheme2022@sebi.gov.in



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

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

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

11. Subsequently, 2nd Post SCN intimation (PSI) dated March 07, 2024 was sent to the Noticee via email dated March 07, 2024 and SPAD dated April 01, 2024 and the same was duly delivered. The aforesaid PSI was sent to the Noticee which intimated to the Noticee regarding the SEBI Settlement Scheme, 2024. The intimation regarding settlement scheme given to the Noticee is as follows:

2. Pursuant to the Order dated May 13, 2022 passed by the Hon’ble Securities Appellate Tribunal, SEBI had framed the SEBI Settlement Scheme, 2022 which was open from August 22, 2022 to January 21, 2023. Pursuant to the closure of the SEBI Settlement Scheme, 2022, adjudication proceedings continued against the remaining entities. During the adjudication proceedings, significant number of the remaining entities, at the time of personal hearing, expressed their interest in availing of settlement. Accordingly, SEBI has decided to introduce another Settlement Scheme (“ISO Settlement Scheme, 2024”) in terms of Section 15JB of the SEBI Act, 1992 read with Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of Illiquid Stock Options. The said scheme proposes payment of Settlement Amount as per the details given below:

S No	Number of Contracts*	Settlement Amount (Rs.)
1	1-5	1,20,000/-



2	6-50	2,40,000/-
3	51 and above	6,00,000/- base amount + 12,000 per contract

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

4. The period of the ISO Settlement Scheme, 2024 will commence on March 11, 2024 and will close on May 10, 2024, so as to provide an opportunity for settlement to the entities who have executed reversal trades in the stock options segment of BSE during the period April 01, 2014 to September 30, 2015, against whom enforcement proceedings have been initiated and are pending. In case you wish to avail the benefit of the said Scheme, you may access the details of the said Scheme, which would be available on the website of SEBI i.e. www.sebi.gov.in, during the said period.

5. Necessary application for settlement may be filed within the validity period of the scheme and payment of the settlement amount shall be made online. Additionally, for any clarification in regard to settlement scheme, you may refer to the FAQs at SEBI website or send email to isoscheme2024@sebi.gov.in.

6. In case you do not wish to avail of the facility under the ISO Settlement Scheme, 2024, the adjudication proceedings initiated vide SCN shall stand automatically revived and the proceedings shall continue, from the stage at which the said proceedings were kept pending. In such case, you are advised to file your reply within 14 days of receipt of this Intimation, if not filed earlier.

12. Vide public notice dated May 08, 2024, the period of the aforesaid Scheme was extended till June 10, 2024.

13. In the interest of natural justice, the Noticee was provided opportunity of hearing on November 06, 2025 vide hearing notice dated October 03, 2025 which was sent via SPAD and email dated October 06, 2025. In response to the SCN, Noticee made the reply dated October 23, 2025, however, Noticee did not appear for hearing. The reply of the Noticee is summarised below-

- The Noticee requested for cross-examination of counter party, BSE, broker, counter party broker and made following contentions:



- *The Noticee contended that the SCN has been issued after an inordinate delay of 6 years, which is beyond the limitation period of 3 years. Hence, the SCN is bad in law, illegal and void ab initio. In this regard, the Noticee quoted from Hon'ble Supreme Court's decision in the matter of Mohamad Kavi Mohamad Amin v Fatmabai Ibrahim [(1997) 6 SCC 71] and also from various decisions of Hon'ble SAT, including Rajeev Bhanot & Others v SEBI [Appeal No. 396 / 2018] and Rakesh Kathotia & Others v SEBI in Appeal No. 7 of 2016 decided by SAT on May 27, 2019.*
- *The Noticee contended that BSE and the trading member are necessary party to the proceedings and hence, it has filed an impleadment application dated November 11, 2021 against BSE with SEBI, and requested SEBI to provide a reasonable Order with respect to the same. Noticee also asked for details of actions taken by SEBI against BSE and its officials in the matter of trading in illiquid stock options. In this regard, the Noticee quoted from decision by Hon'ble Madras High Court in the matter of Madras Stock Exchange Ltd. V S R Rajkumar and also from Hon'ble SAT's decision in Religare Securities Ltd. V SEBI.*
- *Noticee reiterated his request for provision of Investigation Report, and certain other documents and also for cross-examination of certain entities in regard to the matter. In this regard, the Noticee relied on and quoted from various case laws including Hon'ble Supreme Court's decision in Andaman Timber Industries v CCE – [2015] 62 taxmann.com 3 (SC) and also Hon'ble SAT's decision in the matter of Smitaben N Shah v SEBI (decided on July 30, 2010)*
- *No adverse inference could be drawn against the Noticee as BSE and SEBI had permitted trading in options for 'far months' with a strike price which are at large variance to current market price.*
- *Noticee had made only one reversal trade, and the intention of the trades in the matter was not mala fide. Noticee has not acted to the detriment of the securities market and has conducted all its operations with integrity. Noticee contended that he has not made any disproportionate gain or gained any unfair advantage.*
- *The scrip was liquid in nature. BSE had not issued any list of illiquid scrips of stock options contracts, like it does in cash segment.*
- *Noticee contended that the trading member didn't collect margin with respect to the trade, and SEBI has not relied upon any order placement proof for the allegations made in the SCN.*



- *BSE is the first level regulator and BSE and the Clearing Corporation had not objected to the trades at the time they were executed, and the trades were cleared.*
- *Noticee stated that he is unable to trace from records whether the trades were undertaken by Noticee or on Noticee's behalf.*
- *Noticee contended that the SCN issued by SEBI is unconstitutional and against the object clause of SEBI Act, 1992, as it has initiated investigation against an investor, based on pure conjectures and surmises.*
- *Noticee contended that even if it is assumed that the trades were synchronized, it was in nature of negotiated deals, and hence, permissible. The doctrine of preponderance of probabilities should not be applied in such a way that an innocent person suffers.*
- *Noticee stated that he has not been charged for price manipulation, hence allegations for causing artificial volume are inconsequential. Also, he is not a habitual or repetitive defaulter.*
- *SEBI has not alleged 'inducement' or 'intent' for it to be considered as 'fraudulent'. In this regard, the Noticee relied upon and quoted from Hon'ble Supreme Court's judgement in Union of India v Chaturbhai M Patel & Co. [AIR 1976 SC 712] and Hon'ble SAT's judgement in the case of KSL & Industries Limited v SEBI [2005 (59) SCL 1 SAT] among others.*
- *Noticee contended that Provisions of PFUTP Regulations do not apply to investors and SEBI is not empowered to punish investors.*
- *Noticee has no connection and has not colluded with the Counter-party, and there is no evidence showing connection. As the counterparty was unknown, there was no meeting of minds. The Noticee has relied upon and quoted Hon'ble SAT's judgements in the matter of Nishit M Shah HUF v SEBI dated January 16, 2020 (Appeal No. 97 of 2019) and also the cases of S P J Stock Brokers Private Limited and H B Stockholdings Limited*
- *Besides recording common generic allegations against the Noticee, no observation on Noticee's specific role in alleged reversal has been mentioned in the Show Cause Notice. That this approach is bad in law.*
- *BSE, vide Notice No. 20160308-33 dated March 08, 2016, announced that it has introduced measure for prevention of reversal trades in Equity Derivative Segment w.e.f. from March 14, 2016. Thus, in case of potential reversal trade, second leg (latest leg) of a reversal trade shall automatically be cancelled by exchange in an on-line real time basis on trading system. The Noticee submitted that because on-line preventive measure*



and check & balance did not exist at relevant point of time to avoid inadvertent reversal trades, the reversal trades could not be considered as unlawful at the time when trades were executed.

CONSIDERATION OF ISSUES AND FINDINGS

14. The charges levelled against the Noticee, its reply and the documents / material available on record has been perused. The issues that arise for consideration in the present case are:

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

15. Before proceeding further, the relevant provisions of the PFUTP Regulations, 2003 are referred to as below:

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

4. Prohibition of manipulative, fraudulent and unfair trade practices



- (1) *Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) *Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*
- (a) *indulging in an act which creates false or misleading appearance of trading in the securities market;*

Issue (a) : Whether the Noticee has violated provisions of Regulations 3(a), (b), (c), (d) and Regulation 4(1) & 4(2)(a) of PFUTP Regulations, 2003?

16. Before proceeding to the merits of the case, the contention of delay is being dealt with. It is noted that pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, Interim order was passed by SEBI on August 20, 2015 which was confirmed vide Orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation relating to stock options segment of BSE which was completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock option segment during the investigation period. The proceedings initiated vide the aforementioned Interim Order were disposed of vide Final Order dated April 05, 2018 also considering that appropriate action was initiated against the said 14, 720 entities in a phased manner.
17. During the course of hearing in the case of *R. S. Ispat Ltd Vs SEBI*, the Hon'ble Securities Appellate Tribunal (SAT), vide its Order dated October 14, 2019, *inter alia* observed that "*SEBI may consider holding a Lok Adalat or adopting any other alternative dispute resolution process with regard to the Illiquid Stock Options*".
18. A Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided one-time opportunity for settlement of proceedings in the Illiquid Stock Options matter. The said scheme was kept open from August 01, 2020 till December 31, 2020. Adjudication proceedings were initiated against those entities who had not availed of the opportunity of settlement.
19. Further, another settlement schemes was introduced pursuant to the order of Hon'ble SAT dated May 12, 2022. The details of SEBI settlement scheme is given at paragraph 8 and 14 above.
20. It is further noted that there are no timelines prescribed in the SEBI Act, 1992 for the purpose of identifying trades as non-genuine. In this regard, I feel it is pertinent



to note that, in the matter of **SEBI Vs Bhavesh Pabari** (2019) SCC Online SC 294, the Hon'ble Supreme Court of India has, inter alia, held that:

“There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc.”

21. As can be seen from the narration of facts in the foregoing paragraphs, pursuant to appointment of erstwhile AO on July 27, 2021, SCN dated September 23, 2021 was issued to the Noticee. Upon closure of SEBI Settlement scheme, 2022 on January 21, 2023, and SEBI Settlement scheme, 2024 on June 10, 2024, in compliance with principles of natural justice, an opportunity of personal hearing was scheduled on November 06, 2025. Hence, there has been no delay as alleged by the Noticee.

22. The Noticee also contended that cross-examination of counter-party and relevant officials of the BSE would enable it to demonstrate that there was nothing amiss in its trade as they were settled in the normal course of business by the BSE. The Noticee has placed reliance on the Hon'ble Supreme Court's judgment in the case of Price Waterhouse Coopers Vs. SEBI in Civil Appeal No. 6003-6004 of 2012 and Andaman Timber Industries vs. CCE (Supreme Court) in support of its contentions in relation to cross-examination. In this regard, it is stated that the question of cross-examining anyone may arise only if a proceeding is based on reliance upon recorded statements of persons. Further, the right of cross-examination cannot be claimed in the instant proceeding because no statement of any party or counter-party or broker/ dealer has either been recorded or relied upon in the captioned proceeding. Thus, cross-examination could not be granted as a matter of right in the instant proceeding. Here, I would like to rely on the judgment of the Hon'ble SAT in the matter of Anant R Sathe Vs. SEBI (Appeal No. 150 of 2020), wherein, vide Order dated July 17, 2020, SAT reaffirmed the principle elucidated in the judgment of Shruti Vora's case, which has been reproduced herein above and held that: “the Authority is required to supply the documents that they rely upon while serving the show cause notice which in the instant case has been done and which is sufficient for the purpose of filing an efficacious reply in his defence”. Further, I



note that vide email dated October 27, 2025 Noticee's request for cross examination was denied as it had no basis to the current adjudication proceedings. Also, considering the fact that no statement has been relied upon, in the matter, it is noted that the principles of natural justice have been complied with, the contentions of the Noticee in this regard are without merits.

23. Therefore, the preliminary contentions raised by Noticee are liable to be rejected, and the matter is proceeded on merits.

24. It is noted that allegation against the Noticee is that, while dealing in the stock option contracts at BSE during the IP, it had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock option contracts at BSE. Reversal trades are considered to be those trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non-genuine trades as they are not executed in the normal course of trading, lack basic trading rationale, lead to false or misleading appearance of trading in terms of generation of artificial volumes and hence, are deceptive and manipulative.

25. From the trade log of the Noticee it is noted that it had traded in three contracts in the stock options segment of BSE during the IP. It is observed that the Noticee had allegedly executed 6 non-genuine trades in 1 contract and it had resulted in the creation of artificial volume of 240000 units in the said contracts. Summary of non-genuine trades of the Noticee is as follows:

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 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 Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract



AMTK15MAR1 65.00PEW1	11.03	120000	6.8	12000 0	100	100	100	100
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26. I note that the Noticee had allegedly executed non-genuine trades in said contract, wherein the percentage of alleged non-genuine trades of the Noticee in stock options contracts to total trades in the contract was 100% in the aforesaid contracts. Further, alleged artificial volume generated by Noticee in the contracts amounted to 100% of total volume generated by it in the contracts. It is also noted that alleged artificial volume generated by the Noticee contributed 100% of the total volume from the market in the said contracts.

27. The details of squaring up done by the Noticee in the contract 'AMTK15MAR165.00PEW1' are as given below :

Trade Date	Client Name	CP Client Name	Trade Time	Trade Rate (Rs.)	Traded Quantity	Buy/Sell by the Noticee
27/02/2015	ACHAL AGARWAL	ROWLAND DEALTRADE PRIVATE LIMITED	10:20:03.195960	6.8	120000	Sell
27/02/2015	ROWLAND DEALTRADE PRIVATE LIMITED	ACHAL AGARWAL	10:20:11.465497	9.8	2000	Buy
27/02/2015	ROWLAND DEALTRADE PRIVATE LIMITED	ACHAL AGARWAL	10:20:34.497322	10.8	46000	Buy
27/02/2015	ROWLAND DEALTRADE PRIVATE LIMITED	ACHAL AGARWAL	10:20:20.997104	11.4	40000	Buy
27/02/2015	ROWLAND DEALTRADE PRIVATE LIMITED	ACHAL AGARWAL	10:20:07.696520	9.1	2000	Buy
27/02/2015	ROWLAND DEALTRADE PRIVATE LIMITED	ACHAL AGARWAL	10:20:28.697153	11.1	30000	Buy

i. As can be seen from the table above, the trades executed by the Noticee in the contract were squared up within a second, with the same counterparty. Noticee



on February 27, 2015 at 10:20:03 hrs entered into a sell trade with counterparty viz. Achal Agarwal for 120000 units at the rate of ₹6.8 per unit in the contract 'AMTK15MAR165.00PEW1'. Thereafter, on the same day within seconds, Noticee entered into buy trade at 120000 units with the same counterparty viz. Achal Agarwal at the rate ranging from ₹ 9.1 to 11.4 per unit in 5 trades.

- ii. These trades were entered into with the same counterparty in the same contract. It is noted that while dealing in the said contract during the IP, the Noticee executed reversal trades with same counterparty viz. Achal Agarwal on the same day, with significant price difference. Thus, the Noticee, through its dealing in the contract viz. 'AMTK15MAR165.00PEW1' during the I.P., executed non genuine trades which was 100% of the total trades from the market in the said contract during the I.P., and thereby, Noticee generated artificial volume of 240000 units which was 100% of the volume traded in the said contract from the market during the I.P.

28. The Noticee submitted that BSE and SEBI have themselves permitted trading in options for far months with a strike price which may be at large variance to current market price. The Noticee also submitted that his trades in stock options segment were executed on scrips which were not illiquid, if one were to observe the trade volume in the underlying scrip in which the Noticee had traded. He further contended that even if it is assumed that the trades were synchronized, it was in nature of negotiated deals, and hence, permissible. The non-genuineness of these transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within a short span of time, the Noticee reversed the position with his counterparties with significant price difference. It is noted from the trade log of the Noticee that the time taken by the Noticee for reversing the non-genuine trades was within seconds, on the same day. Such a short span of time taken for reversing the trades in an illiquid stock option contract suggests the non-genuineness of these trades executed by the Noticee. The fact that the transactions in a particular contract were reversed with the same counterparties indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid option contract, there was negligible trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contract, within a short



span of time, is a clear indication that there was pre-determination in the prices by the counterparties while executing the trades. Thus, it is observed that Noticee had indulged in reversal trades with his counterparties in the stock options segment of BSE and the same were non-genuine trades.

29. The Noticee submitted that the broker and the stock exchange had invited and incentivized trading members and their clients to execute trades in F&O segment of the stock exchange which had illiquid securities. The Noticee stated that as a result of such incentives, lay investors such as the Noticee were lured to invest in the scheme through SEBI registered intermediaries who at the relevant time convinced the clients to participate in such transactions. It is noted that the Noticee's contentions imply that there is no dispute that the impugned trades were definitely executed by the Noticee. Thus, the Noticee's contentions do not establish any denial of the charges made in the SCN.
30. The Noticee has contended that the Noticee should not be penalized for the structural flaws on the part of the stock exchange and has filed an impleadment application against BSE and the trading member and asked for Order against it. It may be noted that the remit of the current proceedings are in terms of adjudication proceedings initiated and order appointing adjudicating authority, a copy of which has already been made available to the Noticee. Given the above the proceedings cannot travel beyond the authority granted therein. Thus, impleading BSE or taking action against BSE or stock broker is not within the authority of the current proceedings.
31. Noticee's contentions also imply that merely because other entities in the securities market may or may not have been involved in violating PFUTP Regulations, 2003, initiating a particular proceeding against the Noticee should necessarily be treated as unfair. It is noted that even if there are numerous violators in the securities market, it does not follow that SEBI must proceed against all entities in a single proceeding. Similarly, Adjudication proceedings are not vitiated merely because each violator is proceeded against in separate and distinct proceedings.
32. Noticee has contended that he has made only one reversal trade, and the intention of the trades in the matter was not malafide. It is noted that the Noticee's contentions imply that there is no dispute that the impugned trades were definitely executed by the Noticee.



33. Noticee contended that Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) of the SEBI PFUTP Regulations, 2003 did not apply to the investors before the 2019 amendment of Section 11B of SEBI Act, 1992. It is noted that the amendment by the Finance Act, 2018 w.e.f. March 08, 2019 pertains to imposition of penalty under Section 11B of the SEBI Act, 1992. The imposition of penalty for violations of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003, under Adjudication proceedings has already been prescribed under Section 15HA of the SEBI Act, 1992 and applicable for all persons dealing in the security market. Hence, contention of the Noticee that the SCN issued by SEBI is unconstitutional, as it has initiated investigation against an investor, is untenable.
34. Noticee has further contended that the trades executed were subject to regulatory supervision of BSE, and were not questioned by the BSE at that time, so the impugned trades which were cleared were genuine. It is noted that stock exchanges merely provide a platform for carrying out the trades and the clearing corporation affiliated with exchange handles the confirmation, settlement and delivery of transactions, however, the obligation to ensure genuineness of trades as regards instant considerations lies squarely on the Noticee and the Noticee is bound to comply PFUTP Regulations, 2003. Thus, the contentions of the Noticee are not tenable.
35. Noticee has also contended that there was neither any mechanism to deter nor a note of caution by BSE about matching trades with same counterparty on the same day during the IP. It is noted that instant adjudication proceedings levy the impugned allegations against Noticee, and that absence of any preventive mechanism cannot be a ground to absolve Noticee from his obligation to ensure genuineness of trades executed on exchange platform.
36. Noticee has further contended that the counterparties to both buy and sell trades were common by coincidence. It is noted that it is not mere coincidence that Noticee could match his trades with the same counterparty with whom he had undertaken first leg of the respective trades. This is the outcome of meeting of minds elsewhere and it was a deliberate attempt to deal in such a fashion. Here the judgment of Hon'ble Supreme Court in SEBI v Kishore R Ajmera (AIR 2016 SC 1079) decided on February 23, 2016, is relied upon wherein it was 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 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...”

37. The Hon'ble Supreme Court further held in the same matter that – *“It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.”*
38. Noticee has *inter alia* contended that he was not related to counterparties to the trades or to their brokers, which were different for both the parties to these trades. It is noted in this regard that direct evidence is not forthcoming in the present matter as regards to meeting of minds or collusion of the Noticee with other entities. However, it is noted that the trading behaviour of the Noticee makes it clear that aforesaid trades could not have been possible without meeting of minds at some level. In this context, it is deemed appropriate to refer to the judgement of the Hon'ble SAT order dated July 14, 2006, in the matter of Ketan Parekh vs. SEBI (Appeal no. 2/2004), wherein the Hon'ble SAT has held that - *“The nature of transactions executed, the frequency with which such transactions are undertaken, the value of the transactions, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be*



decisive and it is from the cumulative effect of these that an inference will have to be drawn."

39. Further, Noticee has also contended that the essential requirement to constitute fraud is to induce another person or his/her agent to deal in securities, which has not been brought out in the instant SCN. In this regard, the following is noted from the judgement of the Hon'ble SAT in the matter of Ketan Parekh vs SEBI (supra): *In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4 (a) of the Regulations.* Therefore, I reject the contentions of Noticee in this regard.
40. Reliance is placed on the judgment of Hon'ble Supreme Court in the matter of SEBI v Rakhi Trading Private Limited (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018), in which the Hon'ble SC held that - *"Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities....."*
41. Noticee has contended that the decision of investors was not affected because of reversal trades executed by him. Also that, there was no effect on prices of the derivative contract because of Noticee's trades. It is noted that the impugned reversal trades, which were carried out with prior meeting of minds as inferred from the case facts, affected the price discovery and execution of trades as per market mechanism on the stock options segment of BSE. In this regard, it is further noted the following from the judgement of the Hon'ble SC in the matter of SEBI vs Rakhi Trading Pvt Ltd (supra):



“.....According to SAT, only if there is market impact on account of sham transactions, could there be violation of the PFUTP Regulations. We find it extremely difficult to agree with the proposition. As already noted above, SAT has missed the crucial factors affecting the market integrity, which may be direct or indirect. 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.”

Therefore, the contentions of Noticee in this regard are not tenable.

42. Further, the Hon'ble SAT in its judgement dated September 14, 2020 in the matter of Global Earth Properties and Developers Pvt Ltd relied upon the aforesaid judgement of Hon'ble SC and held that,

“It is not a mere coincidence that the Appellants could match the trades with the counter party with whom he had undertaken the first leg of respective trade. In our opinion, the trades were non-genuine trades and even though direct evidence is not available in the instant case but in the peculiar facts and circumstances of the present case there is an irresistible inference that can be drawn that there was meeting of minds between the Appellants and the counter parties, and collusion with a view to trade at a predetermined price.”

43. Noticee has also contended that volume contributed by reversal trades to the total contract volume was insignificant, and could not be termed manipulative and deceptive. It is noted that the impugned stock option contract was illiquid, as stated in the SCN, and also that Noticee's trades in said contract contributed 100% to the total market volume generated during the IP. This points to the contribution of Noticee, irrespective of quantum of reversal trades or volume generated, in the creation of misleading appearance of trading through his impugned trades.

44. With respect to Noticee's contention that no penalty should be imposed on him for single reversal trade, it may be mentioned that in case of AO Order of Radha Malani dated September 06, 2021, Hon'ble SAT vide Order dated November 24, 2021, has upheld the AO Order wherein penalty was imposed for single reversal trade. Hence, the contention of the Noticee is not tenable.



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

Issue (b): Does the violation, if any, attract monetary penalty under Section 15HA of the SEBI Act, 1992?

46. Considering the findings that the Noticee as mentioned above has executed non-genuine trades resulting in the creation of artificial volume, thereby violating the provisions of Regulation 3(a), (b), (c) & (d) & Regulation 4(1) and 4(2)(a) of the PFUTP Regulations, 2003 and in terms of the judgement of Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri RAM Mutual Fund[2006] 68 SCL 216(sc) decided on May 23, 2006 wherein it is 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...*" it is a fit case for imposition of monetary penalty under the provisions of Section 15 HA of SEBI Act which reads as under:

Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty - five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

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

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

15J. While adjudging quantum of penalty under [15-I or section 11 or section 11B, the Board or the adjudicating officer] shall have due regard to the following factors, namely:—



- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
- (b) the amount of loss caused to an investor or group of investors as a result of the default;
- (c) the repetitive nature of the default.

[Explanation.— For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.]

48. It is observed, that the material available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticee and the losses, if any, suffered by the investors due to such violations on part of the said Noticee. However, the Noticee has entered into 6 non-genuine trades which demonstrates the violation of PFUTP Regulations, 2003.

ORDER

49. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in section 15J of the SEBI Act, 1992 and in exercise of power conferred upon under section 15-I of the SEBI Act, 1992 read with rule 5 of the Adjudication Rules, 1995. Following penalty under section 15HA of the SEBI Act, 1992 is imposed on the Noticee:

Name of the Noticee	Violation provisions	Penalty
Rowland Dealtrade Private Limited PAN:AAECR9003P	Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003	₹ 5,00,000/- (Rupees Five Lakhs only)

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

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

ENFORCEMENT >Orders >Orders of AO> PAYNOW

51. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act, 1992 for realization of



the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

52. In terms of the provisions of rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee viz. Rowland Dealtrade private Limited and also to the Securities and Exchange Board of India.

Date: April 23, 2026

Place: Mumbai

**AMIT KAPOOR
ADJUDICATING OFFICER**