BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/JS/RJ/2025-26/32018]

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

In respect of:
Amit S Yadav
PAN: ADZPY6811D
In the matter of dealing in Illiquid Stocks Options on BSE

FACTS OF THE CASE IN BRIEF

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

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

3. During the IP, 14,720 entities were found to have executed non-genuine trades in BSE's stock options segment. It was observed that Amit S Yadav (hereinafter referred to as the **"Noticee"**) was one of the entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. The Noticee's trades were alleged to be non-genuine in nature which created false or misleading appearance of trading in terms of artificial volumes in stock options. Therefore, Noticee's trades were alleged to be manipulative and deceptive in nature. In view of the same, SEBI initiated adjudication proceedings against the Noticee for alleged violation of the provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

APPOINTMENT OF ADJUDICATING OFFICER

4. Pursuant to transfer to the case from erstwhile Adjudicating Officer (hereinafter referred to as "**AO**"), the undersigned was appointed as AO in the matter vide communiqué dated April 04, 2025, under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the **"SEBI Act**") read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Rules"**), to inquire into and adjudge under the provisions of section 15HA of the SEBI Act for the alleged violations by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Based on the findings by SEBI, a Show Cause Notice dated November 15, 2021 (hereinafter referred to as "**SCN**") was issued by erstwhile AO to the Noticee under rule 4(1) of Rules to show cause as to why an inquiry should not be held and penalty, if any, should not be imposed upon him for the alleged violations of the provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations. It was alleged in the SCN that the Noticee was indulged in reversal and non-genuine trades and details of the trades including the trade dates, name of the counterparties, time, price and volume, etc., were provided to the Noticee as Annexure to the SCN.

6. Vide Post SCN Intimation (hereinafter referred to as **"PSI"**) dated August 04, 2022, Noticee was informed that SEBI had introduced a Settlement Scheme, i.e., SEBI Settlement Scheme, 2022 (hereinafter referred to as **"Settlement Scheme 2022"**) in terms of regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as **"Settlement Regulations"**). Noticee was informed that the Settlement Scheme 2022 provides a one-time opportunity to the entities against whom proceedings were initiated and appeals against the said proceedings were pending. The scheme commenced from August 22, 2022 and remained open for a period of three months. Later, the applicable period of the Settlement Scheme 2022 was extended to January 21, 2023 by SEBI.

7. The PSI dated August 04, 2022 was duly served upon Noticee through SPAD. Since, Noticee did not avail the Settlement Scheme 2022, the adjudication proceedings against the Noticee were resumed.

8. Accordingly, vide notice of hearing dated June 12, 2023, Noticee was granted an opportunity of hearing on June 21, 2023.

9. Thereafter, vide letter dated October 11, 2023, Noticee replied to the SCN and made the following submissions:

    (a) It may be appreciated form the face of SCN as well as records of SEBI that the Noticee was residing at CHAWL in Mumbai. Therefore, it is beyond doubt to respectfully submit that the Noticee was not in position to carry out even single trade in securities market for losses to adjust his profit income to evade income tax. His total yearly income was under tax exemption category.

    (b) His PAN was misused by someone and he is not economically or educationally sound to approach the laws of land with his complaint for misusing of his PAN and other details. His social and financial status does not permit him to dare to file police complaint for misusing his name and PAN for alleged fraud committed by someone in his name in the securities market.

    <u>SUBMISSION IN RESPECT OF VIOLATION OF PRINCIPLES OF NATURAL JUSTICE</u>

    (c) Upon perusal of Show Cause Notice, it appears that there is certain data, documents and information available with SEBI in connection with the matter, which has not been provided to the Noticee. The materials based on which the allegations have been alleged against the Noticee has not been supplied by AO. Only selective information and data have been provided to the Noticee

and it is contrary to the settled principle of natural justice. Further, only selective information has been given by AO handicapped Noticee in submitting effective and complete defence.

(d) The present Notice issued by AO is general and vague in nature and hence not valid in the eyes of law. It is humbly submitted that general allegation has been made out against the Noticee in the SCN, stating that the Noticee, had done reversal trades and created artificial volume in illiquid stock options at BSE. But it has not been shown in the Notice as to how the Noticee has done reversal of trade without prior meeting of mind with counter party. Further, the detail investigation or enquiry report along with documents substantiating the allegations has not been provided to the Noticee. Even the copy of the investigation report pertains to impugned trades executed in the name of the Noticee as well as role played by him has not been provided to the Noticee which is an essential document and is also considered as a part of the Notice as per the regulatory jurisprudence of India. The Hon'ble Supreme Court in the matter of Gorkha Security Services v. Govt. (NCT of Delhi), (2014) 9 SCC 105 held that:

> *"the purpose of show cause notice is primarily to enable the Noticee to meet the grounds on which an action is proposed against it and such grounds shall be fully detailed in the show cause notice issued to the Noticee so that he can gets an reasonable opportunity to rebut the same."*

(e) Further, Hon'ble Supreme Court in the matter of Securities and Exchange Board of India v. Price Waterhouse (Civil Appeal No. 6003-6004/12) held that:

> *"SEBI being a statutory authority is not at the liberty to withhold information. The Hon'ble Apex Court clearly directed that, all statements recorded during the course of investigation shall be provided to the respondents. Further all documents collected during investigation shall be permitted to be inspected by the respondents".*

<u>SUBMISSION ON MERITS</u>

Dealing in the stock market by the Noticee:

(f) As aforesaid, Noticee never ever opened trading account in the securities market. His name, Pan and other documents were misused by some-one which is not known to him. It may be appreciated that a person living at CHAWL never required to financial losses to set off his profit with purpose to evade income tax liability as his total income was under the exempted category.

<u>Assuming whilst denying for sake of arguments that the Noticee has executed impugned trades, Noticee submitted as under:</u>

(g) The SCN was issued after a lapse of more than 7 years from the dates of transactions which has been carried out on 23rd and 24th of March 2015 and therefore much duress has been caused to the Noticee on the receipt of the same as he had acted in his bona fide capacity while executing the trades at the relevant time and had settled all his settlement obligations qua his transactions. It may be appreciated that it is beyond comprehension or remembrance of a man under normal course of business or circumstances for trades executed more than 6 years earlier specifically in complex behaviour of derivatives segment. Therefore, the Noticee has lost opportunity

to submit his complete defence. It is submitted that, the authority is required to exercise its powers within a reasonable period as held recently in Adjudicating Officer, Securities and Exchange Board of India v. Bhavesh Pabari (2019) 5 SCC 90. In the instant case, because the power to adjudicate has not been exercised within a reasonable period therefore, present proceeding is liable to be dropped on this sole ground.

Participation of the Noticee during the investigation period:

(h) During the investigation period of 15 months, the Noticee had executed trade only for 2 days out of 368 trading days of investigation period. The participation of the Noticee in alleged reversal trades or creation of artificial volume during the investigation period is evident from the below-mentioned table:

Particulars	*Consolidated data pertaining to investigation period)*	*Participation of the Noticee in trading during the investigation period*	*Amount / % age of participation of the Noticee during the investigation period*
Total trading days during the investigation period	*368*	*2*	*0.54%*

(i) It may be appreciated that the Noticee has to continue in trading for long period if he had employed any device, scheme or artifice to defraud to the investor or get undue gain in association of and prior meeting of mind with counter party. But in this instance case, reversal trades has been executed only for 2 days during the investigation period.

Dealing in 'illiquid' option segment at BSE by the Noticee:

(j) Contract in which the Noticee traded was highly liquid in nature. Thus, it is unfair to allege that the Noticee traded in illiquid contract of stock options.

(k) BSE and SEBI have themselves allowed and permitted trading in options for 'far months' with a strike price which are at large variance to current market price. The fact is that such parameters as laid down is clearly indicative of fact that options will always be 'in the money' and 'out of money' and since regulators have themselves permitted trading in same, no adverse inference be drawn against the Noticee in this regard.

(l) BSE, did not question the Noticee for alleged violation of SEBI regulation during or after the investigation period. It is pertinent to mention that BSE, being the first level of regulator had not preferred any action which clearly shows that the Noticee had not violated regulatory provisions. No action preferred by BSE also substantiates submission of the Noticee that he had not committed any wrong while dealing in stock options at BSE.

(m)BSE and SEBI also had abstained from prescribing any control and/or procedure as a preventive measure to prevent such alleged trades which was in reversal nature if any so that further repetition of violation can be stopped.

(n) It may also be appreciated that, had SEBI or BSE prescribed some controls and/or procedure for prevention of such reversal trades during the period, the Noticee could not have executed alleged reversal trades even accidently.

(o) It is pertinent to mention that BSE has introduced measure for prevention of reversal trades in Equity Derivative Segment after year of executed trades in

question, i.e., from March 14, 2016 vide Notice No. 2016030833 dated March 08, 2016.

(p) In case, the allegation has been made on the ground that the trades of the Noticee were in far-off strike prices and therefore very few entities were trading in such strike rates. Then, in that case, it may also be concluded that said trades could have had no effect on other investors or market at large and that such illiquidity would be reason for volatility and alleged 'reversal' transactions since variations in option price would be dramatic if the chosen strike price is thinly traded.

(q) It is pertinent to mention that stock exchanges regularly come out with list of illiquid scrips in cash segment. However, no such list is issued by exchanges or regulator for dealing in stock options contracts. Thus, to fasten the responsibility or allege a single individual investor/entity that it traded in illiquid option is unwarranted and unfair.

(r) The price mechanism of Options is in complicated nature as price of option contract is derived from several variables or factors. There is no "correct" range of options price. Further, there is no price band mechanism for the Options Segment by the regulator. Thus, allegation may not be alleged as trades have been executed at unrealistic price of options contracts.

(s) That history of BSE option Segment was in primitive and introductory stage. BSE was struggling to get out of infrequent and thinly traded Stock Option Segment. Therefore, there were no likely possibilities of adverse influence to the decision of investor fraternity for the trading in the Stock Option Segment at BSE. Thus, the apprehension raised in the SCN is not warranted or called for on account of negligible trades of the Noticee in stock options at BSE.

(t) SEBI has allowed and wanted to increase the trade volume in that duration as there was hardly any trading done and to increase the volume during that time, the Liquidity Enhancement Scheme for illiquid securities in F&O segment was introduced. There is every possibility in the thinly traded contracts to get reversed with the same party and there was no ban in doing that.

Trades of the Noticee did not depress the market equilibrium:

(u) The Noticee had executed 5 trades on BSE in which he suffered losses of stock option which were purchased and sold on the same day. By no standards this can be termed as non-genuine trade.

(v) That trades in question were executed very much within the limits provided by the exchange and within the price that was appearing of the underlying asset, otherwise it could not have been executed. As mentioned in the notice, a trader while trading in illiquid options does not know who he/she is trading with, even if it is a broker. The implication that about 14000 people within galaxy of brokers kept trading, know each other seems a little farfetched imagination. During such investigation, SEBI came to a finding that these were large scale reversal trades executed in stock options by 14,720 entities who have allegedly been involved in generation of artificial volumes by executing non genuine / reversal trades. Noticee had no knowledge pertaining with whom the trades got transacted. SEBI/BSE does not allow anyone to know with whom the transaction gets closed.

(w) *The trading volume of the Noticee is negligible vis-à-vis total alleged reversal trade or total trades executed in derivatives segment at BSE. The miniscule percentage trades of Noticee is also evident from the below table:*

Particulars	*Consolidated trade data pertaining to investigation period)*	*Noticee's trading during the investigation period*	*Amount / % age of contribution of the Noticee during the investigation period*
Total no. of alleged reversal trades	*291643*	*5*	*0.0017%*
Total no. of trades at BSE in options	*358371*	*5*	*0.0014%*
Total premium volume in unit as given in SCN	*69518.22 Cr*	*0.2992 Cr*	*0.00043%*
Total No. of Order placed in alleged transaction	*54987*	*5*	*0.009%*

(x) *From bare perusal with extracts of the SCN and above table, it may be appreciated that:*

- *(i) The percentage of no. of reversal trades of Noticee's vis-à-vis no. of reversal trades in the market was exceedingly insignificant to have any kind of impact on the market;*
- *(ii) The percentage of no. of reversal trades of Noticee's vis-à-vis no. of trades in the market was exceedingly insignificant to have any kind of impact on the market;*
- *(iii) The percentage volume of premium of reversal trades of Noticee's vis-à-vis volume of premium of total trades in the market was exceedingly insignificant to have any kind of impact on the market;*
- *(iv) The percentage of order of reversal trades of Noticee's vis-à-vis total nos. of order in the market was exceedingly insignificant to have any kind of impact on the market equilibrium; and*
- *(v) The alleged reversal trades of the Noticee had no adverse inference on the sentiment of the market.*

(y) *Trading in 88,000 units cannot by any means be considered as creating of artificial volume. As SEBI contended that 81% of trades were completed, it means that the contract was highly liquid and not illiquid and consecutively Noticee cannot be penalized for generating artificial trade volume. Further, trades of the Noticee were far behind the opening or highest price of the day and far above than lowest price of the contract.*

(z) *It may be appreciated that any kind of fictitious/ manipulative trade in cash segment may create distorted impression in minds to investors who may invest/divest from said scrip that price of scrip if rising/falling. However, in case of option segment there is no such effect since each contract expires at end of contract period and for every party who makes profit there is counter party who makes a loss. There is no question of transfer of beneficial ownership in option segment since at end of settlement cycle only net loss/profit is adjusted. Therefore, in Noticee's , opinion, allegation of creation*

of 'artificial' or 'reversal' trade is of no consequence in option segment of exchange.

No relationship or prior meeting of minds with the counterparties:

(aa) The allegation of the creation of any artificial volume against the Noticee is factually incorrect and not based on fundamentals. The trading in the Noticee's account was carried out independently and it is denied that the same have been carried out in connection or collusion with the any counter party or any other entities whatsoever. Most importantly it is highlighted that the trades of the Noticee were executed only for 1 day and 2 trades have been alleged as reversal trades.

(bb) A plain reading of the SCN suggests that its contents are not consistent with alleged violation as is clear from the below-mentioned facts:

- *(i) The SCN doesn't establish any possible linkage between the Noticee and other counter parties;*
- *(ii) The SCN failed to establish that meagre trades of the Noticee have any negative impact on the market or lead to false and misleading appearance of trading in the illiquid stock options;*
- *(iii) The SCN failed to establish the trades of the notice were in detrimental to the interest of the investors.*

(cc) There was no evidence available to show that there was prior meeting of mind of the Noticee with counter party. It is pertinent to submit that there is no evidence to allege that there were any kinds of relation between the Noticee and counter party in connection with alleged reversal trades. Therefore, it was submitted that the allegation cannot be raised as the Noticee has violated so many regulations, i.e., regulations 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(a) of PFUTP regulations, 2003. It is quite unreasonable to allege that 2 trades had resulted so many (6) violations of PFUTP Regulations in absence of any documentary evidence. Even the Noticee's trades have violated so many regulations, the SCN needs to explain how alleged trades of the Noticee has violated each of these provisions separately. Allegations of aforesaid violation without concrete proof are condemned by the law and it is against the public policy of India. In Ghanashyam Das Baheti (Supra) matter, the Division Bench of Hon'ble High court at Calcutta held that "in order to get a temporary injunction although it is not necessary to prove concrete full proof case of fraud, but the plaintiff would be required to make out a prima facie case of fraud as to conduct of parties ……..." But in the present matter, SCN has failed to make out prima facie case of manipulative, fraudulent and unfair trade practices. The allegation has been made out only on the basis of assumption.

(dd) On analysing the data provided with show cause notice, it appears that the Noticee's trades have been matched with counter parties. In this connection it was submitted that Noticee does not have 'connection' or 'relation' with the said counterparty at any point of time. The Noticee's trading in stock option segment was independent and based on his limited understanding of capital market. More to add, it may be appreciated that a person who wish to create artificial volume may deal only for 2 days and execute only 5 illegal trades.

(ee) *The Noticee did not act in concert or in collusion with anyone or connected with anyone including counter party or his broker. It is an admitted position that there is no connection whatsoever between the Noticee and counter party.*

(ff) *The Noticee has carried out all his trades on the trading platform of stock exchange independently. Orders were matched with counter party on the automated driven order matching system on a price-time priority basis and hence it is not possible for anybody to have access over identity of counter party. Since counter party identity is not displayed, one can never have any choice with whom it wants to deal or not to deal.*

(gg) *While trading in an illiquid option there are more chances of getting the trade squared off with the same party. Noticee as an investor asked his broker to buy or sell which he did on his behalf on the Exchange platform. He was not in a position to see the screen nor can the broker identify with whom the deal got punched as the details are not shared on the screen by the Exchange. Since, the trading system is anonymous, it will be very naïve to draw conclusions that the parties knew each other. The Noticee placed reliance on the judgement of the Hon'ble Supreme Court in the matter of SEBI v. Kishore Ajmera [(2016) 6 SCC 368] wherein, the Apex Court held in para 26 of the judgment 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 naive to rest the conclusions on the said basis which overlooks a meeting of minds elsewhere". Thus, meeting of minds and knowledge of who the other party is very important which was apparently missing in Noticee's case.*

(hh) *In the case of Ms. Neha Sethi, the Learned Adjudicating Officer had considered that while trading in an illiquid option there are more chances of getting the trade squared off with the same party.*

(ii) *It is further submitted that, in order to establish charges of fraudulent trading or violation of PFUTP Regulations, it is a settled principle of law that the parties to these trades should collude amongst themselves. In this context Noticee drew attention to the matter of M/s. Jagruti Securities Ltd. v. Securities Exchange Board of India, Appeal No. 184/2008.*

(jj) *More to add, in the matter between Vintel Securities Pvt. Ltd. V. SEBI, Appeal No. 219/2009, the Hon'ble Securities Appellate Tribunal has held that "A serious charge of fraudulent and unfair trade practice has been established against the appellant without dealing with the trades executed by it. The adjudicating officer has given no reason whatsoever in support of his conclusion. He has found the Appellant guilty...without showing as to how it was acting in tandem with others".*

(kk) *Further, it may also be appreciated that there must be a reason behind any manipulative transactions by the person. Creation of artificial volume in derivative segment does not have any purpose or benefit to the person who engaged in such practice. Further, SCN did not allege price manipulation. Therefore, the Noticee is unable to understand the necessity and intent of issuance of aforesaid SCN on the charge of creation of artificial volume.*

(ll) *The Noticee did not employe any device, scheme or artifice to defraud to the investor while dealing in stock options contract at BSE. The dealing in stock option contract by the Noticee was not detrimental to the interest of the investors. The SCN also does not made out a case against the Noticee that other investors were misled trades of the Noticee.*

(mm) *It was submitted that role of the Noticee's has not been attributed in the show cause notice. Only common generic allegations have been recorded against me, but not a single instance or observation on specific role of the Noitcee in alleged reversal is outlined in the Show Cause Notice. The Noticee drew attention to case of Commissioner of Central Excise, Bangalore v. M/s Brindavan Beverages (P) Ltd. and Ors [Civil Appeal 3417 of 2002] decided on June 15, 2007.*

(nn) *In this context, the Noticee drew attention to the orders passed by Hon'ble Securities Appellate Tribunal (SAT) and the Hon'ble Supreme Court in innumerable cases, wherein it was held that such show cause notice is not permissible in law.*

(i) *In the matter of Canara Bank and Others v. Debasis Das and others (2003) 4 SCC 557, the Hon'ble Supreme Court held that "The first and foremost principle is what is commonly known as audi alteram partem rule. It says that no one should be condemned unheard. Notice is the first limb of this principle. It must be precise and unambiguous. It should apprise the party determinatively of the case he has to meet".*

(ii) *In the matter of Vikas Ganeshmal Bengani (Appeal No.283 of 2009 date of decision: 8.3.2010), The Hon'ble SAT held that "What is being alleged against the appellant is that he played a fraud and committed an unfair trade practice within the meaning of the regulations while trading in the scrip of the company. It is a serious allegation and when fraud is being alleged the particulars thereof have to be indicated in the show cause notice. The least that is required of a body like the Board is to tell the appellant about the manner in which he has played the fraud or committed the unfair trade practice. Except for alleging that the provisions of Regulation 4(1) and 4(2) of the regulations had been violated, no other details or particulars of the fraud had been indicated in the show cause notice. How can such a serious charge be allowed to stand without the particulars being provided in the show cause notice? On this ground also the impugned order deserves to be set aside."*

(iii) *The Hon'ble Securities Appellate Tribunal made the observations in the matter of Shri B. Ramalinga Raju v. SEBI (Appeal No. 286 of 2014 dated May 12, 2017) that "There can be no dispute that while determining the rights and obligations of the parties the quasi-judicial authority must adhere to the principles of natural justice which inter alia, includes the obligation to furnish requisite documents on the basis of which charges are framed and permit cross-examination of the persons whose statements are relied upon."*

(iv) *In the case of Hindustan Steel Limited v. State of Orissa (83 ITR 26), the Hon'ble Supreme Court made an observation that "As to when penalty for failure to carry out a statutory obligation could be imposed. The facts to be*

considered are whether there is anything to show that the Appellant acted deliberately in defiance of law or was guilty of conduct contumacious or dishonest or acted in conscious disregard of its obligations. Penalty will not be imposed merely because it is lawful to do so. Whether penalty should be imposed for failure to perform a statutory obligation is matter of discretion of the authority to be exercised judicially and on a consideration of all the relevant circumstances. Even if a minimum penalty is prescribed, the authority competent to impose the penalty will be justified in refusing to impose penalty, when there is a technical or venial breach of the provisions of the Act or where the breach flows a bonafide belief that the offender is not liable to act in the manner prescribed by the statue."

(oo) In view of what is explained above, Noticee submitted that there was no motive or any manipulative intention or lapse or wrongdoing on part of the Noticee as alleged or otherwise. There is no mens rea or guilty intent reflected in Noticee's conduct.

(pp) That the charges levelled against the Noticee in the notice is not substantiated with concrete evidence provided in the instant matter. Since no primary violation against the Noticee has been made out and as the Noticee has also explained the genuineness of his case, present proceedings against the Noticee is uncalled and unwanted. Noticee has not committed any wrong and no charge has been established against the Noticee even prima facie, to warrant any action.

10. Subsequently, PSI dated March 06, 2024, was issued to the Noticee by erstwhile AO wherein it stated that SEBI had offered another Settlement Scheme, i.e., SEBI Settlement Scheme, 2024 (hereinafter referred to as "**Settlement Scheme 2024**") in terms of regulation 26 of Settlement Regulations. The applicable period of the said scheme was March 11, 2024 to May 10, 2024. Later, the applicable period of the Settlement Scheme 2024 was extended to June 10, 2024 by SEBI. It is observed that Noticee did not avail the Settlement Scheme 2024 and accordingly, the adjudication proceedings against the Noticee were resumed.

11. Thereafter, vide hearing notice dated July 11, 2025, Noticee was granted another opportunity of hearing on August 04, 2025. Noticee appeared for the hearing through video-conferencing and reiterated the submissions made by him vide letter dated October 11, 2023.

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

12. Before proceeding to the merits of the case, it is appropriate to deal with the preliminary submissions made by Noticee that SCN suffers from inordinate delay and therefore, SCN is liable to be quashed and set aside.

13. In this regard, I note that pursuant to a preliminary examination conducted in the ISO matter, an 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 an 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 options segment during the IP. The proceedings initiated vide the aforementioned Interim Order were disposed of vide Final Order dated April 05, 2018, *inter alia*, considering that appropriate action was initiated against the said 14,720 entities in a phased manner. During the course of hearing in the case of *R. S. Ispat Ltd. v. SEBI*, the Hon'ble 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*".

14. A Settlement Scheme was framed under the Settlement Regulations, which provided a one-time opportunity for settlement of the proceedings in the ISO matter. The said scheme was kept open from August 01, 2020 to December 31, 2020. Adjudication proceedings were initiated against those entities who had not availed of the opportunity of settlement in the said scheme. Further, another settlement scheme, i.e., Settlement Scheme 2022 was brought into force from August 22, 2022 to January 21, 2023. Finally, a third settlement scheme, i.e., Settlement Scheme 2024 was offered from March 11, 2024 to June 10, 2024.

15. It is further noted that there are no timelines prescribed in the SEBI Act for the purpose of identifying trades as non-genuine. In this regard, it is pertinent to note that, in the matter of *SEBI v. Bhavesh Pabari*[1], the Hon'ble Supreme Court, *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*

[1] (2019) SCC Online SC 294.

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."

16. Pursuant to appointment of erstwhile AO, SCN dated November 15, 2021 was issued to the Noticee. Thereafter, Noticee was informed regarding Settlement Scheme 2022 vide PSI dated August 04, 2022, however, Noticee did not avail the said settlement scheme. In between, Noticee was also granted an opportunity of hearing vide hearing notice dated June 13, 2023. Subsequently, the Noticee was informed regarding the Settlement Scheme 2024, vide PSI dated March 06, 2024. Since the Noticee failed to avail the settlement schemes, the adjudication proceedings initiated against him were resumed and pursuant to appointment of the undersigned as AO, vide notice of hearing dated July 11, 2025, Noticee was granted an opportunity of hearing on August 04, 2025. Subsequently, the matter was finally heard on August 04, 2025. Hence, considering the narration of facts in the foregoing paragraphs, I note that there has been no inordinate delay in initiation of the proceedings as contended by the Noticee.

17. Noticee contended that only selective information and data have been provided to him in the course of the instant proceedings. To buttress its submission, Noticee relied on the decisions of the Hon'ble Supreme Court in the matter of *Gorkha Security Services v. Govt. (NCT of Delhi)* and the Hon'ble SAT in the matter of *Securities and Exchange Board of India v. Price Waterhouse.* In this regard, I note that all the trade details along with the IR which forms the basis of the allegation in the instant proceedings have been provided to the Noticee along with the SCN and also vide email dated October 3, 2023. Moreover, Noticee has neither requested any documents nor demonstrated any case otherwise. Therefore, I find the instant submission of the Noticee devoid of merit.

18. Noticee stated that generic allegations have been recorded against him and he has referred to the order of Hon'ble Supreme Court in the matter of *Commissioner of Central Excise, Bangalore v. M/s Brindavan Beverages (P) Ltd. and Ors*. In this regard, I note that the SCN clearly indicates the specific nature of violations and also provides the details of the reversal trades executed by the Noticee which were allegedly non-genuine trades. Thus, the specific allegations were unambiguously conveyed to the

Noticee and he was given multiple opportunities to tender his responses. Therefore, the instant submission of the Noticee lacks merit and hence cannot be accepted.

19. Noticee contended that there has been violation of the principles of natural justice. It is evident from the record and discussions in the preceding paragraphs, Noticee was afforded multiple opportunities to make submissions and was granted opportunities of hearings. It is a fact that Noticee availed these opportunities and participated in the hearings. Accordingly, no violation of the principles of natural justice is made out.

20. I note that it was alleged in the SCN that the Noticee, while dealing in the stock options contracts at BSE during the IP, had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock options contracts at BSE. The said reversal trades were alleged to be non-genuine trades as they were not executed in the normal course of trading, lacked basic trading rationale, led to false or misleading appearance of trading in terms of generation of artificial volumes and hence, were deceptive and manipulative.

21. It was alleged that the Noticee was one of the entities who had indulged in creating artificial volume of 1,88,000 units through five non-genuine trades in two stock options contracts during the IP. The summary of trades is given below:

Table No. 1

Contract name	Avg. buy rate (₹)	Total buy volume (no. of units)	Avg. sell rate (₹)	Total sell volume (no. of units)	% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract	% of Artificial volume generated by the Noticee in the contract to Total volume in the contract
A	B	C	D	E	F	G
VOLT15MAR235.00CE	42.9	44,000	25.1	44,000	100	9.74
ADEL15MAR660.00PE	69.3	50,000	40.5	50,000	100	3.93

22. Details of trades in each of the aforesaid contracts is illustrated below:

(a) ADEL15MAR660.00PE - on March 24, 2015, the Noticee, at 12:00:47 hours, entered into a sell trade in a contract, viz., "ADEL15MAR660.00PE" with counterparty "N M Impex Pvt. Ltd." for 50,000 units at Rs. 40.5/- per unit. On the same day, at 12:14:18 hours and 12:14:27 hours, Noticee entered into two buy trades with the same counterparty for 50,000 units at Rs. 69.30/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of three trades (one sell trade and two buy trades) with same counterparty, viz., "N M Impex Pvt. Ltd." on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's three trades while dealing in the aforesaid contract during the IP generated artificial volume of 1,00,000 units, which made up 9.74% of total market volume in the said contract during the IP.

(b) VOLT15MAR235.00CE - on March 23, 2015, the Noticee, at 12:07:19 hours, entered into a sell trade in a contract, viz., "VOLT15MAR235.00CE" with counterparty "N M Impex Pvt. Ltd." for 44,000 units at Rs. 25.10/- per unit. On the same day, at 12:26:42 hours, Noticee entered into a buy trade with the same counterparty for 44,000 units at Rs. 42.90/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of two trades (one sell trade and one buy trade) with same counterparty, viz., "N M Impex Pvt. Ltd." on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's two trades while dealing in the aforesaid contract during the IP generated artificial volume of 88,000 units, which made up 3.93% of total market volume in the said contract during the IP.

23. In response, the Noticee stated that his PAN was misused by someone and he was not aware of the alleged trades being executed. In this regard, it is noted that there is nothing on record to dispute that the trades were executed from the trading account of Noticee and thus, all regulatory obligations attached thereto were his responsibility. In this context, reference is drawn to the order of Hon'ble SAT in the matter of *Dhananjay Kumar v. SEBI*[2], wherein the Hon'ble SAT, *inter alia*, held as under:

[2] *Appeal No. 316 of 2022 decided on June 28, 2022*

*"..**These transactions have not been disputed by the appellant except alleging that he was unaware and that the account was fraudulently used by these entities**… The appellant admits that he opened the trading account and in good faith gave the relevant details, blank cheque books to one Mr. Avinash Kumar Rai who allegedly made fraudulent transactions from his saving bank account. **Be that as it may, the fact remains that at the end of the day the appellant is responsible for such act." (Emphasis Supplied)***

24. In view of the above, I find that Noticee is responsible for the trades executed on his account and cannot be absolved of the responsibility for such trades. Further, on perusal of his reply, it is noted that Noticee has justified his trading, his order placement and has claimed that he did not know the counterparty. Thus, it is evident that Noticee himself had executed the impugned trades. Hence, the aforesaid contention of the Noticee cannot be accepted.

25. The Noticee submitted that his trades form a miniscule and meagre volume out of a total of 2,91,643 alleged non-genuine trades executed in the stock options segment of BSE during the IP. Further, he stated that he had traded only on two days out of the entire IP. In this regard, it is noted that total 2,91,643 trades represent trades across multiple contracts and that the percentage of artificial volume generated by Noticee in the specific contracts in which he traded is provided in Table 1. From Table 1, it can be noted that percentage of artificial volume generated by the Noticee in the said contracts to Noticee's total volume was 100%. Further, it is also evident that Noticee had generated artificial volume of 3.93% to 9.74% in the said two contracts. Adding to that, I find it apt to refer to the order of Hon'ble SAT in the matter of *Neetu Gupta* v. *SEBI*[3] wherein it was held as follows:

"Having heard the learned counsel for the parties, we are of the considered view that the impugned transactions, in the facts and circumstances of the matter, would fall in the realm of violations of PFUTP Regulations. Individual argument that each entity's trade is miniscule and only on a few days alone etc. is not sufficient to rebut the findings in the impugned order … In such matters, the preponderance of probability based on the totality of circumstances, as held by the Apex Court in the matter of Kishore R. Ajmera (2016) 6 SCC 368 squarely applies. The orders in Jayprakash Bohra (2016) 6 SCC 368 (Supra) and Shri Lakhi Prasad Kheradi (Supra) also apply the same ratio".

Hence, the present submission of Noticee is devoid of merit and hence rejected.

[3]Appeal No. 423 of 2019.

26. Noticee argued at paragraph no. (j) of his reply that the respective contracts were highly liquid in nature and the assertion that the said stock options were illiquid is incorrect. However, at paragraph nos. (gg) and (hh) of his reply, Noticee himself negated the said argument and stated that since the contract was illiquid, the chance of trade with the same counterparty was high. Therefore, there is no further requirement to deal with the said contention of Noticee.

27. Noticee has quoted the order of SEBI in the matter of *Ms. Neha Sethi* to contend that while trading in an illiquid option there are more chances of getting the trade squared off with the same party. In this connection, I take note of the decision of the Hon'ble SAT in the matter of *Sukhraj Kaur Rajbans v. SEBI* (Appeal No. 63 of 2025):

> *"The "Illiquid stocks" are those listed stocks, which have virtually no real demand on their intrinsic strength and hence have almost zero /negligible trading volumes. As a result, their market value is highly labile, which could be easily influenced by carrying out just a few transactions between known entities or between unknown entities through same brokers or in connivance with another broker."*

Therefore, this contention of the Noticee lacks merit and hence rejected.

28. The Noticee contended that pricing of options is a complicated mechanism based on several variables and trades were conducted at prices which were within permissible range. In this regard, it is pertinent to note that the Noticee reversed the trades within few seconds to book a loss. It is clear that such reversal trades executed by Noticee within such short span of time to book a loss do not follow the basic trading rationale. The Noticee failed to show any credible basis for the substantial variation of price in its reversal trades undertaken in very short span of time. Hence, Noticee's argument in this regard cannot be accepted.

29. The Noticee submitted that the trades were executed on an anonymous, screen-based trading platform of the exchange, no connection between the counterparty and the Noticee had been established, none of the elements of fraud such as concealment, omission, misrepresentation, etc., were present and the SCN failed to discharge the preponderance of probability standard required to establish violations under the PFUTP Regulations and therefore, SCN is liable to be quashed and set aside. Noticee

further stated that all his trades were subject to regulatory supervision of BSE and SEBI and trades were actually executed at the available strike prices within the price range permitted by the NSE. Further, Noticee argued that the said contracts were not banned at the relevant time and there was no warning or observation post the execution of the transactions. Noticee had relied on the orders of Hon'ble Supreme Court in the matter of *SEBI v. Kishore R. Ajmera* and orders of Hon'ble SAT in the matter of *PACL & Ors. v. SEBI, M/s. Jagruti Securities Ltd. v. SEBI, Vintel Securities Pvt. Ltd. v. SEBI* and *Vikas Ganeshmal Bengani v. SEBI.*

30. The submissions of the Noticee along with the orders relied upon by Noticee has been considered. In this connection, I note that the stock exchange merely provides a platform for carrying out the trades, while the obligation to ensure the genuineness of the trades primarily lies on the Noticee. I note that it is not a mere coincidence that the Noticee could match his trades with the same counterparty with whom he had undertaken first leg of the respective trades. The fact that the transactions in a particular contract were reversed with the same counterparty for the same quantity of units, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. It is further noted that direct evidence is not forthcoming in the present matter as regards meeting of minds or collusion with other entities, *inter alia*, the counterparties or agents/fronts. However, trading behaviour as noted above makes it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level.

31. The non-genuineness of the transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within a few seconds, the Noticee reversed the position with the same counterparty with significant price difference on the same day. Since these trades were done in illiquid options contracts, there was negligible trading in the said contracts and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contracts, within a short span of time, is a clear indication that there was pre-determination in the prices by the counterparties while executing the trades. Thus, it is observed that Noticee had

indulged in reversal trades with his counterparties in the stock options segment of BSE and the same were non-genuine trades

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

> *"...According to us, knowledge of who the 2nd party / client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naïve to rest the final conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming...in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive.*
>
> *It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."*

33. Therefore, applying the ratio of the above judgment, it is observed that the execution of trades by the Noticee in the illiquid options segment with such precision in terms of order placement, time, price, quantity, etc., and also the fact that the transactions were reversed with the same counterparty clearly indicate a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. The only reason for the wide variation in price of the same contract, within a short span of time points to the fact that there was pre-determination in the prices by the counterparties. Thus, the nature of trading, as brought out above, clearly indicates an element of prior meeting of minds and therefore, a collusion of the Noticee with his counterparty to carry out the trades at pre-determined prices.

34. It is also relevant to refer to order of the Hon'ble Securities Appellate Tribunal in the matter of *Ketan Parekh v. SEBI* (Appeal No. 2 of 2004 decided on July 14, 2006), wherein it was held as follows:

> *"In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4 (a) of the Regulations."*

35. In this regard, further reliance is placed on judgment of Hon'ble Supreme Court in the matter of *SEBI v. Rakhi Trading Private Limited* (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018) on similar factual circumstances, which, *inter alia,* stated as under:

> *"Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities….."*

36. In view of the aforesaid, 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.

37. It is pertinent to note that regulation 4(2)(a) of PFUTP Regulations states that dealing in securities will be deemed to be a fraudulent and unfair trade practice if it involves "indulging in an act which creates false or misleading appearance of trading in the securities market". Hence, these non-genuine trades are squarely covered under the definition of "fraud" and dealing of Noticee noted hereinabove were "fraudulent".

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

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

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

40. Noticee relied upon the case of Hindustan Steel v. State of Orissa[4] to submit that when there is a technical or venial breach of the provisions, the authority competent to impose the penalty will be justified in refusing to impose the penalty. I note that the position has since been clarified by the Hon'ble Supreme Court in its order in the case of *Chairman SEBI v. Shriram Mutual Fund*[5], wherein it was held that decision in case of Hindustan Steel Ltd. pertained to criminal/quasi criminal proceedings and it would not apply to civil liabilities under the SEBI Act and regulations made thereunder.

41. Therefore, considering the above findings and the judgement of Hon'ble Supreme Court in the matter of *SEBI v. Shriram Mutual Fund*[6], wherein it was held that "*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.",* I am convinced that it is a fit case for imposition of monetary penalty under the provisions of section 15HA of SEBI Act, which reads as under:

[4] (1969) 2 SCC 627
[5] (2006) 68 SCL 216 (SC)
[6] *Supra*.

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

Issue No. 3: If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?

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

"Factors to be taken into account while adjudging quantum of penalty.
15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —
(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
(b) the amount of loss caused to an investor or group of investors as a result of the default;
(c) the repetitive nature of the default."

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

ORDER

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

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

ENFORCEMENT >Orders >Orders of AO> PAYNOW;

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

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

JAI SEBASTIAN

Digitally signed by JAI SEBASTIAN
Date: 2026.02.03 16:55:04 +05'30'

Place: Mumbai
Date: February 03, 2026

JAI SEBASTIAN
ADJUDICATING OFFICER