



**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
[ADJUDICATION ORDER NO. Order/JS/YK/2025-26/32140]**

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**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:  
Raman Kumar & Sons (HUF)  
(PAN: AAMHR4119K)**

**In the matter of dealing in Illiquid Stocks Options on BSE**

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**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 Raman Kumar & Sons (HUF) (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. Noticee 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 August 10, 2022 (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 it for the alleged violations of the provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations.

6. It was alleged in the SCN that the Noticee had entered into 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.
7. Vide Part B of SCN, Noticee was informed that SEBI had introduced a Settlement Scheme, i.e., SEBI Settlement Scheme, 2022 (hereinafter referred to as “**Settlement Scheme 2022**”) in terms of regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”). It was informed that the Settlement Scheme 2022 provides a one-time opportunity to the entities against whom proceedings were initiated and appeals against the said proceedings were pending. The scheme commenced from August 22, 2022 and 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. The aforesaid SCN was served upon the Noticee through e-mail, Speed Post Acknowledgement Due (SPAD) and Affixture.
8. The Noticee vide e-mail dated June 29, 2023 and March 13, 2024 submitted its reply. The relevant extracts of Noticee’s reply is as follows:

*(a.)With reference to the SCN received, the Noticee clarified that it had not engaged in any illegal share trading or activities that violate regulatory norms. Demat account of Noticee was opened through Angel Broking and trading activities were managed and executed by them. Noticee had never personally logged into its computer or used its credentials to perform any such trades. Furthermore, no funds or profits from these alleged transactions have ever*



*been credited to Noticees' savings bank account. It was further submitted that Noticee had officially closed its demat account in 2016. Therefore, Noticee is not responsible for any irregularities occurring in the account, as the management was entirely under the purview of Angel Broking without the knowledge or involvement of Noticee.*

*(b.) From the perusal of documents provided, it is evident that the transactions dated June 03, 2015 and July 03, 2015 were executed by Sunstar Securities. However, Noticee neither opened a demat account nor conducted any trading with the said broker. Noticee requested AO to initiate proceedings against Sunstar Securities. The name and PAN number of Noticee have been misused in these transactions and Noticee has no accounts or transaction with the said company.*

9. Thereafter, vide e-mail dated April 02, 2024, Noticee reiterated its reply. Subsequently, a Post SCN Intimation (hereinafter referred to as “**PSI**”) dated March 22, 2024, was issued to the Noticee by erstwhile AO wherein it was 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.
10. It is observed that Noticee did not avail the Settlement Scheme 2024 and accordingly, the adjudication proceedings against the Noticee were resumed.
11. Pursuant to the appointment of the undersigned as AO, the Noticee was granted an opportunity of hearing on July 09, 2025. However, the Noticee failed to appear for the hearing.
12. Since, the Noticee contended that it had no demat or trading account with “Sunstar Securities” during the relevant investigation period, information in this regard was



sought from the concerned stock exchange. In this respect, the stock exchange provided a copy of the Know Your Customer (KYC) application form of the Noticee filed with the Sunstar Securities. The same was provided to Noticee vide e-mail dated February 05, 2026 and the Noticee was advised to file additional submissions, if any, within a period of seven days. However, no further submissions were received from the Noticee.

13. In view of the aforesaid discussions, it is noted that the SCN, along with the documents relevant to and relied upon in the SCN and the hearing notice, were duly served on Noticee in consonance with the Rules and sufficient opportunities were granted to Noticee to make submissions in reply to the SCN.

### **CONSIDERATION OF ISSUES AND FINDINGS**

14. I have perused the allegations levelled against the Noticee in the SCN, its reply and the material available on record. In the instant matter, the following issues arise for consideration and determination:

- I. Whether the Noticee has violated regulations 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations?
- II. Do the violations, if any, on the part of the Noticee attract monetary penalty under section 15HA of SEBI Act?
- III. If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into account the factors mentioned in section 15J of the SEBI Act?

15. In this regard, it is pertinent to refer to the relevant provisions of PFUTP Regulations which are alleged to have been violated by the Noticee, as under:

***“3. Prohibition of certain dealings in securities***

*No person shall directly or indirectly –*



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

**4. Prohibition of manipulative, fraudulent and unfair trade practices**

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

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

16. I note that it was alleged in the SCN that the Noticee, while dealing in the stock options contract at BSE during the IP, had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock options contract 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.

17. It was alleged that the Noticee was one of the entities who had indulged in creating artificial volume of 1,42,000 units through six non-genuine reversal trades in three stock options contracts during IP. The summary of trades is given below:



Table 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   |
| IDFC15AUG135.00PE  | 2.05              | 26,000                          | 4                  | 26,000                           | 100   | 17.33   |
| ACCL15JUL1380.00PE | 6.25              | 25,000                          | 12.85              | 25,000                           | 100   | 100   |
| ACCL15JUL1290.00PE | 2                 | 20,000                          | 6                  | 20,000                           | 100   | 27.78   |

18. To illustrate, on June 03, 2015 at 14:24:49 hours, the Noticee entered into a sell trade in a contract, viz., "IDFC15AUG135.00PE" with counterparty "Harish Kumar" for 26,000 units at Rs. 4/- per unit. On the same day, at 14:24:53 hours, Noticee entered into a buy trade with the same counterparty for 26,000 units at Rs. 2.05/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of two trades (1 buy trade and 1 sell trade) with same counterparty, viz., Harish Kumar 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 52,000 units, which made up 17.33% of total market volume in the said contract during the IP.

19. Similarly, on July 03, 2015 at 14:51:03 hours, the Noticee entered into a sell trade in a contract, viz., "ACCL15JUL1380.00PE" with counterparty "Blue Bull Equities Private Limited" for 25,000 units at Rs. 12.85/- per unit. On the same day, at 14:51:09 hours, Noticee entered into a buy trade with the same counterparty for 25,000 units at Rs. 6.25/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of two trades (1 buy trade and 1 sell



trade) with same counterparty, viz., Blue Bull Equities Private Limited on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's two trades while dealing in the aforesaid contract during the IP generated artificial volume of 50,000 units, which made up 100% of total market volume in the said contract during the IP.

20. Likewise, on July 03, 2015 at 14:51:40 hours, the Noticee entered into a sell trade in a contract, viz., "ACCL15JUL1290.00PE" with counterparty "Blue Bull Equities Private Limited" for 20,000 units at Rs. 6/- per unit. On the same day, at 14:51:43 hours, Noticee entered into a buy trade with the same counterparty for 20,000 units at Rs. 2/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of two trades (1 buy trade and 1 sell trade) with same counterparty, viz., Blue Bull Equities Private Limited on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's two trades while dealing in the aforesaid contract during the IP generated artificial volume of 40,000 units, which made up 27.78% of total market volume in the said contract during the IP.

21. It is noted that the Noticee, in its initial submissions, stated that it had opened a demat and trading account with Angel Broking, which was subsequently closed in 2016 and further contended that no alleged transactions were executed through the said account. In this regard, from the material available on record, it is noted that the alleged transactions forming the subject matter of the present proceedings were executed through the stock broker "Sunstar Securities" and not through Angel Broking. Therefore, the submissions of the Noticee pertaining to the demat and trading account maintained with Angel Broking are irrelevant to the issues under consideration and do not merit any consideration.

22. The Noticee further contended that it did not maintain any trading or demat account with Sunstar Securities and that the impugned transactions were not executed by



it but by Sunstar Securities. However, the KYC documents and account opening application form submitted by the Noticee to Sunstar Securities are available on record. In the interest of natural justice, copies of the said documents were provided to the Noticee for filing additional submissions, if any. Despite receipt thereof, the Noticee failed to file any further response or rebuttal.

23. In view of the trade logs, KYC documents and account opening form bearing the details of the Noticee, it is reasonable to conclude that the Noticee had opened and maintained a trading and demat account with Sunstar Securities and that the transactions under investigation in the present proceedings were executed through the said account. Since, the trades were executed from the trading and demat account of Noticee, all regulatory obligations attached thereto were its responsibility. In view of the same, I find that Noticee is responsible for the trades executed on its trading and demat account and cannot be absolved of the responsibility for such trades. Hence, the aforesaid contention of the Noticee in this regard is untenable.

24. The non-genuineness of the aforesaid transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within few seconds, the Noticee reversed the position with the same counterparty with significant price difference on the same day. 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 its counterparty in the stock options segment of BSE and the same were non-genuine trades.

25. It cannot be a mere coincidence that the Noticee could match its trades with the same counterparty with whom it 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 to 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.

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

*"...According to us, knowledge of who the 2<sup>nd</sup> 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.”*

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

28. 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):

*“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.”*

29. In this regard, further reliance is placed on judgment of Hon'ble Supreme Court in the matter in respect 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.....”*

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

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

31. Therefore, considering the above findings and the judgment of Hon'ble Supreme Court in the matter of *SEBI v. Shriram Mutual Fund* [2006] 68 SCL 216 (SC) decided on May 23, 2006, wherein it was held that *“In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.”*, I am convinced that it is a fit case for imposition of



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

32. 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.”*

33. As established above, the trades by the Noticee were non-genuine in nature and created a misleading appearance of trading in the aforesaid contract. I note that when the impact of artificial volume created by the two counterparties is seen as a whole, it is not possible, from the material on record, to quantify the amount of disproportionate gain or unfair advantage resulting from the artificial trades between the counter parties or the consequent loss caused to investors as a result of the default. Further, the material available on record does not demonstrate any repetitive default on the part of the Noticee. However, considering that the six non-genuine trades entered by the Noticee in three contracts led to creation of artificial trading volumes which had the effect of distorting the market mechanism in the



Illiquid Stock Options segment of BSE, I find that the aforesaid violations were detrimental to the integrity of securities market, which should be dealt with suitable penalty.

## **ORDER**

34. 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 [Raman Kumar & Sons (HUF)] 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.
35. Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., [www.sebi.gov.in](http://www.sebi.gov.in) on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW.
36. 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.
37. 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.

**Place: Mumbai**  
**Date: February 20, 2026**

**JAI SEBASTIAN**  
**ADJUDICATING OFFICER**