BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/JS/YK/2025-26/31967]

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:

Jigar Rasiklal Patel

(PAN: AAVPP9218N)

In the matter of dealing in Illiquid Stocks Options on BSE

BACKGORUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**"), observed large scale reversal of trades in the Illiquid Stock Options (hereinafter also 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 ISO on BSE for the period starting from April 1, 2014 to September 30, 2015 (hereinafter referred to as **"IP**").

2. Investigation by SEBI revealed that during the IP, a total of 2,91,744 trades comprising 81.40% 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 Jigar Rasiklal Patel (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. His 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, his 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 cases 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. A Show Cause Notice dated August 08, 2022 (hereinafter referred to as "**SCN**") was served 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.

6. 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.

7. Vide Part B of above referred 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 3 months. Later, the applicable period of the Settlement Scheme 2022 was extended to January 21, 2023 by SEBI.

8. The SCN was duly served upon the Noticee through Speed Post Acknowledgement Due (hereinafter referred to as **"SPAD"**) and e-mail. It was observed that Noticee did not avail the Settlement Scheme 2022, therefore, the adjudication proceedings against him were resumed. Vide notice of hearing dated May 09, 2023, Noticee was granted opportunity of hearing on May 31, 2023. However, Noticee failed to appear before the AO. Thereafter, vide letter dated June 20, 2023, Noticee submitted his reply. The relevant extracts of the reply of Noticee is reproduced below:

   (a) There are no proper trade details given by the SEBI in SCN. Further, there are no columns named B, E/G, M, P and Z as stated in para 5 of the impugned SCN. SEBI was requested to provide true and correct details of alleged non-genuine trades.

(b) *SCN is beyond the scope of Investigation Report (Ref No. IVD/ID-8/2016-17/73). As per para 7 of the aforesaid Investigation report, the illiquid options contract at BSE were classified into two broad categories: Group A Contracts and Group B Contracts (not having equal to or less than 100 trades per contract). Only 3 alleged reversal trade was carried out in only 1 Scrip on 3 days w.r.t. 3 unique contracts which forms part of Group-B contract and therefore, the fact that alleged 8 trades of the Noticee got reversed with the counter party is not an unusual coincidence or cannot be an outcome of a deliberate activity. Also, as per the para 7.4 of the Investigation Report it has been observed that, "In view of above and in particular that being a market wide phenomenon, no action is recommended in the matter. Hence, directions issued u/s 11(1), 11(4) and 11B of SEBI Act, 1992 against 59 entities vide interim order dated August 20, 2015 and Confirmatory Orders dated July 30, 2016, August 22, 2016 and August 24, 2016 may be revoked." Therefore, as per the Investigation Report also the same is not being treated as manipulative activity.*

(c) *The allegations framed in the SCN relate to the Illiquid Stock Options (ISO), which was more than seven years ago. The SCN does not provide any explanation to justify the inordinate and unconscionable delay in initiation of proceedings against Noticee. The initiation of proceedings by SEBI after such a long delay, severely prejudices. Noticee has received the show cause notice for the trades of the year 2015 in the year 2022, when SEBI has already come out with settlement schemes. The Noticee had also relied on the orders of Hon'ble SAT in the matter of Rajeev Bhanot and Ors v. SEBI, HB Stockholdings Ltd. v. SEBI, Sanjay Soni v. SEBI, Ashlesh Gunvantbhai Shah v. SEBI, Libord Finance Ltd. v. Whole Time Member, SEBI and order of Hon'ble Supreme Court in the matter of Mohamad Kavi Mohamad Amin v. Fatmabai Ibrahim. Consequently, given the inordinate delay in issuance of the SCN, long beyond the expiry of even the maximum document retention period prescribed under law, Noticee's ability to adequately respond to the SCN has been gravely jeopardized also that lot of water has flowed since then and Noticee cannot be called upon at this stage to respond to the SCN. On this ground alone, the SCN stands vitiated and is liable to be set aside for violation of the principles of natural justice.*

(d) *Based on the review of the SCN, SEBI alleged that the Noticee has violated SEBI Act, 1992 read with PFUTP Regulations. However, the SCN is silent as to how PFUTP Regulations have been violated by the Noticee. Besides recording common generic allegations against it, not a single instance or observation on specific role in alleged reversal trade is delineated in the SCN. Such an approach is bad in law. Peculiarly, SEBI makes blanket statements without providing any reasons or factual data for coming to the conclusion as is set out in of the SCN and how the same are applicable to the Noticee. The so-called irregularities alleged in the SCN do not point to the facts or evidence on the basis of which such draconian conclusions were drawn by SEBI. In absence of a specific charge being spelt out with respect to the alleged non-compliance of*

the SEBI laws against the Noticee in alleged reversal trades, the SCN stands vitiated and is liable to be set aside.

(e) *It was submitted, without prejudice that it is an established principle that a vague allegation which does not specifically set out the reason for such allegation cannot be sustained as the same does not provide an opportunity to a noticee to counter the charges and the same is contrary to the rules of natural justice. This principle has been confirmed by the Hon'ble SAT in the matter of Vikas Bengani v. SEBI (Order dated March 08, 2010). However, the SCN is silent as to how PFUTP Regulations have been violated. There is no rationale for arriving at the conclusion as is set out in the SCN. The Noticee has also relied on the order of Hon'ble Supreme Court in the matter of Commissioner of Central Excise, Bangalore v. Brindavan Beverages Pvt. Ltd. and Ors. [(2007) 5 SCC 388]. In absence of a specific charge(s) being carved out, Noticee is constrained from addressing SEBI's grievance accurately. It is stated in the SCN that SEBI observed large scale reversal of trades in stock options segment of BSE leading to creation of artificial volume. Pursuant to this, SEBI conducted an investigation into the trading activities of certain entities in illiquid Stock Options at BSE for the period April 01, 2014 to September 30, 2015. However, at no place is it mentioned as to what was examined by SEBI against the Noticee and how the statements made in the SCN against the Noticee can be attributed to the Noticee for the same violations. The Noticee has also relied on the order of Hon'ble SAT in the matter of Dhanalakshmi Bank Ltd. v. SEBI (Order dated April 20, 1999). Accordingly, the form and substance of the SCN has completely handicapped Noticee in responding to the SCN. In fact, it appears that SEBI has already decided to hold the Noticee guilty without setting out the relevant violations. This is against the principles of natural justice. On this ground alone, the SCN ought to be set aside.*

(f) *SEBI had conducted inquiry proceedings on the premise and the materials produced by referring to the interim order dated 20th August, 2015 (by WTM on 59 entities) to form a view that a detailed investigation of the entire scheme as regards the reversal trades and illiquid stock options where the involvement of a greater number of persons in such trades cannot be ruled out. This can be a reason to believe however, cannot be a reasonable ground to believe that an inquiry is required to be conducted under section 11C of SEBI Act, 1992. The Noticee stands guided by the order dated September 06, 2022 passed by the Hon'ble Gauhati High Court in Sunita Agarwal v. SEBI/WP(C/530/2022]. As per this Order even the manner in which show cause notice is issued by SEBI is held to be, inter alia, improper and defective. SEBI has not fulfilled the requirement of forming an opinion before conducting inquiry as provided in rule 3 of the procedure and rules of 1995 according to which an opinion should not be broad based but instead should be w.r.t a person specific against whom such inquiry is being contemplated. The procedure in issuance of SCN is not followed and in the process, certain formations of opinions have been formed in a premeditated manner had been made. Thus, by not following the procedure*

prescribed under the statutory provisions an abuse of process of law had also taken place. SEBI has wrongly issued a composite notice under rule 4(1) and rule 4(3) of the procedure and rules of 1995.

(g) *The trade data furnished in the SCN does not include unexecuted orders, modified orders and cancelled orders. Moreover, due to the delay in the issuance of the SCN and in the absence of the order logs, the Noticee is handicapped in as much as he does not remember the circumstance in which the trades were executed. Further, without prejudice, SEBI has also not submitted the call and voice logs referred to and relied upon by it between the trading member and the Noticee which confirm that the orders were in fact placed by the Noticee in its accounts. The Noticee states that on account of not making available these orders data, the analysis of data furnished would remain one sided, incomplete, incorrect, inconclusive and hence the answers to the charges could not be proper, complete thus resulting into violations of principles of natural justice. Executed /unexecuted / modified / cancelled orders and order placement records would throw light on the total number of orders keyed-in into the system, the history of each order that got eventually fully executed into trades, partly executed and not executed at all and circumstances in which such orders were placed. In order to establish meeting of minds, one has to consider executed, non-executed (pending, modified, deleted) orders and executed within the so-called group and executed outside such group along with order placement. This trade data has not been made available to the Noticee.*

(h) *SEBI has alleged that Noticee transacted in 'illiquid options' on the basis that the trades were in far-off strike prices and therefore very few entities were trading in such strike rates. However, 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. 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 that such parameters are 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 can be drawn against the Noticee in this regard. 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 entity that it traded in illiquid option is unwarranted and unfair. Pertinently, BSE issued the Reversal Trade Prevention Check (RTPC) in the equity derivatives segment in March 2016. The Noticee craves leave to refer to and rely upon the BSE Ltd. circular no. 20151218-30, dated 18th December 2015 and circular no. 20160308-33, dated 08th March 2016. Derivative market is 'zero sum game' and thus in each and every case one party will inevitably make profit and counterparty will make loss. In capital market neither BSE nor SEBI can*

guarantee profit or loss to any individual/entity. In derivative trading, traders often make profit or loss over a period of time since the market does not always behave as per their prediction/ expectation. Thus, profit and loss is concomitant to trading in derivative segment. The mere fact that the Noticee traded in option segment cannot be a ground to rope us into present proceedings. Noticee traded in the stock market in ordinary course consequent to the bonafide trading in option segment. Thus, it is erroneous to allege that the trades created artificial volume on BSE. Going by the logic of SEBI if these were illiquid stock options, then any trade and transaction would look significant. In fact, the impugned trades constituted a miniscule percentage of overall trades. There was no major movement in price of underlying scrip which itself proves that the trades had no impact on market. Thus, the transactions neither distorted the equilibrium in market not caused any loss or prejudice to investors. Any kind of alleged fictitious/ manipulative trade in cash segment may create distorted impression in minds of investors that price of scrip is rising/falling who may invest/divest from said scrip. 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 counterparty 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, allegation of creation of 'artificial' or 'reversal' trade is illogical, absurd and of no consequence in option segment of exchange.

(i) *The requirement of 'intention' is a pre-requisite to prove 'fraud' for violation of PFUTP Regulations. It should be noted that the offences alleged under the PFUTP Regulations in the present case are serious offences against the Noticee which require evidence of 'fraud or deceit' to be carved out and attributed against the Noticee as they are not just ordinary civil defaults. It is a settled principle recognized by SEBI that "the necessity of 'intent' and the element of 'fraud' appears to be a pre-requisite in all parts of regulation 3 and 4 of the PFUTP Regulations. Thus, for the transaction to be termed fraudulent, as per the definition of "fraud, there has to be an "inducement" and SEBI has not even alleged inducement. The trades in question were in the normal course of business and there is nothing illegal in the trades executed by the Noticee. None of the trades are deceptive in nature or have any impact on the investors or their investment decision which is a sine qua non of fraud. In view of the foregoing, it is well settled that when SEBI alleges a person of an offence involving 'fraud' it is essential that the Noticee had an 'intent' to commit such violation. In the present case, none of the ingredients of the said PFTUP Regulations are present. The trades were executed on the floor of the exchange with due compliance with all the rules and regulations of the exchanges. At no point of time was there any warning or any observation about the scrips / stocks which were executed by the Noticee. It is, therefore, submitted that Noticee has not indulged in any manipulative, fraudulent or deceptive transaction or scheme as alleged at all. SEBI has, out of the blue, labeled our trades as artificial and non-*

genuine after 7 years of the duly settled transactions. It may kindly be noted that these, trade was executed in normal course of business. It may please be noted that the trades have matched with other entities. It can be understood that the trades are genuine and have been bought and sold in the normal course of trading since the counterparties is not related to the Noticee in any manner whatsoever. No evidence has been provided by SEBI on the Notice's relationship with the counter parties.

(j) In furtherance to the above objection, it is also relevant to consider that no evidence has been adduced by SEBI before making allegations as is set out in the SCN. In this regard, there is not an iota of evidence which supports the allegations in the SCN. In other words, the SCN levels a serious charge of fraud on the basis of mere statements and by quoting provisions of the PFUTP, in complete ignorance of the time-tested judicial precedents including rulings of the Hon'ble SAT which cautions against suspicion, conjecture and surmise being passed off as proof especially where fraud is alleged. The SCN purports to treat suspicion and evidence as one and the same, and ignores foundational principles of the law of evidence that that the standard of proof for a charge of fraud to be established must be sufficient to overcome the ordinary presumption of honesty and good faith in dealings. It is respectfully submitted that allegations of fraud cannot be based on wild allegations without any convincing evidence. Charges of fraud are of serious in nature and should not be made casually by regulators. The judicial precedents indisputably hold that fraud is a serious offence and, therefore, the standard of proof must be of a higher degree and mere conjectures and surmises will not be sufficient to hold a person liable for fraud. It is therefore well settled that where fraud and collusion are alleged, it would be incumbent on the authority to set out the nature of the fraud along with full particulars. Further, the alleged trades of the Noticee do not constitute "fraud" as envisaged under section 2(1)(c) of the PFUTP Regulations. There has been no concealment, omission, misrepresentation of truth, concealment of a material fact, suggestion to a fact which is not true, any promise made without intending to perform such promise, any representation made in reckless and careless manner, deprivation of any right of another person, false statement, or alike. The alleged trades were executed in terms of ask and bid prices of the stock options and was done on a transparent trading system of the BSE. All the trading done by the Noticee was genuine, bona fide and in normal course of business without any fraudulent/manipulative intent. No third-party prejudice was caused and consequentially there could not be any deception, fraud or deceit perpetuated upon any person in contravention of the laid-down provisions. The SCN purports to establish some connivance between the Noticee and the counter party to the Noticee's objectionable trades without showing the connection and how it leads to violation of PFUTP. This allegation is entirely baseless and without any evidence on record or otherwise, SEBI has failed to demonstrate how the Noticee has acted in concert with the said counter parties to defraud the market. The Noticee submits that it did not act in concert

or in collusion with anyone and nor were part of any group or connected with anyone for the purpose of influencing price and volume or for any manipulative activity as alleged or otherwise. It is an admitted position that there is no connection whatsoever between it and counter parties to the impugned trades. Trading in stock option segment was independent of any other entities dealing in the same and· based on limited understanding of capital market.

(k) The Noticee submitted that he has not been party to any kind of illegal and unlawful act by virtue of his trading in BSE Option Segment. Trades were executed on an anonymous online trading system of BSE Ltd. which is also displaying all such information relating to trade in public domain on real time basis. It shall be appreciated that the information displayed on 'BOLT' with respect to alleged trades and trading history available in public domain, equally nurtures and meets with the requisition of investor wherein question of creation of artificial volume or misleading appearance does not arise at all. The trades in question in the SCN were executed on the anonymous platform of the exchange, without any knowledge of counter party and at price ranges that were allowed by the exchange and SEBI. The obligations arising out of it have been settled through the clearing mechanism of the exchange. Further, the reasons of trades being carried out at a substantial price difference and reversed with the same party are also genuine as the RDD issued by SEBI envisages such a situation and also warns the investors and traders against them as it accepts that these are bound to happen. Therefore, our trades are genuine and therefore cannot be categorized as non-genuine. The Noticee clarified that the Noticee's trades on three days in stock options was in the nature of intra-day buy and sell during trading session. Intra-day trading was / is the order of day and permissible. Even in cash segment substantial volume takes place intra-day which may result into profit or loss for investors. It does not mean and cannot be equated or termed as artificial volume. BSE did not consider so. For investors whether stock options were liquid or illiquid do not matter as long as BSE permitted trading in Stock options. As SEBI has not provided the entire order and trade logs relied upon by SEBI, the Noticee is unable to make any comparison for the purpose of meeting the charge and mitigation. The Noticee further stated that he has no knowledge about the nuances involved in F&O trading. The trades in the Noticee's account originated from that of the trading member. The Noticee had faith in his trading member who was marketing a product approved by BSE (a recognized stock exchange). There was no reason why the Noticee would smell a fraud. Without prejudice, the Noticee submitted that the same counter party does not mean anything adverse or negative as in an on-line, anonymous trading model, names of counter party do not get revealed to the Trading Members and Trading Members, in turn, could not inform them to their clients. Further in the absence of any evidence of unholy nexus being pointed out, matching of orders by BSE's systems cannot be termed as having resulted into artificial volume. Noticee's orders were genuine, valid, accepted, system matched and settled at the relevant time. Further, the

SCN purports to establish some connivance between the Noticee and the counter parties to the trade without showing the connection and it leading to violation of PFUTP. This allegation is entirely baseless and without any evidence on record or otherwise., SEBI has failed to demonstrate how the Noticee has acted in concert with the said counter parties to defraud the market. The Noticee had relied on the orders of Hon'ble Supreme Court in the matter of Chief Engineer, MSEB and Anr. v. Suresh Raghunath Bhokare [(2005) 10 SCC 465], Union of India v. Chaturbhai M. Patel & Co. (AIR 1976 SC 712), Nandakishore Prasad v. State of Bihar [(1978) 3 SCC 366], Bharjatia Steel Industries Ltd. v. Commissioner of Sales Tax, U.P. [(2008) 11 SCC 617] and orders of Hon'ble SAT in the matter of Nitish M. Shah HUF v. SEBI (Appeal no. 97 of 2019), Nirmal Bang Securities (P) Ltd. V. SEBI (Appeal No. 54 of 2002), KSL & Industries v. Chairman, SEBI (Appeal No. 9 of 2003), Surendra kumar Gupta v. SEBI (Appeal No. 343 of 2021), Saroj & Co. proprietor Sanjay Agrawal v. SEBI (Appeal No. 213 of 2011).

(l) The Noticee relied upon the following authorities:

(i) Adjudicating officer's order dated 30th November 2021 in the matter of Abhideep Global Finance Private Limited (AGFPL) wherein a penalty of INR 3,00,000 (INR 3 Lacs) has been imposed on the AGFPL for its dealings in the Illiquid Stock Options as the trades of the Noticee pertained to a period prior to 8th September 2014 and the minimum penalty of INR 5,00,000 (INR Five Lacs) under 15 HA was not applicable to such trades.

(ii) Further, this position of imposing a minimum penalty has been clarified by the Hon'ble Supreme Court vide its order dated 28th February 2019 in the matter of SEBI v. Bhavesh Pabari in Civil Appeal number 11311 of 2013, stating that "6. ... The explanation to Section 15- J of the SEBI Act added by Act No. 7 of 2017, quoted above, has clarified and vested in the Adjudicating Officer a discretion under Section 15-J on the quantum of penalty to be imposed while adjudicating defaults under Sections 15-A to 15-HA."

(m) There is a basic presumption that - BSE, being 1st level regulator, will follow and act as per law. Just because BSE did not cater to do anything about the said objectionable trades at the relevant time or even thereafter, SEBI cannot ignite any cause of action belatedly out of such trades. We, investor, cannot be punished in any manner because of the negligent approach of BSE. The Noticee relied upon the SEBI order dated 05th April, 2018 bearing Reference No. WTM/MPB/IVD-1D8/161/2018. The Noticee stated that from the aforesaid order of SEBI dated 05t April, 2018, it is clear that for the BSE's failures, negligence or lapses to embed/ insert/ put the aforesaid features in the operating trading system from day one, the Noticee as a retail investor cannot be blamed and this ought not create prejudice to the Noticee. BSE's introducing such features post interim order dated August 20, 2015 and only for about 6 months - the product was discontinued w.e.f. March 04, 2016 by BSE - establish the fact that the fault lines were in the operating system and for that the Noticee cannot be blamed. What prevented BSE from incorporating the checks and balances in the trading

system (including the above) from the beginning? The Noticee specifically requested to record findings on the infirmities, lacunae, errors and in-built defects in BSE's Stock options segment and SEBI's observations in its inspection reports of BSE for this product. The Noticee stated that there is suppressio veri and suggestio falsi in as much as there is no reference of SEBI's previous proceedings, diversion of cause of action, mid-way changes in regulatory philosophy and reasons thereof, non-recording of BSE's failures (some of which have been noted by SEBI itself in the orders - BSE introduced the financial product of options with weekly settlement and BSE being first level regulator, reasons for non-annulment of trades by BSE (even after SEBI has considered non-genuine) in the SCN. The SCN is not all-encompassing, composite and does not mention the upfront surveillance measures (including price bands) and that trading in F&O segment was subject to close regulatory oversight - BSE has ISO certified surveillance - that were in vogue at the relevant time. The very fact that BSE discontinued weekly options contract w.e.f. March 04, 2016 confirm the fact that basic flaw and fault lines, if any, were in the BSE's financial product design /process / structure / features / operations that was permitted for trading by BSE / SEBI. SEBI ought to have not, belatedly and as afterthought, reserved the biggest opprobrium for the investors who participated in options trading in good faith in the then prevailing market conditions - few participants, illiquid segment, wide margin between buy - sell rate for intra-day trading - and then prevailing surveillance / oversight restrictions on trading.

(n) *The very fact that BSE subsequently introduced 'Reversal Trade Prevention Check' feature in its system, mean that at the relevant time, Trading Members were not aware of names of counter Trading Members and then they keyed-in orders of clients in the normal course as per their instructions. BSE then did not think to introduce this functionality RTPC because in its wisdom it did not think to introduce the same at the relevant time. so, the Noticee cannot be blamed for that. The Noticee had then accepted trades and obligations thereof. The raison d'etre to consider intra-day trading as reversal is flawed and not admitted. The very fact that trading in Stock options was illiquid, mean same party in the first leg of transaction (buy) was likely to be a counterparty in the second leg (sale) and premium is bound to be outcome of dynamics - volatility, rationality/ irrationality, liquidity / illiquidity. In reality market is inefficient, volatile, illogical and unstable. The desperate buyer who does not want to carry forward its position was bound to sell even at distress rate and book the loss. Without prejudice, there is no prohibition in law for the 'So called reversal of trades' as they are permissible trades, given the speculative element built in the first trade (or first leg of trade). Further every trade is a separate contract. In the very nature of intra-day trading, there has necessarily to be two orders / trades. Hence there was nothing wrong in intraday trading at prices of the choice of buyers / sellers - one of them being put in adverse condition (i.e., loss suffered by one party and gain received by another party). The trades of the Noticee are*

wrongly perceived as fraudulent/ manipulative/ unfair activity. It is submitted that there is no violation of PFUTP Regulations and, in fact, the conduct of the Noticee has always been in compliance with all relevant laws and regulations. The Noticee submits that at the relevant time when the Noticee executed the objectionable trades, there was no such thing as a 'reversal trade' in existence and the facts that such trades of the Noticee got executed at the relevant time clears all the doubts regarding the genuineness and legality of those trades. There were no prevention checks nor warning issued either from the Exchange's end or from SEBI. It was only after March, 2014 that the Reversal Trade Prevention Check (RTPC) for the Stock Options segment of BSE came into existence and thereafter the phenomenon of reversal trades was recognized as illegal. Prior to that, all those trades which were in the nature of reversal trades were proper and were executed in the normal course of trading.

(o) *He is a retail investor in the Stock Market and has never participated in the Stock Market in the capacity of any intermediary or otherwise. The Preamble to the SEBI Act, 1992 categorically states that the primary objective of the SEBI Act, 1992 is "To protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto." The SEBI Act, 1992 is aimed at guarding the common investor like the Noticee from the fraudulent activities perpetrated in the Securities market. The SEBI Act, 1992 protects the investors and does not penalize them. The so-called fraud of Illiquid Stock Options on BSE is a sure-short recipe of fraud committed by intermediaries along with negligence in monitoring committed by BSE in policing the intermediaries and putting in place relevant safeguards and alerts at the relevant time period. SEBI has, instead of tackling the problem on manipulation, moved ahead with investigating each situation on a case-by-case basis by using its expensive (funded by taxpayers' money) so called IMSS surveillance system, targeted 'illiquid' stocks. The Noticee stated that the objectionable trades executed in the so-called illiquid stock options on BSE were initiated and executed by Trading Members/intermediary. BSE introduced option trading with a 5-day settlement period for the first time and invited the trading members to engage their clients to trade for this 5-days settlement, option product [National Stock Exchange of India Limited had a minimum period of 30 days for Futures and Options (F&O) settlement]. Moreover, BSE was providing the trading members with incentives for marketing and engaging its clients for trading in the new F&O product that had a settlement period of 5 days. These incentives were revised w.e.f. October 2015. Also, margin for such trades, which is an essential component for such trade, was never collected. The orders were never placed by the Noticee and the same is not shown.*

(p) *The Amendment Act of 2018, substituted "by any person as principal, agent or intermediary" with "any persons including as principal, agent, or intermediary" and thereby broadened the scope of 'dealing in securities' from activities directly linked to transacting in securities to i) activities undertaken to influence the*

decision of investors in securities and ii) any assistance provided to carry out the aforesaid activities. Now, non-intermediaries/fiduciaries who do not directly transact in securities but through their actions influence or assist in influencing the decisions of investors in dealing in securities will now be covered under the PFUTP Regulations. For instance, the new PFUTP Regulations will cover the activities of a statutory auditor of a listed company. The Noticee stated that as a general rule of construction, the amended definition of dealing in securities as introduced by the SEBI (PFUTP) (Amendment) Regulations, 2018, the said definition among other substitutions introduced by the SEBI (PFUTP) (Amendment) Regulations, 2018 shall come into force from February 2019 and cannot be applicable to the objectionable trades of the Noticee which were executed back in 2015. The Noticee's case shall be governed by the erstwhile provisions of the SEBI (Prohibition on Fraudulent and Unfair Trade Practices) Regulations, 2003 which existed during 2015 and which in para 2 (1) (b) defined "dealing in securities" as "includes an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in any security by any person as principal, agent or intermediary referred to in section 12 of the Act." An 'Intermediary' is defined under Section 12 (1) and (1A) of the Act which comprises of stock-Trading Member, sub-Trading Member, share transfer agent, banker to an issue, trustee of a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market..." and shall not include "..foreign institutional investor, foreign venture capital investor, mutual fund, collective investment scheme, and venture capital fund".

(q) The function of an intermediary shall be to facilitate investments by guiding investors to investors in productive investments. For carrying out this function, the intermediaries have to follow a certain standard of quality services. The Intermediary Regulation of 1995, under schedule III, lays down a code of conduct, wherein a list of obligations that intermediaries registered under the SEBI has to adhere to. The code of conduct or the intermediary regulations for that reason fails to provide the ambit of an intermediary's functions, however, the provisions stating the obligations are quite vast and comprehensive. Thus, the nature of the act as well as the abovementioned regulations is less emancipating and more restrictive. Looking into the regulations, much focus has been applied to ensuring the protection of investor's interests similar to the Act. The regulations imply that the major duty of an intermediary is to render information about the market and thus has made sure that no ambiguity is present with respect to that area. Both the Act as well as the 1995 regulations are clear and comprehensive provisions regarding the service of rendering information to clients or investors. The Noticee was guided by the NSE Circular No. NSE/INVG/39647 dated December 13, 2018 and NSE/INVG/40175 dated February 07, 2019. The Noticee was also guided by the BSE Notice No. 20181213-31 dated December 13, 2018 and BSE Notice No. 20190207-46

dated February 07, 2019. The Noticee was further guided by the SEBI Circular No. CIR/MRD/DP/ 14/2014 dated April 23, 2014 issued before start of trading in such options in the derivative option market of Bombay Stock Exchange.

9. Subsequently, a Post SCN Intimation (hereinafter referred to as **"PSI"**) dated March 06, 2024 was issued to the Noticee, wherein it was informed that SEBI introduced another Settlement Scheme, i.e., SEBI Settlement Scheme, 2024 (hereinafter referred to as "**Settlement Scheme 2024**") in terms of regulation 26 of Settlement Regulations. It was informed to the Noticee that the Settlement Scheme 2024 provided an opportunity to the entities against whom proceedings were initiated and appeals against the said proceedings were pending. The applicable period of the scheme was from 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 was observed that Noticee did not avail the Settlement Scheme 2024, therefore, the adjudication proceedings against him were resumed. Pursuant to appointment of the undersigned as AO, vide notice of hearing dated June 23, 2025, Noticee was granted a fresh opportunity of hearing on July 09, 2025 which was adjourned to July 17, 2025 on the request of Noticee. On July 17, 2025, Noticee appeared for the hearing through video-conferencing and reiterated the aforementioned submissions made in the present proceedings. Noticee further submitted that the SCN refers to column numbers of Annexure 3, whereas no such column numbers were available in the said annexure. In this regard, the AR was informed that the details referred to in the SCN are indeed available in Annexure 3, however, column numbers were not mentioned in the hard copy of the annexures sent along with the SCN. It was conveyed that an excel version of Annexure 3, containing the column numbers, would be provided to him and the same was provided vide e-mail dated July 17, 2025. Noticee was granted one more opportunity of hearing which was concluded on August 01, 2025.

CONSIDERATION OF ISSUES AND EVIDENCE

11. I have perused the allegations levelled against the Noticee in the SCN, his reply, submissions made during personal hearing and the material available on record. In the instant matter, the following issues arise for consideration and determination:

I. Whether the Noticee violated regulations 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations?

II. Do the violations, if any, on 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 consideration the factors mentioned in section 15J of the SEBI Act?

12. 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:

Relevant provisions of PFUTP Regulations:

"3. Prohibition of certain dealings in securities

No person shall directly or indirectly –

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a 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;"

13. Before proceeding to the merits of the case, it is appropriate to deal with the preliminary submissions made by the Noticee.

14. The Noticee submitted that no proper trade details given to him by SEBI as there are no columns named B, E/G, M, P and Z as stated in para 5 of the impugned SCN. In this regard, it is noted that during the course of hearing held on July 17, 2025, AR of Noticee was informed that the details referred to in the SCN are indeed available in Annexure 3, however, column numbers were not mentioned in the hard copy of the annexures sent along with the SCN. It was conveyed that an excel version of Annexure 3, containing the column numbers, would be provided to Noticee and the same was provided vide e-mail dated July 17, 2025. Accordingly, the issue raised by Noticee has been addressed.

15. The Noticee further submitted that the SCN was issued after a gap of more than 7 years from the date of alleged trades in ISO and therefore, the SCN should be disposed of considering the inordinate delay in initiation of proceedings by SEBI. The Noticee had also relied on the orders of Hon'ble SAT in the matter of Rajeev Bhanot and Ors v. SEBI, HB Stockholdings Ltd. v. SEBI, Sanjay Soni v. SEBI, Ashlesh Gunvantbhai Shah v. SEBI, Libord Finance Ltd. v. Whole Time Member, SEBI and order of Hon'ble Supreme Court in the matter of Mohamad Kavi Mohamad Amin v. Fatmabai Ibrahim.

16. In this regard, I note that pursuant to a preliminary examination conducted in the Illiquid Stock Options 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 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 options segment during the IP. 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. 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*".

17. A Settlement Scheme was framed under the Settlement Regulations, which provided one-time opportunity for settlement of the 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 in the said scheme. Further, another settlement scheme, i.e., Settlement Scheme 2022 was introduced 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.

18. 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 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.*"

19. Pursuant to appointment of erstwhile AO, SCN dated August 08, 2022 was issued to the Noticee wherein he was also informed regarding Settlement Scheme 2022, however, Noticee did not avail the said settlement scheme. In between, Noticee was also granted an opportunity of hearing on May 31, 2023. However, Noticee failed to appear for the hearing. Subsequently, the Noticee was informed regarding

[1] *(2019) SCC Online SC 294*

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 June 23, 2025, Noticee was granted opportunities of hearing on July 17, 2025 and August 01, 2025 and both the opportunities were availed by Noticee. 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.

20. The Noticee further contended that SEBI has wrongly issued a composite notice under rules 4(1) and 4(3) of the Rules. In this context, Noticee has relied upon on the order of Hon'ble Gauhati High Court in the matter of Sunita Agarwal v. SEBI. In this regard, it is noted that rule 4 of the Rules bring out the procedure to be followed by the AO while conducting the proceedings and there is no prohibition regarding issuance of composite SCN, as issued in the instant matter. It is noted that the SCN issued to Noticee, *inter alia*, specified the nature of violations alleged to be have been committed by Noticee in order to enable the Noticee to effectively reply to the SCN. It is further noted that no penalty has been determined or imposed upon the Noticee at any earlier stages, i.e., issuance of SCN or hearing stage. Further, sufficient opportunities have been provided to Noticee to submit his reply and of hearing which have been availed by Noticee. Noticee have also failed to demonstrate as to how issuance of a composite SCN caused any prejudice to him. In view thereof, the contention of the Noticee is devoid of merit.

21. The Noticee also argued that SCN is beyond the scope of Investigation report as para 7 of the Investigation report, *inter alia*, states that, *"In Group B Contracts, the number of trades happened was very less and consequently the entities trading in each of such contracts was also less. In such a scenario, there is high possibility that buy/sell order placed by one entity get matched with the same entity or with the few entities only who had traded in such contracts. Hence the percentage of*

artificial volume through reversal/non-genuine trades to totally trading volume be very high However, this may not be called as manipulation the number of entities trading in each of such contracts would be very few and the reversal trades are bound to happen in such scenario" and the trades of Noticee falls under "Group B contracts". Noticee has also emphasized on para 7.4 of the Investigation report which, *inter alia*, states that, *"In view of above and in particular that being a market wide phenomenon, no action is recommended in the matter. Hence, directions issued u/s 11(1), 11(4) and 11B of SEBI Act, 1992 against 59 entities vide Interim order dated August 20, 2015 and Confirmatory orders dated July 30, 2016, August 22, 2016 and August 24, 2016 may be revoked."*

22. In this connection, it is noted that Noticee has failed to notice para 7.2 of IR refering to "Analysis of trades in Group B Contracts" wherein it is mentioned that, *"…iii) Out of 21,526 entities that had traded in Group B contracts during the I.P., 14,676 entities were involved in executing non genuine trades."* Thereafter, para 7.4. of the IR, *inter alia*, states that, a total of 14720 entities were involved in executing non genuine trades violating regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) of PFUTP Regulations. It is pertinent to note that 14,720 entities against whom the adjudication proceedings have been initiated includes entities from Group B contracts. Accordingly, contention of Noticee that SCN is beyond the scope of Investigation report is devoid of merit.

23. With regard to submission of Noticee on para 7.4 of the IR, reference is drawn to the SEBI order dated April 05, 2018[2] which reads as under:

> *"5. The investigation in the matter has been completed. The investigation has found that 14,720 entities were involved in executing non-genuine trades in BSE's Stock Options segment during the investigation period. Out of the 59 entities (against whom directions were issued vide Interim Order and Confirmatory Order), 2 entities (mentioned at S. No. 58 and 59 in Table 1) were not found to meet the parameters outlined in Paragraph 4 above.*

[2] https://www.sebi.gov.in/enforcement/orders/apr-2018/order-in-the-matter-of-illiquid-stock-options_38577.html

Thus no adverse finding is observed in the Investigation Report in respect of aforementioned 2 entities and so the directions issued earlier vide Interim Order dated August 20, 2015 which were confirmed vide Order dated August 22, 2016, need not be continued since the prima facie findings against these two entities are no more sustainable in view of the findings of the investigation.

6. With reference to the remaining 57 entities (mentioned at S. No. 1 to 57 in Table1), investigation has found that these 57 entities along with 14,663 other entities, were involved in executing non-genuine trades thereby violating Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

……

15. As stated earlier, SEBI has decided, in furtherance of its objective to deal with the unfair trade practice, to initiate appropriate action in respect of all entities including initiation of Adjudication Proceedings against 567 entities in Phase 1 who, as per the investigation findings, are similarly placed like the 57 entities (mentioned at S. No. 1 to 57 in Table 1 above). Therefore, ends of justice and the regulatory objectives of SEBI would be better served if Adjudication Proceedings are continued against the aforesaid 57 entities. Accordingly, the present proceedings are liable to be disposed of with a direction to continue Adjudication Proceedings against the aforesaid 57 entities (excluding entities mentioned at S. No. 58 and 59 in Table 1). Appropriate direction in this regard is made in this order.

16. Based on the above, without going into the merits of the case, I am of the view that there is no need to continue the directions issued against the entities mentioned at Table 1 above vide Interim Order dated August 20, 2015 and Confirmatory Orders dated July 30, 2016 and August 22, 2016, and that the Adjudication Proceedings initiated by SEBI would adequately meet the ends of justice and regulatory objectives."

24. From the aforesaid, it is evident that section 11B proceedings initiated against 59 entities have been revoked since adjudication proceedings were initiated against 57 entities and no adverse findings were made against 2 entities in the IR. Accordingly, the reliance placed by Noticee concerning those extracts of IR is devoid of merit.

25. The Noticee further contended that the charges levelled against the Noticee in the SCN is generic and it does not spell out specific charges. In support of his submissions, Noticees has cited the judgment of Hon'ble Supreme Court in the

matter of Commissioner of Central Excise, Bangalore v. Brindavan Beverages Pvt. Ltd. and Ors[3] and orders of Hon'ble SAT in the matter of Vikas Bengani v. SEBI[4] and Dhanalakshmi Bank Ltd. v. SEBI[5].

26. However, the SCN issued to the Noticee clearly indicates the specific nature of violations that have been alleged in terms of provisions of the PFUTP Regulations. Further, all the documents in support of the allegations made were also provided as annexures to the SCN. It is further noted that the Noticee has filed replies dealing with each allegation in the SCN. Besides, the Noticee has not identified any specific paragraph of the SCN, the contents of which could not be understood by him on account of alleged vagueness. Hence, the submissions of Noticee that SCN is vague or the charges are not specific cannot be accepted.

27. The Noticee further submitted that copy of order log and the call and voice logs of the calls taken place between him and his stock broker have not been provided to him along with the SCN. In this regard, I note that the following documents which are relevant and relied upon in the present proceedings have been duly provided to Noticee along with the SCN:

(a.) Copy of relevant extracts of Investigation Report.

(b.) Integrated trade log of all reversal trades of Noticee in the stock options segment of BSE during the period April 01, 2014 to September 30, 2015.

(c.) Summary of all the reversal trades of the Noticee.

28. In this context, reference is drawn to the following judgments of Hon'ble Supreme Court and Hon'ble SAT:

(a.) In the matter of Kavi Arora v. SEBI[6], the Hon'ble Supreme Court held that:

[3] *(2007) 5 SCC 388*
[4] *Order dated March 08, 2010*
[5] *Order dated April 20, 1999*
[6] *Special Leave Petition (Civil) No. 15149 of 2021 dated September 14, 2022*

"49. It is well settled that the documents which are not relied upon by the Authority need not be supplied as held in Natwar Singh (supra) where this Court held:-

"48. On a fair reading of the statute and the Rules suggests that there is no duty of disclosure of all the documents in possession of the Adjudicating Authority before forming an opinion that an inquiry is required to be held into the alleged contraventions by a noticee. Even the principles of natural justice and concept of fairness do not require the statute and the Rules to be so read. Any other interpretation may result in defeat of the very object of the Act. Concept of fairness is not a one way street. The principles of natural justice are not intended to operate as roadblocks to obstruct statutory inquiries. Duty of adequate disclosure is only an additional procedural safeguard in order to ensure the attainment of the fairness and it has its own limitations. The extent of its applicability depends upon the statutory framework."

(b.) In the matter of Madhyam Agrivet Industries Ltd. v. SEBI[7], the Hon'ble SAT held that:

"It is held herein that it is sufficient to disclose materials relied upon for issuance of show cause notice."

29. In view of the above, since all the relevant and relied upon documents in the present proceedings was provided to Noticee, the submission of Noticee in this regard is devoid of merit.

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

30. I shall now proceed to deal with the issues involved on merits.

31. 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

[7] *Appeal No. 258 of 2024 dated May 22, 2024*

trading, lack basic trading rationale, lead to false or misleading appearance of trading in terms of generation of artificial volumes and hence, were deceptive and manipulative.

32. It was alleged that the Noticee was one of the entities who had indulged in creating artificial volume of 1,77,000 units through 8 non-genuine trades in 3 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
RPOW14MAY80.00CEW2	3.4	40,000	0.1	40,000	100	38.46
RPOW14JUN100.00PEW1	6.9	44,000	3.05	44,000	100	40.74
RPOW14JUN85.00CEW1	20.25	40,000	9.25	40,000	100	100

33. To illustrate, on May 06, 2014, the Noticee, at 12:16:06 hours entered into a buy trades in a contract, viz., 'RPOW14MAY80.00CEW2' with counterparty 'Sabine Kutubdin Kapasi' for 40,000 units at Rs. 3.4/- per unit. On the same day, at 12:50:47 hours, Noticee entered into a sell trade with the same counterparty for 40,000 units at Rs. 0.1/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of 2 trades (1 buy trade and 1 sell trade) with same counterparty, viz., Sabine Kutubdin Kapasi on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's 2 trades while dealing in the aforesaid contract during the IP generated

artificial volume of 80,000 units, which made up 38.46% of total market volume in the said contract during the IP.

34. Similarly, on June 02, 2014, the Noticee, at 14:35:46 hours and 14:36:01 hours, entered into a buy trade in a contract, viz., 'RPOW14JUN100.00PEW1' with counterparty 'Sabine Kutubdin Kapasi' for 4,000 units and 40,000 units respectively at Rs. 6.9/- per unit. On the same day, at 14:37:46 hours, Noticee entered into a sell trade with the same counterparty for 44,000 units at Rs. 3.05/- per unit. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of 3 trades (2 buy trades and 1 sell trade) with same counterparty, viz., Sabine Kutubdin Kapasi 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 88,000 units, which made up 40.74% of total market volume in the said contract during the IP.

35. Likewise, on June 04, 2014, the Noticee, at 12:53:33 hours, entered into a sell trade in a contract, viz., 'RPOW14JUN85.00CEW1' with counterparty 'Sabine Kutubdin Kapasi' for 40,000 units at Rs. 9.25/- per unit. On the same day, at 13:00:40 hours and 13:01:43 hours, Noticee entered into a buy trade with the same counterparty for 20,000 units each at Rs. 20/- per unit and Rs. 20.5/- per unit respectively. It is noted that the Noticee while dealing in the said contract during the IP, executed a total of 3 trades (1 sell trade and 2 buy trades) with same counterparty, viz., Sabine Kutubdin Kapasi on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's 3 trades while dealing in the aforesaid contract during the IP generated artificial volume of 80,000 units, which made up 100% of total market volume in the said contract during the IP.

36. In response, the Noticee admitted to executing aforesaid intraday transactions, however, contended that the alleged trades were executed on the trading terminals

of BSE and the BSE did not take steps to do anything about the said objectionable trades at the relevant time. Noticee further contended that he acted in good faith based on the representations of his trading member. In this regard, it is pertinent to note that since the Noticee traded in the securities as defined under Securities Contracts (Regulation) Act, 1956, he is obligated to comply with the securities laws. The responsibility of ensuring the genuineness of trades rests with the Noticee. The Noticee is expected to act with due diligence and cannot shift responsibility for his own trading decisions onto the exchange and the stock broker. Hence, the contention of the Noticee in this regard is not tenable.

37. The Noticee further contended that trades were conducted at rates which were within permissible range. In this regard, it is pertinent to note that the Noticee had reversed the trades within few minutes 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 his reversal trades undertaken in very short span of time. Hence, Noticee's argument in this regard cannot be accepted.

38. Further, in the case of Noticee, it is curious to note that the price difference on reversal is so stark. For example, in the contract "RPOW14JUN85.00CEW1", the trade was reversed in ~8 minutes with a price difference of Rs. 11.

39. The Noticee submitted that the impugned trades constituted a miniscule percentage of overall trades. In this regard, it is noted that total 2,91,744 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 No. 1 at para 32. Table No. 1 shows that Noticee had generated artificial volume ranging from 38% to 41% in 2 contracts and in 1 contract, it was 100%. Hence, the submission of Noticee concerning miniscule and meagre trade volume is devoid of merit.

40. The Noticee further contended that there was an amendment in the definition of "dealing in securities" vide SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018, pursuant to which non-intermediaries who do not directly transact in securities but who, by their actions, influence or assist in influencing the decisions of investors in dealing in securities have been brought within the ambit of the PFUTP Regulations. It was submitted that since the said amendment came into force from February 2019, the same cannot be made applicable to the alleged trades executed by the Noticee in the year 2014.

41. In this regard, it is noted that in the present matter, the Noticee has executed the trades directly from his own trading account. Therefore, there is no question of examining the applicability of the expanded scope of the definition of "dealing in securities" introduced by way of the 2018 amendment. Even prior to the said amendment, direct buying and selling of securities through one's own trading account squarely fell within the ambit of "dealing in securities" under the PFUTP Regulations. Accordingly, the contention of the Noticee that the PFUTP Regulations are inapplicable to the impugned trades on account of the amendment being prospective in nature is misplaced and devoid of merit.

42. The Noticee further submitted that the trades were executed on anonymous and transparent trading platform of the exchange, no connection between the counterparty and the Noticee had been established, none of the elements of fraud such as intention, inducement, 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 had relied on the orders of Hon'ble Supreme Court in the matter of Chief Engineer, MSEB and Anr. v. Suresh Raghunath Bhokare [(2005) 10 SCC 465], Union of India v. Chaturbhai

M. Patel & Co. (AIR 1976 SC 712), Nandakishore Prasad v. State of Bihar [(1978) 3 SCC 366], Bharjatia Steel Industries Ltd. v. Commissioner of Sales Tax, U.P. [(2008) 11 SCC 617] and orders of Hon'ble SAT in the matter of Nitish M. Shah HUF v. SEBI (Appeal no. 97 of 2019), Nirmal Bang Securities (P) Ltd. V. SEBI (Appeal No. 54 of 2002), KSL & Industries v. Chairman, SEBI (Appeal No. 9 of 2003), Surendra kumar Gupta v. SEBI (Appeal No. 343 of 2021), Saroj & Co. proprietor Sanjay Agrawal v. SEBI (Appeal No. 213 of 2011).

43. The submissions of the Noticee along with the orders relied upon by Noticee has been considered. In this connection, I note that it is not 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.

44. 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 few minutes, 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 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

45. Here, reference is drawn to 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.*"

46. 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 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 price of the same contract, within 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 its counterparty to carry out the trades at pre-determined prices.

47. 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."*

48. 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….."*

49. 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 contract.

50. 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".

51. 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?

52. 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.

53. Therefore, considering the above findings and the judgement 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 15HA 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."*

54. However, I note that the impugned trades were executed by the Noticee, prior to the effective date of the amendment to section 15HA of the SEBI Act. I note that the amendment to the SEBI Act, w.r.t. "Penalty for fraudulent and unfair trade practices", was effective from September 8, 2014, whereas the impugned trades of the Noticee took place prior to the said amendment, i.e., on May, 2014 and June, 2014. Thus, the applicable provisions of section 15HA of SEBI Act, which existed during the relevant period is 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 of twenty-five crore rupees or three times the amount of profits made out of such failure, 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?

55. 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."*

56. 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 eight non-genuine trades entered by the Noticee in three 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, which should be dealt with suitable penalty.

ORDER

57. 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 ₹ 2,00,000/- (Rupees Two Lakh only) on the Noticee (Jigar Rasiklal Patel) 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.

58. 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;

59. 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.

60. 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: 2026.01.16 15:01:31 +05'30'

Place: Mumbai
Date: January 16, 2026

JAI SEBASTIAN
ADJUDICATING OFFICER