BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/AK/GN/2025-26/32013]

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

In respect of

Padmavathi Darak

(PAN: AFMPD1863K)

In the matter of Trading in Illiquid Stock Options on BSE

BACKGROUND OF THE CASE

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

and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations, 2003**").

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI appointed Ms. S. Gomathi as Adjudicating Officer in the matter vide communique dated July 06, 2021, u/s 19 r/w Section 15-I(1) of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Adjudication Rules"**) to inquire into and adjudicate the matter as specified under Rule 4 of Adjudication Rules r/w Section 15-I(1) and (2) of SEBI Act, 1992, and if satisfied that penalty is liable, impose such penalty deemed fit in terms of Rule 5 of Adjudication Rules and Section 15HA of SEBI Act, 1992. Pursuant to the transfer of case, the undersigned is appointed as an AO vide communique dated April 04, 2025.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice dated January 24, 2022 (hereinafter referred to as **"SCN"**) was issued to the Noticee by the erstwhile AO under Rule 4(1) of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against it and why penalty should not be imposed under section 15HA of the SEBI Act, 1992 for the violations alleged to have been committed by the Noticee.
5. It was *inter alia* alleged in the SCN that the Noticee had executed 2 non-genuine trades in 1 Stock Options contract which resulted in artificial volume of total 35000 units.
6. The SCN dated January 24, 2022 was issued to the Noticee via SPAD and email and was duly served.
7. Subsequently, Post SCN Intimation (1st PSI) dated August 17, 2022 was issued to the Noticee via SPAD and email and the same was duly delivered. The aforesaid PSI along with indicating the nature of offence alleged to have been committed by the Noticee, also mentioned the information regarding the SEBI Settlement Scheme, 2022. The information regarding settlement scheme given in the SCN was as follows:

"2. Meanwhile, SEBI has framed the SEBI Settlement Scheme, 2022 pursuant to the Order dated May 13, 2022 passed by the Hon'ble Securities Appellate Tribunal, wherein the following directions were issued to SEBI:

*"**17**. We are, thus, of the opinion that SEBI should reconsider and seriously give a thought in coming out with a fresh scheme under Clause 26 of the Settlement Regulations, 2018. Such scheme can be a onetime scheme for this class of person.* ***The terms of settlement should be attractive so that it could attract the noticees / entities to come forward and settle the matter which will ameliorate the harassment of penalty proceedings to the noticees and at the same time would help to clear the backlog of these pending matters before various AOs.****" (Emphasis Supplied).*

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

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

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

4.The period of the SEBI Settlement Scheme, 2022 will commence on August 22, 2022 and will close on November 21, 2022, so as to provide an opportunity for settlement to the entities who have executed reversal trades in the stock options segment of BSE during the period April 01, 2014 to September 30, 2015, against whom enforcement proceedings have been initiated and are pending. In case you wish to avail the benefit of the said Scheme, you may access the details of the said Scheme, which would be available on the website of SEBI i.e. www.sebi.gov.in, during the said period.

5.Necessary application for settlement may be filed within the validity period of the scheme and payment of the settlement amount shall be made online. Additionally, for any clarification in regard to settlement scheme, you may refer to the FAQs at SEBI website or send email to scheme2022@sebi.gov.in.

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

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

9. However, it was observed that Noticee did not avail the SEBI Settlement Scheme, in view of which, the adjudication proceeding against the Noticee was resumed in terms of Para 6 of the SCN.

10. Subsequently, 2nd Post SCN intimation (2nd PSI) dated March 06, 2024 was sent to the Noticee via SPAD and email dated March 06, 2024 and the same was duly delivered. The aforesaid PSI was sent to the Noticee which intimated to the Noticee regarding the SEBI Settlement Scheme, 2024. The intimation regarding settlement scheme given to the Noticee was as follows:

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

S No	***Number of Contracts****	***Settlement Amount (Rs.)***
1	*1-5*	*1,20,000/-*
2	*6-50*	*2,40,000/-*

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

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

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

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

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

11. Vide public notice dated May 08, 2024, the period of the aforesaid Scheme was extended till June 10, 2024.
12. However, it was observed that Noticee did not avail the SEBI Settlement Scheme, in view of which, the adjudication proceeding against the Noticee was resumed in terms of Para 5 of the PSI.
13. It was observed that Noticee did not submit his reply to the SCN. In the interest of natural justice, opportunity of hearing was provided to the Noticee on January 16, 2026, vide hearing notice dated December 04, 2025, which was sent via SPAD and email dated December 04, 2025.
14. Vide email dated January 09, 2026 Noticee submitted its reply, the same is summarized below-

i. *Noticee submitted that she has not done any fraudulent trading or deliberate reversal trading or created any misleading appearance of trading leading to contravention of SEBI (PFUTF), Regulations, 2003. All the transactions were done as per the norms of trading and there was never any intention to carry on reversal of trades. Noticee further submit that there are no artificial or fictitious trades done by me nor was there any allegation that the transactions were not as per the rules and regulations of the stock exchange and thus it does not amount to violation under the PFUTP Regulations. There was no intention to hike the price and the trades executed in the said scrip were purely based on commercial terms.*

ii. *Noticee submitted that insignificant portion of the trading in the total volume of trading was done by me. Many other investors who no way connected with her traded in the scrip which indicates broad based trading. Based on the performance and future prospects of the Companies, other investors have voluntarily participated in trading without any influence.*

iii. *The online trading is done through the algorithmic Trading Software approved by the Exchanges. The instances of reversal of trades are purely incidental to the execution of the trading strategy and are not planned to be executed. The random nature of timing, quantity, dealers and partial matching with other market participants substantiate that these are unintentional and are a matter of pure co-incidence. The human involvement is very less for putting the parameters of orders for the day and the trading took place through the algorithmic trading software connected to the server/ CTCL ID and the orders are passed on to the Exchanges and the same are matched at the Exchange level. All the trades/ transactions are Jobbing/ Arbitrage in nature and due to High Speed of trading in small lots spread across the day evenly. . Noticee submitted that she entered into only two trades on 30/09/2014 and the number of trades is not significant.*

iv. *She does not have any relation/nexus with other brokers and / or clients involved as counter party broker/ client or any of its directors/ promoters. Both the transactions done by me are in the ordinary and normal course of business in the securities market. Futures market is not liquid and the rate movement in the Futures market is dependent not only on the cash market price but also a whole host of factors such as open interest, depth, overall sentiment, Sensex/Nifty value etc., and hence the transactions done by me are of genuine in nature and not manipulative.*

v. *Noticee submitted that when she bought shares she believed that the scrip will rise and yield profits. It is clear that these were individual trades independent of each other.*

vi. Noticee submitted that she had fallen sick that's why she was unable to avail the settlement scheme.

15. In the aforesaid reply, Noticee also sought adjournment of hearing, in view of the same, hearing was rescheduled to January 23, 2026. Noticee attended the hearing on scheduled day i.e. January 23, 2026 and reiterated the submissions already made vide reply dated January 09, 2026.

CONSIDERATION OF ISSUES AND FINDINGS

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

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

Issue II: Does the violation, if any, attract monetary penalty under section 15HA of the SEBI Act, 1992?

Issue 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, 1992?

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

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in

contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

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

18. Before proceeding to the merits of the case, I note that pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, Interim order was passed by SEBI on August 20, 2015 which was confirmed vide Orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation relating to stock options segment of BSE which was completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock option segment during the investigation period. The proceedings initiated vide the aforementioned Interim Order were disposed of vide Final Order dated April 05, 2018 also considering that appropriate action was initiated against the said 14, 720 entities in a phased manner.

19. I further note that there are no timelines prescribed in the SEBI Act, 1992 for the purpose of identifying trades as non-genuine. In this regard, it is pertinent to note that, in the matter of **SEBI Vs Bhavesh Pabari** (2019) SCC Online SC 294, the Hon'ble Supreme Court of India has, inter alia, held that:

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

20. It is relevant at this juncture to deal with the transactions executed by the Noticee in the alleged non-genuine trades.

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

22. Further it is noted that the Noticee had allegedly executed 2 non-genuine trades in 1 contract. It is further noted that the above mentioned trades of the Noticee had resulted in the creation of artificial volume of 35000 units in the said contracts. Summary of non-genuine trades of the Noticee is as follows:

Contract Name	Avg. Buy Rate (Rs)	Total Buy Volume (No. of units)	Avg. Sell Rate (Rs)	Total Sell Volume (No. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
AUPL14OCT880.00CEW2	42	17500	96.9	17500	100	50	100	42.17

23. I note that the Noticee had allegedly executed non-genuine trades in said contract, wherein the percentage of alleged non-genuine trades of the Noticee in stock options contracts to total trades in the contract was 50% in the aforesaid contracts. Further, alleged artificial volume generated by Noticee in the contracts amounted to 100% of total volume generated by it in the contracts. It is also noted that alleged artificial volume generated by the Noticee contributed 42.17% of the total volume from the market in the said contracts.

24. The details of squaring up done by the Noticee in the contract 'AUPL14OCT880.00CEW2' are as given below :

Trade Date	Client Name	CP Client Name	Trade Time	Trade Rate (Rs.)	Traded Quantity	Buy/Sell by the Noticee
30/09/2014	RASHI COMMERCIAL COMPANY	PADMAVATHI DARAK	14:27:42.771111	96.9	17500	Sell
30/09/2014	PADMAVATHI DARAK	RASHI COMMERCIAL COMPANY	14:26:39.592231	42	17500	Buy

25. As can be seen from the table above, the trades executed by the Noticee in the contract were squared up within seconds, with the same counterparty. Noticee on September 30, 2014 at 14:26:39 (Order time of Noticee: 14:26:00 and Counterparty Order time: 14:26:39) entered into a buy trade with counterparty viz. RASHI COMMERCIAL COMPANY for 17500 units at the rate of Rs.42 per unit in the contract AUPL14OCT880.00CEW2. Thereafter, on the same day, Noticee entered into sell trade at 14:27:42 hrs, (Order time of Noticee: 14:27:42 and Counterparty Order time: 14:27:42.77) for 17500 units with same counterparty viz. RASHI COMMERCIAL COMPANY at the rate of ₹96.9 per unit. These trades were entered into with the same counterparty in the same contract. It is noted that while dealing in the said contract during the IP, the Noticee executed reversal trades with same counterparty on the same day, with significant price difference. Thus, the Noticee, through its dealing in the contract viz. 'AUPL14OCT880.00CEW2' during the I.P., executed non genuine trades which was 50% of the total trades from the market in the said contract during the I.P., and thereby, Noticee generated artificial volume of 35000 units which was 42.17% of the volume traded in the said contract from the market during the I.P.

26. I note that Noticee submitted that she has not done any fraudulent trading or deliberate reversal trading or created any misleading appearance of trading, the online trading is done through the algorithmic trading software approved by the Exchanges. She does not have any relation/nexus with other brokers and / or clients involved as counter party broker/ client or any of its directors/ promoters.

27. In this regard, I note that non-genuineness of these transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within a short span of time, the Noticee reversed the position with its counterparty. The fact that the transactions in a particular contract were reversed with the same counterparty 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 contracts, there was no 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. The fact that the buy and sell orders were placed by the Noticee and counterparty within a short span of time, strongly indicates meeting of minds. Thus, the aforesaid contention of Noticee is not tenable and it is observed that Noticee had indulged in reversal trades with her counterparty in the stock options segment of BSE and the same were non-genuine trades.

28. It is noted that it is not mere coincidence that the Noticee could match her trades with the same counterparty with whom she 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. This is the outcome of meeting of minds elsewhere and it was a deliberate attempt to deal in such a manner. It is further noted in matters dealing with violation of PFUTP Regulations, 2003, the reason as regards execution of non-genuine trades might not be immediately forthcoming. However, the correct test instead, is one of preponderance of probabilities. Here the judgment of Hon'ble Supreme Court in SEBI v Kishore R Ajmera (AIR 2016 SC 1079) decided on February 23, 2016 is relied upon, wherein it was held that-*"...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..."

29. The Hon'ble Supreme Court further held in the same matter that – *"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may* have *to be inferred by a logical process of reasoning from the totality of the* attending *facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof, the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."*

30. The observations made in the aforesaid judgments of Hon'ble Supreme Court apply with full force to the facts and circumstances of the present case. Therefore, applying the ratio of the above judgments, it is concluded 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 prices of the same contract, within short span of time was a clear indication that there was pre-determination in the prices by both the counterparty 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

31. The following is noted from the judgement of the Hon'ble SAT in the matter of Ketan Parekh vs SEBI (supra):

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

32. Reliance is also placed on the judgment of Hon'ble Supreme Court in the matter of SEBI v Rakhi Trading Private Limited (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018), in which the Hon'ble SC held that - *"Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities….."*

33. Further, the Hon'ble SAT in its judgement dated September 14, 2020 in the matter of Global Earth Properties and Developers Pvt Ltd relied upon the Hon'ble Supreme Court judgement 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), and held that, "*It is not a mere coincidence that the Appellants could match the trades with the counter party with whom he had undertaken the first leg of respective trade. In our opinion, the trades were non-genuine trades and even though direct evidence is not available in the instant case but in the peculiar facts and circumstances of the present case there is an irresistible inference that can be drawn that there was meeting of minds between the Appellants and the counter parties, and collusion with a view to trade at a predetermined price.*"

34. Therefore, the trading behaviour of the Noticee confirms that such trades were not normal indicating that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in

respective contracts. In view of the above, allegation of violation of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003 by the Noticee stands established.

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

32. Considering the findings that the Noticee as mentioned above has executed non-genuine trades resulting in the creation of artificial volume, thereby violating the provisions of Regulation 3(a), (b), (c) & (d) & Regulation 4(1) and 4(2)(a) of the PFUTP Regulations, 2003 and in terms of the judgement of Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri Ram Mutual Fund[2006] 68 SCL 216(SC) decided on May 23, 2006 held that "*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant...*" it is concluded 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 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, 1992?

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

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

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

34. 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 2 non-genuine trades entered by the Noticee in 1 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 and therefore, the quantum of penalty must be commensurate with the serious nature of the aforesaid violations.

ORDER

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

Name of the Noticee	Violation provisions	Penalty
Padmavathi Darak PAN:AFMPD1863K	Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003	₹ 5,00,000/- (Rupees Five Lakhs only)

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

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

ENFORCEMENT >Orders >Orders of AO> PAYNOW

37. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

38. In terms of the provisions of rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee viz. Padmavathi Darak and also to the Securities and Exchange Board of India.

AMIT KAPOOR
Digitally signed by AMIT KAPOOR
Date: 2026.01.30 16:10:57 +05'30'

Date: January 30, 2026 **AMIT KAPOOR**

Place: Mumbai **ADJUDICATING OFFICER**