BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. : ORDER/VKV/HKS/2019-20/5701]

ORDER UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995, IN THE ADJUDICATION PROCEEDINGS INITIATED AGAINST DIPEN D CHANDRUVA HUF [PAN: AAFHD0402G] IN THE MATTER OF ITS DEALINGS IN ILLIQUID STOCK OPTIONS AT BSE LIMITED.

BACKGROUND

1. The Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**), initiated adjudication proceedings against Dipen D Chandruva HUF (hereinafter referred to as **"Noticee"**) for the alleged violation of the provisions of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations"**) for carrying out alleged reversal of trades in illiquid stock options at BSE Limited (hereinafter referred to as **"BSE"**) with same entities on the same day. It was alleged that these reversal of trades of the Noticee were non-genuine in nature and have created false and misleading appearance of trading in terms of artificial volumes in the stock options segment of BSE.

APPOINTMENT OF ADJUDICATING OFFICER

2. Initially, Shri Jeevan Sonparote was appointed as the Adjudicating Officer **(AO)** by SEBI, under Section 19 of the Securities and Exchange Board of India Act,

1992, (hereinafter referred to as **"SEBI Act"**) read with Section 15-I (1) of the SEBI Act and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Adjudication Rules"**) to conduct adjudication proceedings *inter-alia* in respect of the Noticee, in the manner specified under Rule 4 of the Adjudication Rules read with Section 15-I (1) and (2) of the SEBI Act, and if satisfied that penalty is liable, to impose such penalty deemed fit in terms of Rule 5 of the Adjudication Rules and in terms of Section 15HA of the SEBI Act. Subsequently, in the matter the undersigned has been appointed as AO by SEBI, on August 13, 2019, in the place of Shri Jeevan Sonparote to inquire into and adjudge, the violation alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. Show Cause Notice dated April 03, 2019 (hereinafter referred to as **"SCN"**) was issued to the Noticee in terms of Rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be initiated and penalty should not be imposed under Section 15HA of the SEBI Act, on the Noticee for the alleged violation of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations.

4. The SCN was served upon on the Noticee through speed post acknowledgment at the last known address of the Noticee. However, the Noticee failed to file any reply to the SCN.

5. Subsequent to my appointment as the Adjudicating Officer in the matter, in the interest of natural justice and in terms of Rule 4 of the Adjudication Rules, vide the Hearing Notice dated September 09, 2019 the Noticee was provided an opportunity of personal hearing on September 24, 2019 and opportunity to file

submissions in the matter. However, the Noticee neither appeared for personal hearing nor filed any submissions in the matter.

6. With a view to provide one more opportunity, vide the Hearing Notice dated September 25, 2019 the Noticee was granted another opportunity of personal Hearing on October 16, 2019, as well as opportunity to file submissions in the matter.

7. I note that both the Hearing Notices were served upon the Noticee through speed post acknowledgment at the last known address of the Noticee. However, despite all the above the Noticee failed to attend the said hearing and also did not file any reply in the matter.

8. In this context, I would like to rely upon the observations of the Hon'ble Securities Appellate Tribunal (SAT) in the matter of **Classic Credit Ltd. Vs. SEBI** (Appeal No. 68 of 2003 decided on December 08, 2006) wherein the Hon'ble SAT, *inter alia,* took the following view *"..... the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show-cause notice were admitted by them.....".*

9. Similarly, I note that the Hon'ble SAT has again in the matter of **Sanjay Kumar Tayal & Others Vs. SEBI** (Appeal No. 68 of 2013 decided on February 11, 2014), *inter alia,* observed that *".....as rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices....."*

10. In view of the above, I note that Noticee has been provided ample opportunities of Personal Hearing. However, till date, the Noticee neither availed the opportunities nor filed any reply to the SCN. Therefore, I am inclined to decide the matter *ex-parte* taking into account the details/material available on record.

ISSUES FOR CONSIDERATION AND FINDINGS

11. I have carefully perused the SCN, the documents / material available on record. The issues that arise for consideration in the present case are:

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

2) Whether the Noticee is liable for imposition of monetary penalty under Section 15HA of the SEBI Act?

3) If yes, then what should be the quantum of monetary penalty?

12. It is pertinent to mention here the relevant provisions of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations, allegedly violated by the Noticee:-

Regulation 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."*

Regulation 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. I note that the allegations levelled in the SCN are mainly to the effect that the Noticee has created false and misleading appearance of trading in terms of artificial volumes in the stock options segment of BSE by way of reversal of trades in illiquid stock options and thereby the Noticee violated the provisions of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations.

14. SEBI had observed large scale reversal of trades in the Stock Options Segment of BSE leading to creation of artificial volumes. Therefore, SEBI conducted investigation into the trading activity in illiquid Stock Options at BSE for the period from April 01, 2014 to September 30, 2015 (hereinafter referred to as **"Investigation Period"**).

15. Reversal trades have been considered those trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are non-genuine trades as they are not executed in normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence, are deceptive and manipulative. Artificial volume is considered to be the volume (no. of units) reversed in both legs of said reversal trades while keeping out the volume, if any, which is not reversed.

16. Pursuant to investigation, it was observed that during the investigation period, total 2,91,643 trades comprising substantial 81.38% of all the trades executed in Stock Options Segment of BSE were non-genuine trades. The aforesaid non-genuine trades resulted into creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in Stock Options segment of BSE during the investigation period.

17. It was observed that said non-genuine trades were not restricted to any specific contract or between any specific set of entities. It was observed that the Noticee was one of the various entities which were allegedly indulged in execution of non-genuine trades in Stock Options Segment of BSE during the investigation period. The following points narrate the dealings of the Noticee during the investigation period and the allegations against it for execution of non-genuine trades in illiquid stock options at BSE.

18. As regards all the dealings of the Noticee in the Stock Options segment of BSE during the investigation period, it was observed that the Noticee had traded in total 5 unique contracts, from which in 4 contracts it allegedly executed 42 non-genuine trades, which resulted in artificial volume of total 13,90,000 units.

19. For the purpose of understanding, the trading pattern of the Noticee in the aforementioned 4 contracts in respect of non-genuine trades and artificial volume created by the Noticee, are illustrated through the dealings of the Noticee in the contract viz, **"AXIS15FEB600.00PEW3"** as under:-

Trade Date	Client Name	CP Client Name	Trade Time	Trade Rate	Traded Quantity
19/02/2015	N M IMPEX PVT LTD	DIPEN D CHANDRUVA HUF	12:33:31.422240	19	50000
19/02/2015	N M IMPEX PVT LTD	DIPEN D CHANDRUVA HUF	12:34:11.925271	19.1	50000
19/02/2015	N M IMPEX PVT LTD	DIPEN D CHANDRUVA HUF	12:34:50.525410	19.2	55000
19/02/2015	DIPEN D CHANDRUVA HUF	N M IMPEX PVT LTD	12:53:55.517221	25	500
19/02/2015	DIPEN D CHANDRUVA HUF	N M IMPEX PVT LTD	12:54:05.817582	27	500
19/02/2015	DIPEN D CHANDRUVA HUF	N M IMPEX PVT LTD	12:54:15.117930	29.9	500
19/02/2015	DIPEN D CHANDRUVA HUF	N M IMPEX PVT LTD	12:54:24.718325	32.5	500
19/02/2015	DIPEN D CHANDRUVA HUF	N M IMPEX PVT LTD	12:54:36.718820	35.8	500
19/02/2015	DIPEN D CHANDRUVA HUF	N M IMPEX PVT LTD	12:54:48.419329	37	500
19/02/2015	DIPEN D CHANDRUVA HUF	N M IMPEX PVT LTD	12:55:53.622016	38	20000
19/02/2015	DIPEN D CHANDRUVA HUF	N M IMPEX PVT LTD	12:56:07.322536	37.8	25000
19/02/2015	DIPEN D CHANDRUVA HUF	N M IMPEX PVT LTD	12:56:18.723034	37.6	35000
19/02/2015	DIPEN D CHANDRUVA HUF	N M IMPEX PVT LTD	12:56:31.823564	38.1	28000
19/02/2015	DIPEN D CHANDRUVA HUF	N M IMPEX PVT LTD	12:56:44.824021	37.7	21000
19/02/2015	DIPEN D CHANDRUVA HUF	N M IMPEX PVT LTD	12:56:58.024542	37.4	23000

(a) I note that during the investigation period, total 37 trades for 11,69,000 units were executed in the said contract on February 19, 2015, wherein Noticee was party to 15 trades for 3,10,000.

(b) While dealing in the said contract on February 19, 2015, Noticee during 12:33:31 hrs. to 12:34:50 hrs. entered into 3 sell trades with counter party viz, NM Impex Pvt Ltd for total 1,55,000 units at the average rate of Rs. 37.63 per unit. After a short interval of 20 minutes from the execution of above sell trades, during 12:53:55 hrs. to 12:56:58 hrs., Noticee reversed the said sell trades by entering into 12 buy trades for total 155000 units with same counterparty at average rate of Rs. 19.10 per unit.

(c) From the above, it is noted that while dealing in the said contract, Noticee executed total 15 reversal trades (3 sell trades + 12 buy trades) with same counterparty viz, NM Impex Pvt Ltd on the same day and with significant price differential in buy and sell rate.

(d) Thus, Noticee, through its dealing in the contract viz, "AXIS15FEB600.00PEW3", executed 15 non genuine trades which is 41% of the total trades from the market in the said contract during the investigation period, and thereby, Noticee generated artificial volume of 3,10,000 units which is 27% of the volume traded in the said contract from the market.

20. Similarly, Noticee indulged in execution of non-genuine trades and generation of artificial volumes in other contracts during the investigation period. I note that the Noticee had executed 42 non-genuine trades in 4 unique contracts and created artificial volume of total 13,90,000 units. Summary of dealings of the Noticee in the said 4 Stock Options contracts, in which it executed non-genuine trades during the investigation period, is as follows:-

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	Number of non genuine trades executed by Noticee in the Contract	Total number of trades executed by Noticee in the Contract	Total number of trades executed in the contract	Artificial volume generated by Noticee in the Contract (D+F)	Total volume generated by Noticee in the Contract	Total volume in the Contract	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract (G/H)	% of Non Genuine trades of Entity in the contract to Total trades in the Contract (G/I)	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract (J/K)	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract (J/L)
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	ADEL15MAR680.00CEW1	48.50	36000	22.34	36000	3	3	102	72000	72000	2658500	100%	3%	100%	3%
2	AXIS15FEB600.00PEW3	37.63	155000	19.10	155000	15	15	37	310000	310000	1169000	100%	41%	100%	27%
3	CESC15FEB640.00PE	54.79	148000	32.00	148000	6	6	49	296000	296000	1997000	100%	12%	100%	15%
4	SESA15MAR180.00CEW1	40.41	356000	24.87	356000	18	18	99	712000	712000	4524000	100%	18%	100%	16%

21. From the details in the above table, following is noted as regards to dealings of the Noticee in the aforesaid 4 contracts:

a) Noticee has executed non-genuine trades in above 4 contracts, wherein, 100% trades of the Noticee were non-genuine trades.

b) The number of non-genuine trades of the Noticee has significantly contributed (in the range of 3% to 41%) to the total number of trades from the market in the above 4 contracts.

c) A substantial 100% of volume generated by the Noticee in each of the 4 contracts was artificial volume. Further, artificial volume generated by the Noticee also contributed significantly (in the range of 3% to 27%) to the total volume of the market in the said 4 contracts.

d) Non-genuine trades executed by the Noticee in above 4 contracts had significant differential in buy rates and sell rates considering that the trades were reversed on same day and with the same counter party.

22. From the above trading pattern of the Noticee, I note that the Noticee had bought and sold option contracts with the same counter parties and also reversed its trades on the same day, from its earlier buy / sell trades, at substantial price difference. Such pattern of dealings suggests beyond doubt that they were not driven by market factors as none of the parameters like underlying stock price, volatility, etc. Therefore, I note that the aforesaid trades of the Noticee were non-genuine and have created false or misleading appearance of trading in terms of artificial volume in stock options and therefore manipulative, deceptive in nature.

23. I note that the trades of the Noticee as mentioned in preceding paras clearly demonstrates that option contracts bought / sold were immediately reversed on

same day at substantially different price, though there was no corresponding price changes in the underlying stock price. Further analysis of such trades also indicates that price differentials have been deliberately structured for manipulative purpose as one party to the contract had deliberately foregone profitable proposition at the time of executing trade. Such pattern completely runs contrary to economic rationale of any investor to buy at higher price and immediately thereafter sell at lesser price. Any rational investor would never deal in the market to deliberately register loss to facilitate seller to profit at the time of entering trades. Had the counterparties for trades of the Noticee are different, intraday squaring of positions would not have been possible as no genuine investor would ever forego profits. The fact the counterparties are same corroborates that the trades were not genuine and executed for manipulative purpose. I note from the trading pattern of the Noticee that it was deliberately making blatant misuse of trading platform for creating artificial volume to the tune of 13,90,000 units in 4 stock options contracts through 42 non-genuine trades and the rationale for such transactions entered by the Noticee are not genuine and irrational.

24. It is not mere a coincidence that Noticee could match his trades with the same counterparty with whom it had undertaken first leg of the respective trades. This is the outcome of meeting of minds elsewhere and it was a deliberate attempt to deal in such a fashion. Here, I would like to rely on the judgment of Hon'ble Supreme Court in ***SEBI v Kishore R Ajmera (AIR 2016 SC 1079)***, wherein it was held that "*in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy*

and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive." It was further held 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.*"

25. Further, with respect to the reversal of trades carried out by the Noticee, I note that the Hon'ble Supreme Court in the matter of ***SEBI vs. Rakhi Trading Private Ltd., in Civil appeals no., 1969 of 2011 with Civil Appeal Nos., 3174-3177 of 2011 and Civil Appeal No., 3180 of 2011 decided on February 8, 2018*** had observed that *"the price discovery system itself was affected by synchronization and rapid reverse trade, which also had the impact of excluding other investors from participating in the market. The Supreme Court, therefore found that the traders having engaged in a fraudulent and unfair trade practice while dealing in securities, are hence liable to be proceeded against for violation of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations".* The Apex Court also observed that *"considering the reversal transactions, quantity, price and time and sale, parties being persistent in the number of such trade transactions with huge price variations, it will be too naïve 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."

26. I note the fact that all these reversal transactions were carried out through a screen based trading platform on a segment in different contracts, the repeated sell/buy of illiquid stock options by the Noticee and subsequent reversal trades with the same set of entities for the same quantity, on same day with a significant difference in buy and sell value of stock options, in itself, exhibits abnormal market behaviour and defies economic rationality. In this context, it is pertinent to note that in the screen based trading, the manipulative or fraudulent intent can be inferred from various factors such as conduct of the party, pattern of transactions, etc. Further, in the absence of direct proof of meeting of minds, the conclusion can be derived from various circumstances like volume of trade, period of persistence of trading, particulars of buy and sell orders, proximity of time and such other relevant factors. In this regard, it is appropriate to refer to the Hon'ble Securities Appellate Tribunal **(SAT)** Order dated July 14, 2006, in the case of ***Ketan Parekh vs. SEBI (Appeal no. 2/2004)***, wherein, Hon'ble SAT has observed that: *"… in order to find out whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism, will depend upon the intention of the parties which could be inferred from the attending circumstances of the cases, because direct evidence in such cases may not be available."*

27. In line with the aforesaid findings of Hon'ble SAT, I note that the trading pattern of the Noticee in terms of volume of reversal trades, proximity of buy/sell and subsequent reversal evidences the indulgence of the Noticee beyond a reasonable doubt of the manipulative intent in creation of artificial volume. Further, consistent pattern of dealings by Noticee in such options contracts which

are illiquid clearly demonstrates that the manipulative intent to use stock exchange platform to carry out non-genuine trades with the aim to execute such trades for various manipulative purposes. I note from the trading pattern of the Noticee that it was deliberately making repeated loss through its reversal trades in stock options which does not make any economic sense and it is a blatant misuse of trading platform for creating artificial volume in the illiquid stock options. I note that the rationale for such transactions entered by the Noticee is not genuine and legitimate as the behaviour exhibited by the Noticee defies the logic and basic economic sense. I note that no reasonable and rational investor will keep making repeated losses and still continue its trading endeavours.

28. In this regard, reliance is placed upon the judgement of Hon'ble Supreme Court in the matter of ***SEBI vs. Rakhi Trading Private Ltd.***, (Supra), where Apex Court stated at Para 35 and Para 41 of that said Order that *"The platform of the stock exchange has been used for a non-genuine trade. Trading is always with the aim to make profits. But if one party consistently makes loss and that too in pre-planned and rapid reverse trades, it is not genuine; it is an unfair trade practice". "The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed the price nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity and transparency of the stock market."*

29. Keeping in mind the dicta of the Hon'ble Supreme Court as reproduced above, I see no reason to take a different view in the present case. Therefore, I hold that the Noticee had indulged in execution of reversal trades in Stock Options with same entities on the same day, which are non-genuine in nature and had created false or misleading appearance of trading in terms of artificial volumes.

30. In view of the forgoing, I conclude that the Noticee by indulging in reversal of trades on the stock exchange platform, which are manipulative / unfair / fraudulent / non-genuine, in nature, had created artificial volumes in the stock options contracts and thereby Noticee had violated the provisions of Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations, 2003. The aforesaid violation of PFUTP Regulations by the Noticee attract monetary penalty under Section 15HA of the SEBI Act, which at the time of the violation committed by the Noticee, *inter-alia* reads as follows:

"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."*

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

"15J - Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

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

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

(c) the repetitive nature of the default

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

32. At this juncture, reliance is placed upon the Order of the Hon'ble Supreme Court in the matter of ***Chairman, SEBI Vs Shriram Mutual Fund {[2006]5 SCC 361}*** – where the Hon'ble Supreme Court of India 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….."

33. As established above, the trades by the Noticee were non-genuine in nature and created a misleading appearance of trading in illiquid stock option contracts. Investigation has shown amount of profit / loss of the counterparties to the trades as a result of the non-genuine trades. However, I note that the Noticee indulged in creation of artificial volumes by way of reversal of trades in illiquid options contracts, where wider market participation was not involved in the trades, and the trades are such that one of the counterparty books a profit while the other counterparty books a loss. Hence, it would be appropriate to consider the impact of these transactions between the two counterparties in totality. It is worth considering that entities involved in the non-genuine trades have either booked gains or loss and the gains or loss appears to be of notional in nature. It is further noted that there was nil or negligible participation by the public in the trading in illiquid stock option contracts, hence the impact of artificial volume created by the Noticee has been considered. As observed in the preceding paragraphs the Noticee executed non-genuine trades in 4 contracts, wherein it executed total 42 non-genuine trades, which resulted in artificial volume of total 13,90,000 units. Non-genuine trades executed by the Noticee in above contracts had significant differential in buy rates and sell rates considering that the trades were reversed on same day and with the same counter party. This pattern of trades continued for 5 days, which demonstrates the repetitive nature of default on Noticee's part.

34. Such persistent trading pattern of the Noticee, which was fraudulent and deceptive, affects the normal price discovery mechanism in the securities market. People who indulge in manipulative, fraudulent and deceptive transaction, or abet the carrying out of such transaction which are fraudulent and deceptive should be suitably penalized for such acts of omissions and commissions.

ORDER

35. After Taking into consideration the nature and gravity of the charges established in the preceding paragraphs, factors mentioned under Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, read with Rule 5 of the SEBI Adjudication Rules, I hereby impose a penalty of Rs.5,00,000/- (Rupees Five Lakh Only) on the Noticee viz. Dipen D Chandruva HUF in terms of Section 15HA of the SEBI Act, for the violation of the provisions of Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations for indulging in execution of reversal trades in Stock Options with same entities on the same day, thereby creating artificial volume, leading to false and misleading appearance of trading in the illiquid stock options at BSE.

PENALTY PAYMENT OPTIONS

36. The amount of penalty shall be paid either by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or by online payment through following path at SEBI website www.sebi.gov.in ENFORCEMENT → Orders → Orders of AO → Click on PAY NOW or at link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html

37. The said demand draft and its details OR details of online payments made (in the format as given in table below) should be forwarded to "The Division Chief, (Enforcement Department-1, Division of Regulatory Action -1), the Securities and

Exchange Board of India, SEBI Bhavan, Plot No. C4 – A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051" and also send an email to tad@sebi.gov.in with the following details:

1. Case Name :	
2. Name of Payee :	
3. Date of Payment:	
4. Amount Paid :	
5. Transaction No. :	
6. Bank Details in which payment is made :	
7. Payment is made for : (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

38. 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.

39. In terms of Rule 6 of the Adjudication Rules, 1995, copy of this Order is sent to the Noticee and also to the Securities and Exchange Board of India.

Date : November 22, 2019
Place : Mumbai

Vijayant Kumar Verma
Adjudicating Officer