

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/JS/VC/2025-26/31725]**

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:
Nimisha Hemani
(PAN: ABFPH7961K)**

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**") at 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 at BSE for the period from April 1, 2014 to September 30, 2015 (hereinafter referred to as "**Investigation Period / IP**").
2. Investigation by SEBI revealed that during the IP, a total of 2,91,744 trades comprising 81.41% 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 counterparty. These reversal trades were alleged to be non-genuine as they lacked basic trading rationale and allegedly lead to 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 Nimisha Hemani (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. Her 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, her 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 order dated April 03, 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 inquiry 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 April 04, 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 her for the alleged violations of the provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations.

6. It was alleged in the SCN that the Noticee had executed two non-genuine trades in one stock options contract creating artificial volume of 1,04,000 units. Summary of the dealings of Noticee in the said options contract, in which the Noticee allegedly executed non-genuine trades during the IP, is as follows:

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
JSWE14NOV75.00PEW2	0.05	52,000	1.45	52,000	100%	13.54%

7. The aforesaid reversal trade is illustrated through the dealings of the Noticee in one contract, viz., 'JSWE14NOV75.00PEW2' during the investigation period as follows:
- During the IP, 2 trades for 1,04,000 units were executed by the Noticee in the said contract on January 20, 2015;
 - While dealing in the said contract on January 20, 2015, at 10:34:04 hours, Noticee entered into a sell trade with the counterparty 'Calendula Teledata Private Limited' for 52,000 units at Rs.1.45/- per unit. At 14:51:20 hours, Noticee entered into a buy trade with the same counterparty for 52,000 units at Rs. 0.05/- per unit;
 - The Noticee's two trades while dealing in the abovementioned contract during the investigation period generated artificial volume of 1,04,000 units, which constituted 13.54% of total market volume in the said contract during this period.
8. The SCN was duly served to the Noticee through Speed Post Acknowledgement Due (hereinafter referred to as "**SPAD**"). Noticee, vide letters dated April 12, 2022,

October 14, 2022, June 23, 2023, November 08, 2024 and July 28, 2025, submitted her response to the SCN, as under:

- (a) *At the outset, I deny the allegations levelled against me in the Notice. It is submitted that, I do not accept or admit anything stated in the Notice except where the same is expressly admitted by me in this reply. Nothing stated therein shall be deemed to be admitted by me merely on account of non traverse and unless the same is specifically admitted by me herein.*
- (b) *I trade in the securities market through brokers in the ordinary course. I have been dealing in the stock market since a considerable period of time and have never defaulted in meeting my payment or delivery obligations on any occasion. Over the years I have had absolutely clean track record in Capital Market. I am merely an investor/client of a share broker and have no direct access to stock exchange system. All my transactions are executed through SEBI registered share broker.*
- (c) *With regard to the observations in Para 3 of the Notice, it is submitted that the surveillance done by SEBI and conducting of investigation by SEBI for the period between 1.4.14 to 30.9.15 are a matter of record. Admittedly, we have not been provided the copy of the 'Investigation Report' based on which the present Notice has been issued, which is in gross violation of principles of natural justice. We reserve our right to seek copy of Investigation Report and reserve our right to file additional reply in the matter pursuant to availability of Investigation Report.*
- (d) *With regard to the observations in Para 4 of the Notice, it is submitted that the same are clearly exceedingly vague and sweeping in nature. In any event, we have not indulged in any reversal trades or created any artificial volumes as alleged. All our trading was genuine, bona fide and in the ordinary course of business dehors fraudulent / manipulative intent or design.*
- (e) *I hereby humbly submit with regard to other observations in Paras 6 to 10 of the Notice that:*
- (f) *I deny all allegations that have been levied on me under regulation 4(a) and 4(b) of SEBI (Prohibition of Fraudulent and Unfair Trade Practice Relating to Securities Markets) Regulations, 1995 as stated by you in your above mentioned notice.*
- (g) *As appears from documents available with me that my broker has executed all the transactions, alleged to be artificial trade & false price on trading terminal of the exchange implying that all the transactions have been done at prevailing market price. No complaint was ever received by us from our Stock Broker or Stock Exchange (i.e., BSE). Further, as an investor, I am hardly require to check the procedure followed by broker in executing my order as far as I am concerned, I have received valid contract note with order number/date and transaction number/date and transaction being*

executed at BSE system. System maintenance and surveillance is the matter of exchange and the broker. I cannot control their actions. Therefore, the impugned trades executed by us cannot be alleged to be non-genuine trades.

- (h) It is submitted that when the alleged trades took place there was nothing in the public domain about anything amiss in the trades done by us. Further, neither BSE nor SEBI had raised any grievance in public domain about the execution of reversal trades and non- genuine trade in the option segment at that point in time.*
- (i) All the trades in the stock options were settled in cash through the stock exchange mechanism. Unlike the Cash segment, there is no physical delivery of shares. Therefore, the alleged trading in the stock options cannot be alleged to have created any false or misleading appearance of trading in stock options.*
- (j) In so far as allegations pertaining to reversal trades are concerned, I clarify that I have placed the order and received proper valid contract note from my broker of each day of my placing the orders. I have not entered any order on BSE system on my own nor I know how to execute trade on terminal. It is the duty of the broker to execute trade and if trade fails to notify me. None of the above has ever happened. System has executed trade and proper contract note was received by me and deal was closed with payin or payout of funds. At no point of time, I was aware of any counterparty to my trades, or the trades of any other entities. All my trades were in the anonymous order matching system of the exchange, wherein it is impossible to know the identity of the counterparties. The alleged matching with the counter parties is by coincidence and not by design. Significantly, there is a huge time gap between buy and sell orders, clearly demonstrating that there was no intention to match/ reverse the trades. The orders were languishing in the system and anybody in the market could have picked them up.*
- (k) I have never been informed that these scripts are illiquid scripts. No warning or banned list of securities was ever informed by broker to us. Further, It is specifically denied that I had indulged in non- genuine trades in the contracts as alleged. It is reiterated that all our trading was genuine, bona fide and in the ordinary course of business dehors fraudulent/ manipulative intent or design.*
- (l) It is alleged that my transactions were reversed with the same party. It may be noted that I am not related or connected in any manner whatsoever to the alleged counter party. I do not have any link/ nexus/ relationship/ connection/ dealing/ collusion/ arrangement or agreement with the counter party. Even there is nothing in the Notice, to even remotely connect us to the alleged counter parties to our trades. Same completely destroys the allegation of execution of reversal trades.*
- (m) It is well settled that in order to establish the allegation of reversal trades nexus between the parties has to be brought on record. Unless some connection between*

the parties is established, it cannot be alleged that the alleged reversal trades were carried out with a view to generate artificial volume in the market.

- (n) It is submitted that merely because the contribution of our one specific contract resulted in 13.54% of total market volume of that contract no adverse inferences can be drawn against us. It is reiterated that we were trading in the ordinary course and all our trading is bona fide. Further, merely because others were not trading in particular stock options on the day when, we were trading resulting in our volume being 13.54% cannot be ground for drawing adverse inference. The alleged 'reversal' and 'volume' has to be appreciated in the said backdrop.*
- (o) While levelling allegation with regard to alleged creation of false and misleading appearance of trading, it has been totally ignored and overlooked that there is no allegation in the Notice that as a result of our trading in stock options, we have increased or depressed the price of the underlying shares in the Cash Segment.*
- (p) I reported each and every transaction in my tax return and have paid tax at applicable rates.*
- (q) It may be noted that my trades are insignificant in relation to market volume of trades. In your show cause letter itself you have mentioned that my number of trades are 2 out of 291643 trades executed in the said period, i.e., 0.0006%.*
- (r) With regard to the observations in Para 9 of the Notice, your allegations that I have violated the following regulations of PFUTP are baseless:*
- (s) I don't deny that the trades in questions were ordered by me to my broker but I have no idea, how the trades were executed and orders/deals were closed by the system/broker. On closure of the deal/trades, I have received the day wise contract notes from my broker and either payments were received by me or in case of loss payments were made by me to the broker. Since transactions were disclosed & matched on the screen, I feel that by disclosing the script, quantity & rate, I have fulfilled my obligation as a client. Moreover, I was never asked by Broker or Exchange to desist from doing 'Option' transactions of the said script at any point of time.*
- (t) With regard to trading in the option segment, it may be pointed out that according to the website of BSE, they have full proof surveillance system in place and according to information given on their website the functions of the surveillance department are as follows:*
 - Monitoring price and volume movement (volatility) as well as by detecting potential market abuses (fictitious/artificial transactions, circular trading, false and misleading impression, insider trading etc.) at the nascent stage, with a view to minimize the ability of market participants to influence the price of any Security in the absence of any meaningful information &*

- *Taking timely actions to manage default risk.*
 - *The website further provides that BSE having three cells under its surveillance department, viz., Price monitoring; Investigation & Position monitoring.*
 - *Further, in addition to fool proof surveillance mechanism at BSE, they have power under Byelaw No 1.46 of Derivatives Segment to annul the trades in future and option segment wherever they observe that the trades were executed for fraud and/or willful misrepresentation. All the option trades executed by us were genuine and in accordance with the Rules, Regulations and Byelaws of SSE so same were cleared by surveillance mechanism of BSE and also not investigated by BSE under Byelaw No 1.46 (a) and (b) of Derivative for annulment.*
- (u) *From the part of transactions as provided by you, I am unsure whether I got trapped in the deals, which the exchange/SEBI now feels are manipulated by others or entered even by mistake. I have never been involved in any kind of manipulating transactions in the past nor I intend to be part of any such transaction in the future.*
- (v) *With regard to the observations in Para 10 of the Notice, it is submitted that in the facts of the case no penalty under Section 15HA of the SEBI Act is warranted. Further, while considering our submissions, following factors be taken into consideration:*
- *That the price in the options segment has not impacted or influenced the price of the scrips in the Cash Segment:*
 - *That all the impugned trades were executed through the stock exchange and settled in cash through its mechanism, therefore the impugned trades cannot be said to be artificial trades creating a misleading appearance of trading;*
 - *That there is no evidence to allege that there was market manipulation;*
 - *That the alleged violations, if any, are not deliberate and intentional and in contumacious disregard of provisions of law;*
 - *That the alleged violations have not caused any loss to any investor and have also not adversely affected the investors or the securities market in any manner. Further, it may be noted that there are no investor complaints in this regard;*
- (w) *Without prejudice to the aforesaid, following mitigating factors be also taken into consideration:*
- *As a result of systemic changes introduced by the BSE, execution of reversal / non-genuine on its exchange platform has become a thing of the past. The same is evident from the Order passed by SEBI on April 05, 2018 in the matter of Illiquid Stock Option wherein it is recorded that pursuant to passing of Interim Order in the matter, BSE had taken various measures to prevent occurrence of such reversal / non-genuine and the measures include: -*
 - *Introduction of Reversal Trade Prevention Check for the stock options segment of BSE with effect from March 14, 2016. In this measure, the second leg (latest leg) of a reversal trade is automatically cancelled by the Exchange at the time of order matching in an on-line real time manner in the trading system."*

- *Introduction of Price Reasonability Check functionality in the stock options segment of BSE in January 2016.*
- *Discontinuation of weekly stock options contracts with effect from March 03, 2016 as it was observed that the contracts that were used by the entities for exchanging their positions were mostly weekly contracts.*
- *Reduction in number of strikes in the stock options segment to curb trading in far Out of the Money contracts.*
- *It is only now after the Impugned Trades BSE had taken steps to prevent occurrences of reversal / non-genuine on its exchange platform. Currently, as a result of systemic changes introduced by BSE, occurrence of such reversal / non-genuine has become a thing of the past. Thus, the impugned trades which are inter alia off shoot of systemic default, are no longer possible in light of systemic changes made by BSE in its systems.*

(x) *In the facts and circumstances, any imposition of penalty on us would be unjustified and unwarranted. In view of the foregoing submissions, it is humbly prayed that the Notice be discharged and no penalty be imposed.*

(y) *This reply is filed without prejudice to our right to seek and obtain complete inspection of documents referred to and relied upon in the Notice as we have not been furnished the entire record/ material based on which allegations have been levelled against us. We would request you to make available all the record, documents and material referred to/relied on by you in the Notice.*

9. Vide Post SCN Intimation (hereinafter referred to as “**PSI**”) dated August 05, 2022, Noticee was informed that SEBI 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 provided a one time opportunity to the entities against whom proceedings had been initiated and appeals against the said proceedings were pending before any forum or authority. The scheme commenced from August 22, 2022 and was to be closed on November 21, 2022. The PSI was served to the Noticee through SPAD and email.

10. Subsequently, 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". However, the Noticee did not avail the Settlement Scheme 2022. Accordingly, the adjudication proceedings against her were resumed.

11. Noticee filed another reply to the SCN dated October 14, 2022 reiterating the submissions in her earlier reply. In the interest of natural justice, vide notice of hearing dated May 25, 2023, Noticee was granted an opportunity of hearing on June 16, 2023, however Noticee did not avail the said opportunity. Vide said notice of hearing, a copy of the Investigation Report in the matter of dealings in ISO at BSE was also provided to the Noticee. Noticee vide letter dated June 23, 2023 filed another reply to the SCN reiterating her earlier submissions to the SCN.
12. Subsequently, a second 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 opportunity to the entities against whom proceedings had been initiated and appeals against the said proceedings were pending before any forum or authority. The applicable period of the scheme was from March 11, 2024 to May 10, 2024. The second PSI was served to the Noticee through SPAD and email. The Settlement Scheme 2024 was extended till June 10, 2024 by SEBI vide Public Notice dated May 08, 2024. It was observed that Noticee did not avail the Settlement Scheme 2024, therefore, the adjudication proceedings against her were resumed.
13. Accordingly, vide notice of hearing dated October 07, 2024, Noticee was granted another opportunity of hearing on October 21, 2024, which she did not avail. However, she filed another reply dated November 08, 2024 to the SCN with same contentions as in her earlier replies.
14. Pursuant to appointment of the undersigned as AO, vide notice of hearing dated July 24, 2025, Noticee was granted a fresh opportunity of hearing on August 07, 2025. On August 07, 2025, authorised representatives of the Noticee

(hereinafter referred to as 'AR'), Mr. Sachchida Nand Pandey appeared for the hearing through video-conferencing and reiterated the submissions made by the Noticee vide letters dated April 12, 2022, October 14, 2022, June 23, 2023, November 08, 2024 and July 28, 2025.

CONSIDERATION OF ISSUES AND EVIDENCE

15. I have perused the allegations levelled against the Noticee in the SCN, her replies, 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 the provisions of 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?

16. Before proceeding further, 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;”*

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

17. Before proceeding to the merits of the case, it is appropriate to deal with the following preliminary issue raised by the Noticee. Noticee submitted that the copy of the Investigation Report in the matter was not provided to her. In this regard, it is noted that a copy of the Investigation Report was provided to the Noticee along with the notice of hearing dated May 25, 2023. Therefore, the submission of the Noticee is misplaced. I shall now proceed to address the key issues that arise for consideration, in light of the facts of the case and the submissions made by the Noticee.

18. I note that it was alleged in the SCN that the Noticee, while dealing in the stock option contract at BSE during the IP, had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock option contract at BSE. The said reversal trades are alleged to be non-genuine trades as they were 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, were deceptive and manipulative.

19. From the documents on record, it is noted that the Noticee was one of the entities who had indulged in creating artificial volume of 1,04,000 units through 2 non-genuine reversal trades in 1 stock options contract during the IP. The summary of trades is given below:

Table No. 2

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
JSWE14NOV75.00PEW2	0.05	52,000	1.45	52,000	100%	13.54%

20. On January 20, 2015, the Noticee, at 10:34:04 hours, entered into a sell trade in a contract named, viz., 'JSWE14NOV75.00PEW2' with counterparty 'Calendula Teledata Private Limited' for 52,000 units at Rs. 1.45/- per unit. On the same day, at 14:51:20 hours, Noticee entered into a buy trade of same contract with the same counterparty, for 52,000 units at Rs. 0.05/- 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., Calendula Teledata Private Limited 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 1,04,000 units, which made up 13.54% of total market volume in the said contract during this period.

21. In response, Noticee in her replies submitted that the price in the options segment has not impacted or influenced the price of the scrips in the Cash Segment. In this regard, it is noted that the present proceedings pertain to the trades executed by the Noticee in the stock options and not on the underlying scrip. Therefore, whether there was any impact or not on the price of the underlying scrip of the said options contract is immaterial.

22. Noticee contended that there was no complaint by stock broker or stock exchange and any investor and there was nothing in the public domain about anything amiss with respect to her dealings in the options segment of BSE and neither BSE nor SEBI had raised any grievance in public domain about the execution of reversal trades and non-genuine trades in the options segment. I note that the allegations pertaining to the Noticee's non-genuine trades neither depend nor rely upon the receipt of any grievance as above against the Noticee or anything in the public domain.

23. Noticee further submitted that she was merely an investor/client of a share broker and had no direct access to stock exchange system, all her transactions were executed through SEBI registered share broker, she hardly required to check the procedure followed by broker in executing her orders, she had never been informed that these scrips were illiquid, no warning or banned list of securities was ever informed to her by broker, she was never asked by her broker or exchange to desist from doing options transactions of the said scrip at any point of time, the trades in questions were ordered by Noticee to her broker but she had no idea that how the trades were executed and orders/deals were closed by the system/broker and system maintenance and surveillance is the matter of exchange and broker and she cannot control their actions, etc. In this regard, 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 her own trading decisions on the exchange and/or stock broker. Further, Noticee admitted that she received valid contract note for the said trades and the trades were closed by pay-in or pay-out of funds, therefore, she was well aware of the impugned non-genuine reversal trades and cannot claim that she had no idea that how the trades were executed and closed by the broker and hence she cannot shift the liability on stock exchange or stock broker. Therefore, the contentions of the Noticee in this regard are not tenable.

24. Noticee further submitted that the trades were settled in cash through the stock exchange mechanism, she received valid contract note with order number/date and transaction number/date and transaction was executed at BSE system and deal was closed with pay-in or pay-out of funds and she reported each and every transaction in her tax return and paid tax at applicable rates. In this regard, it is noted that in the present proceedings, genuineness of the reversal trades executed by the Noticee is in question and not that whether the trades were settled in cash through the stock exchange mechanism or Noticee received valid contract note or trades were reported for tax purposes. The manner in which impugned trades were executed by the Noticee indicates that there was pre-determination of the prices, quantity and timing of trades by the Noticee and counterparty while executing the trades and the trades were reversed with same counterparty within few hours with significant price difference. Hence, this submission of the Noticee does not merit further consideration.

25. Noticee further submitted that BSE has fool proof surveillance system in place for detecting potential market abuses and it had taken various measures to prevent occurrence of such reversal / non-genuine trades. In this regard, it is noted that the Noticee is responsible for ensuring the genuineness of trades which she executes. Hence, submission of the Noticee cannot be accepted.

26. Noticee further submitted that the price of the underlying shares in the cash segment was not impacted as a result of her trading in stock options and the alleged violations not affected the investors or the securities market adversely in any manner. In this regard, I would like to refer to 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, wherein it was held that "*.....Orchestrated trades are a misuse of the market mechanism. It is playing the market and it affects the market integrity.*

.....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."

In view of the aforesaid, it is noted that the synchronization and reversal trades affects the price discovery system and have an adverse impact on the fairness, integrity and transparency of the stock market. Hence, the submission of the Noticee in this regard is not tenable.

27. Noticee submitted that her trades were insignificant in relation to market volume of trades as she executed only 2 trades out of 291643 trades executed in the said contract, i.e., 0.0006%. In this regard, it is also noted that the Noticee's two trades in the said contract generated artificial volume of 1,04,000 units, which made up 13.54% of total market volume in the said contract during the IP. Further, the artificial volume generated by the Noticee in the said contract made up to 100% of the Noticee's total volume in the contract during the IP. Therefore, the above submission of the Noticee is not tenable.

28. Noticee further contended that the trades executed by her were genuine, bona fide and in the ordinary course of business and there was no nexus/ relation/ connection/ collusion/ arrangement with the counterparty and she was not aware of the counterparty or any other entity. In this regard, I note that 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 hours, the Noticee reversed the position with the same counterparty with significant price difference on the same day. The fact that the transactions in a particular contract were reversed with the same counterparties indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid option contract, there was negligible trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in price 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.

29. Noticee contended that since the trades were disclosed and matched on the screen, by disclosing the script, quantity and rate, her obligations as a client was complete. Noticee also contended that there is no evidence of market manipulation. In this regard, I note that it is not mere coincidence that the Noticee could match its trades with the same counterparty with whom it had undertaken first leg of the respective trades. The fact that the transactions in a particular contract were reversed with the same counterparty for the same quantity of units, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. It is further noted that direct evidence is not forthcoming in the present matter as regards to meeting of minds or collusion with other entities, *inter alia*, the counterparties or agents/fronts. However, trading behaviour as noted above make it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level.

30. In this regard, reliance is placed on the 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."

31. 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 prices of the same contract, within short span of time was a clear indication 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.

32. It is also relevant to refer to judgement of the Hon'ble Securities Appellate Tribunal in the matter of *Ketan Parekh v. SEBI* (in Appeal No. 2 of 2004; date of decision 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.”

33. In this regard, further reliance is placed on judgment of Hon'ble Supreme Court in the matter of *SEBI v. Rakhi Trading Private Limited*, 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.....”

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

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

35. Noticee submitted that the alleged violations, if any, are not deliberate and intentional and these have not caused any loss to any investor. In this regard, I note that Hon'ble Securities Appellate Tribunal (SAT) in the matter of *Komal Nahata v. SEBI (Appeal No. 5 of 2014 dated January 27, 2014)* observed that *“Argument that no investor has suffered on account of non-disclosure and that the AO has not considered the mitigating factors set out under Section 15J of SEBI Act, 1992 is without any merit because firstly penalty for noncompliance of SAST Regulations, 1997 and PIT Regulations, 1992 is not dependent upon the investors actually suffering on account of such non-disclosure”*.

36. Further, it is noted that in Appeal No. 78 of 2014 in the case of *Akriti Global Traders Ltd. v. SEBI*, the Hon'ble SAT vide order dated September 30, 2014 observed that *“... Argument of appellant that the delay was unintentional and that the appellant has not gained from such delay and therefore penalty ought not to have been imposed is without any merit, because, firstly, penal liability arises as soon as provisions under the regulations are violated and that penal liability is neither dependent upon intention of parties nor gains accrued from such delay”*.

37. Therefore, considering the finding that the Noticee as mentioned above executed non-genuine trades resulting in the creation of artificial volume, thereby violating the provisions of regulations 3(a), (b), (c) and (d) and regulation 4(1) and 4(2)(a) of the PFUTP Regulations and in terms of the judgement of Hon'ble Supreme Court in the matter of *SEBI Vs. 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.”

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?

38. 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.”*

39. 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 two non-genuine trades entered by the Noticee in one options contract led to creation of

artificial trading volumes which had the effect of distorting the market mechanism in the stock options segment of BSE, I find that the aforesaid violations were detrimental to the integrity of securities market and therefore, the quantum of penalty must be commensurate with the serious nature of the aforesaid violations.

ORDER

40. Taking into account the facts and circumstances of the case, material available on record, submissions of the Noticee, findings hereinabove and factors mentioned in section 15J of the SEBI Act, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose monetary penalty of ₹ 5,00,000/- (Rupees Five Lakh only) on the Noticee (Nimisha Hemani) 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.

41. 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;

42. 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.

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

Place: Mumbai
Date: October 14, 2025

JAI SEBASTIAN
ADJUDICATING OFFICER