

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/AS/VC/2024-25/31345]**

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:
Vidhu Shekhar Singh
(PAN No.- BGKPS2192E)**

In the matter of dealing in Illiquid Stocks Options at BSE

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**"), observed large scale reversal of trades in the Illiquid Stock Options (hereinafter referred to as "**ISO**") segment of Bombay Stock Exchange (hereinafter referred to as "**BSE**") leading to creation of artificial volume. Reversal trades are the trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy position with the same counter party. The said reversal trades are alleged to be non-genuine trades as they lack basic trading rationale and allegedly lead to false or misleading appearance of trading leading to generation of artificial volume. In view of the same, such reversal trades are alleged to be deceptive and manipulative in nature. On account 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 "**Investigation Period/IP**").

2. Pursuant to investigation by SEBI, it was observed that during IP, a total of 2,91,744 trades comprising substantial 81.41% of all the trades executed in Stock Options of BSE were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's Stock Options segment during the investigation period. It was observed that Vidhu Shekhar Singh (PAN No.- BGKPS2192E) (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 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

3. SEBI appointed Ms. Soma Majumder as Adjudicating Officer (AO) in the matter, vide order dated June 21, 2021, under Section 19 read with Section 15-I of SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**"), to inquire and adjudge under section 15HA of SEBI Act. Subsequently, pursuant to transfer of erstwhile AO, undersigned has been appointed as AO in the matter vide communique dated September 06, 2024.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Based on the findings by SEBI, Show Cause Notice dated August 10, 2022 (hereinafter referred to as "**SCN**") was issued to the Noticee under Rule 4(1) of

Adjudication Rules to show cause as to why an inquiry should not be held and penalty should not be imposed on it for the alleged violations of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations.

5. It was alleged in the SCN that the Noticee was indulged in non-genuine reversal trades in illiquid stock option contract and details of the reversal trades including the trade dates, name of the counterparties, time, price and volume etc. were provided to the Noticees as Annexure to the SCN. SCN alleged that the trade entered by the Noticee in stock option contract were reversed on the same day with same counterparty at a substantial price difference without any basis for significant change in the contract price which indicates that these trades were artificial and were non-genuine in nature.
6. Vide Part B of the above referred SCN, 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 further 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 are pending before any forum or authority. The scheme commenced from August 22, 2022 and closed on November 21, 2022. The said SCN was issued to the Noticee through Speed Post Acknowledgement Due (SPAD). However, the SCN could not be delivered to the Noticee at his address and returned undelivered to SEBI.
7. 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".

8. It was observed that Noticee did not avail the Settlement Scheme 2022, in view of which, the adjudication proceeding against the Noticee was resumed.
9. Since the SCN could not be delivered to the Noticee, in terms of Rule 7 of Adjudication Rules, the SCN and Hearing Notice were served to the Noticee by way of publication in newspapers where the Noticee was last known to have resided. Therefore, the notice regarding issuance of the SCN and Hearing Notice were published in the Times of India (English) and Dainik Jagran (Hindi) in the Lucknow editions on June 09, 2023. However, Noticee neither submitted his reply to the SCN nor availed the said opportunity of being heard.
10. Subsequently, a second PSI dated March 15, 2024, was issued to the Noticee wherein it was informed to the Noticee 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 that the Settlement Scheme, 2024 provided opportunity to the entities against whom proceedings had been initiated and appeals against the said proceedings are pending before any forum or authority. The scheme commenced from March 11, 2024 to May 10, 2024. The second PSI issued to the Noticee could not be delivered to him at his address and it returned undelivered to SEBI.
11. Further, vide Public Notice dated May 08, 2024, the Settlement Scheme 2024 was extended till June 10, 2024 by SEBI.
12. It is observed that Noticee did not avail the Settlement Scheme 2024 and accordingly, the adjudication proceeding against the Noticee was resumed.

Therefore, vide hearing notice dated January 10, 2025, Noticee was advised to submit his reply to the SCN and another opportunity of hearing on January 27, 2025 was provided to the Noticee. Vide email/letter dated January 24, 2025, Noticee furnished his reply to the SCN. On January 27, 2025, Authorized Representative of the Noticee attended the hearing through video-conferencing and reiterated the submissions made by Noticee vide letter dated January 24, 2025.

13. The key submissions made by the Noticee vide letter / e-mail dated January 24, 2025 are as under:

- (a) *"It is alleged that the Noticee had executed four non-genuine trades with HDVS Developers Limited, identified by the Trade IDs 46971, 48385, 47656, and 48626 as per the SCN. However, the Noticee wishes to categorically state that he had no knowledge of, nor any connection to, HDVS Developers Limited or the aforementioned trades. The Noticee denies any involvement in such activities and asserts that no direct or indirect relationship exists with this entity.*
- (b) *The Noticee further clarifies that all the trades in question were executed by the Broker, Sunstar Securities, and not by the Noticee. The Noticee was not involved in the direct execution of any trades, and the entire trading activity was managed and conducted by the Broker.*
- (c) *It is pertinent to mention that the broker, Sunstar Securities, approached the Noticee through a reference from our Chartered Accountant (CA). Since that introduction, the Noticee has been making monthly payments ranging from INR 15,000 to INR 20,000 to the broker or his agent. The Noticee was lured with the promise of high returns on this investment.*
- (d) *The amount of INR 8,00,000/- that was credited to the Noticee's bank account on June 29th, 2015, as facilitated by Sunstar Securities, was on account of the promise being made by the Broker. These payments were intended as part of an investment arrangement overseen by the CA, and the funds credited to the account was the only transaction / receipt from Sunstar Securities / Broker.*

- (e) *The Noticee acted in good faith, fully trusting the Broker as referred by our Chartered Accountant. The Noticee trusted the professional advice and services offered by the Broker, with no reason to suspect that the transactions were anything other than legitimate and proper investment done by a registered Broker- 'SunStars Securities'.*
- (f) *The Noticee has since come to the unfortunate realization that the Noticee and the CA were deceived by the Broker, Sunstars Securities. Despite numerous attempts have been made to reach out and contact the Broker for clarification or resolution, the Noticee was unable to locate, or communicate with, the Broker – Sunstar Securities. As a result, the Noticee feels defrauded and misled by the Broker's actions. Moreover, in light of the circumstances, the Noticee is fully willing to take legal action and file a First Information Report (FIR) against the Broker- Sunstar Securities, in accordance with the provisions of the law. The Noticee seeks to ensure that the matter is investigated thoroughly and that appropriate legal measures are taken to hold the Broker accountable and responsible for their actions.*

Para wise reply to SCN:

Para 1 of SCN-

- (g) *At the outset, the Noticee categorically denies and refutes the charge of engaging in non-genuine trades in illiquid stock options on the BSE, as well as any alleged violation of Regulations 3(a), 3(b), 3(c), 3(d), 4(1), and 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 ("PFUTP Regulations, 2003"). The Noticee maintains that these allegations are entirely unfounded and incorrect.*
- (h) *Subsequently, upon following up with your Offices, the Noticee was able to receive your hearing letter dated January 10th, 2025, affording him opportunity to present his case. In this regard, the Noticee wishes to emphasize his innocence and underscores that he has taken these proceedings very seriously, demonstrating his willingness to cooperate fully with the adjudication process.*
- (i) *Furthermore, the Noticee emphatically asserts that the responsibility for executed any trades lies with the Broker, who carried out the transactions without the Noticee's*

knowledge. At no point, the Noticee had direct involvement in either the decision-making process or the execution of these trades. Consequently, the Noticee submits that he cannot be held liable for actions undertaken by the Broker independently of his authorization or awareness. Indeed, the Noticee is a victim in this matter for reasons best known to the Broker- Sunstar Securities. The Noticee remains ready and willing to provide any further information or clarification that may be required during these proceedings.

Para 3 of SCN-

- (j) The Noticee refers to the reported large-scale reversal of trades in the stock options segment of the Bombay Stock Exchange for the period from April 1, 2014 to September 30, 2015. The Noticee states that he has no knowledge of these facts and therefore offers no specific comments. Even assuming such reversals occurred, the Noticee maintains that he was not involved in any manner.*
- (k) Furthermore, the Noticee denies any allegation of engaging in non-genuine trades or creating artificial volume. He clarifies that, in an online, faceless trading system, all trades are matched through a computerized algorithm, and the identity of the counterparty is never disclosed. Therefore, it would be impossible for the Noticee to knowingly participate in any reversed trades—defined as trades reversed with the same counterparty on the same day—since he remains unaware of the identities of other market participants.*
- (l) The Noticee once again emphasizes that all trading decisions in this matter were taken by the Broker, M/s Sunstar Securities, without the Noticee's knowledge or authorization for such illegal trades. If any improper trades occurred, the Noticee submits that appropriate action should be taken against the Broker in accordance with the law*

Para 5 of SCN-

- (m) If the above facts are true and correct, the Noticee is not anyway connected to it and the Noticee categorically denies any involvement in the alleged reversal trades and maintains that no such trades were entered into with his knowledge or authorization.*

Any transactions reflected in Annexure 3 or Annexure 4 of the SCN must have been executed exclusively by the Broker, M/s Sunstar Securities, without the Noticee's direct input or awareness. The Noticee reiterates that he had no control over, nor visibility into, the mechanics of these trades—particularly regarding any specific dates, counterparties, prices, or volumes. If the investigation has identified reversal trades, the Noticee submits that the sole responsibility lies with the broker who effected the trades and not with the Noticee, who neither initiated nor consented to any such actions.

Para 6 of SCN-

- (n) Having previously maintained that broker Sunstar Securities was solely responsible for any alleged trades, the Noticee once again reiterates and categorically denies any involvement in the purported non-genuine reversal trades or the creation of artificial volume in the stock options segment. The Noticee expressly denies having committed any violation of applicable regulations or having engaged in manipulative or deceptive practices. In particular, the Noticee refutes all allegations of contravening Regulations 3(a), 3(b), 3(c), 3(d), 4(1), and 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003, and denies any knowledge of—or involvement in—any such trades, if they were executed in a manner that could be deemed fraudulent, non-genuine, or otherwise improper*

Para 10 & 11 of SCN-

- (o) Due to a change in the Noticee's service address and an incorrect email address on record with SEBI, the Noticee regrettably did not receive the relevant notice concerning the SEBI Settlement Scheme, 2022 in a timely manner. Likewise, the Noticee did not receive SEBI's letter dated March 15, 2024, regarding the SEBI Settlement Scheme, 2024, and was thereby unable to avail of either scheme's benefits. Upon reviewing the SEBI website, the Noticee learned that these schemes were uploaded on the portal only after their respective validity periods had expired. Had the Noticee been properly apprised of the Settlement Scheme, 2024, he would*

have qualified for a settlement amount of INR 1,20,000/-, thus enabling a suitable exit of the Noticee from the proceedings.

- (p) Accordingly, the Noticee respectfully requests that SEBI consider introducing a similar settlement scheme or an alternative resolution plan, so that individuals, like the Noticee—who missed out on these benefits due to no fault of their own—may effectively address their outstanding matters and reach a fair resolution.*

Para 8 to 11 of SCN-

- (q) The Noticee respectfully requests permission to avail of the Settlement Scheme to suitably exit the proceedings.*

Para 12 of SCN-

- (r) The Noticee has given detailed and sufficient grounds demonstrating why no inquiry is warranted against him under Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, read with Section 15I of the SEBI Act, nor should any penalty be imposed under Section 15HA of the SEBI Act. The essence of his defense lies in the fact that the Noticee was neither involved in, nor responsible for, the execution of the transactions on the anonymous platform in question. Instead, the broker, M/s Sunstar Securities, should be hold sole responsible for carrying out these trades. The Noticee had no direct involvement in the decision-making process or execution of these transactions, nor was the Noticee aware of their nature at the time they were executed. Mens-rea was absent.*
- (s) The Noticee further clarify that he had no knowledge or awareness of any alleged reversal trades or non-genuine trades carried out by the Broker. His actions were in good faith, with the reasonable expectation that the Broker would adhere to all applicable regulations and ethical standards. Based on these facts, there is no justification for initiating any inquiry or imposing any penalty on the Noticee under the aforesaid provisions, as the Noticee was not responsible for any such trades and remained entirely unaware of any alleged misconduct by the Broker. There was absence of Mens-rea o the part of the Noticee.*

Additional Submission:

- (t) *Further, the Noticee wishes to draw attention to the SEBI Investigation Report issued in 2016 concerning certain entities trading in Illiquid Stock Options. According to that report, the Noticee had no association whatsoever with any of the Fifty-Nine (59) entities identified by SEBI, including HDVS Developers Limited, which were found to be involved in large-scale reversal trades and non-genuine trading activities. The Noticee confirms that he has no connection with any of these entities and has consistently complied with all relevant regulations and guidelines.*
- (u) *In support of submission, the Noticee rely on following rulings of the Hon'ble Securities Appellate Tribunal (SAT/ Tribunal).*
 - i) *Nirmal Bang Securities Pvt. Ltd. vs. SEBI (SAT Appeal)*
 - ii) *M/s. KSL & Industries Ltd. vs. SEBI (SAT Appeal No. 9 of 2003)*
 - iii) *M. J. Patel & Ors. vs. SEBI*
- (v) *Furthermore, in the event that no settlement scheme can be extended, the Noticee requests that he be granted the benefit of Section 15JB of the SEBI Act, 1992, for settlement of the proceedings.”*

CONSIDERATION OF ISSUES AND EVIDENCE

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

- I. **Whether the Noticee has violated Regulations 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations?**
- II. **Do the violations, if any, on the part of the Noticee attract monetary penalty under section 15HA of SEBI Act?**

- III. **If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?**

15. Before proceeding further, I would like to refer to the relevant provisions of the PFUTP Regulations:

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

16. Before I proceed to deal with the matter on merits, I would like to address certain preliminary request raised by the Noticee. Noticee has submitted that SEBI should consider introducing a settlement scheme or an alternative resolution plan, so that individuals, like the Noticee who missed out on these benefits due to no fault of their own may effectively address their outstanding matters and reach a fair resolution. In this regard, I note that sufficient opportunities of settlement through Settlement Scheme, 2022 and Settlement Scheme, 2024 have already been provided to the Noticee, however, the said settlement schemes have not been availed by the Noticee. Currently, since there is no settlement scheme is available in ISO matters, hence, I am constrained to proceed in the matter on merits of the case.

17. Noticee has submitted that he be granted the benefit of Section 15JB of the SEBI Act, 1992, for settlement of the proceedings. In this regard, I note that Section 15JB of the SEBI Act, 1992 provides for 'settlement of administrative and civil proceedings', for which Noticee is required to apply and proceed as per the provisions of the SEBI Act, 1992 and SEBI (Settlement Proceedings) Regulations, 2018. I note from the available records that no such application for settlement is filed by the Noticee or pending in the matter, therefore, I proceed in the matter on merits of the case.

18. I note that it is alleged that the Noticee, while dealing in the stock option contracts at BSE during the IP, had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock option contracts at BSE. Reversal trades are considered to be 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 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.

19. From the documents on record, I note that the Noticee was one of the entities who had indulged in creating artificial volume of 1,50,000 units through 4 non-genuine trades in a 2 stock option contracts during IP. The summary of trades is given below:

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
CIPL15AUG580.00PE	3	45000	12	45000	100%	29.03%
STAC15AUG1080.00PE	9	30000	22	30000	100%	44.78%

20. To illustrate, on June 24, 2015, the Noticee entered into 1 buy trade for 45,000 units at the rate of Rs. 3/- per unit at 14:40:38 hours with the counterparty HDVS Developers Limited, for the contract named CIPL15AUG580.00PE. On the same day, within a few seconds, at 14:40:43 hours, Noticee entered into 1 sell trade with same counterparty for 45,000 units at rate of Rs. 12/- per unit. It is noted that while dealing in the said contract during the IP, the Noticee executed a total of 2 trades (1 buy trade and 1 sell trade) with same counterparty viz, HDVS Developers Limited on the same day and with significant price difference in buy and sell rates.

Thus, Noticee, through its dealing in the contract viz, CIPL15AUG580.00PE during the IP, executed 2 non-genuine trades and thereby, the Noticee generated artificial volume of 90,000 units, which made up 29.03% of total market volume in the said contract during this period.

21. Similarly, Noticee also traded in 1 other contracts viz. STAC15AUG1080.00PE with same counterparty during the IP as mentioned in above table and generated an artificial volume of 60,000 units, which made up 44.78% of total market volume in the said contracts during this period, with similar modus operandi.

22. Noticee has contended that the impugned trades were executed by the Broker, Sunstar Securities, and not by him. Noticee stated that he had no knowledge or awareness of any alleged reversal trades or non-genuine trades carried out by the Broker. He was not involved in the direct execution of any trades, and the entire trading activity was managed and conducted by the Broker. Noticee also submitted that the sole responsibility of trades lies with the broker who effected the trades and not with the Noticee, who neither initiated nor consented to any such actions. In this regard, I note that the impugned trades took place in the trading account of the Noticee. Contract note containing the trade details is issued by the broker to the investor after the trades. In the instant matter, I note from the available records that Noticee has earlier not disputed / objected to the trades placed in his trading account. Further, he also not furnished anything on record to show that he has complained to his broker for the said trades. However, Noticee has admittedly submitted that he was approached by his broker through his Chartered Accountant (CA), which offered purportedly lucrative investment schemes involving illiquid stocks. Acting on the reference of his CA, he agreed to invest Rs. 15,000 to 20,000 per month over a period of time, entrusting his CA to manage these investments through the broker. Thus, he was lured with the promise of high returns on this investment. I also note that Noticee also acknowledged the credit of Rs. 8,00,000/-

in his bank account on June 29, 2015, on account of the promise being made by the Broker. This indicates that he was well aware of the said trades and also given his consent and funds for it, hence, he is responsible for the said trades. Noticee cannot plea ignorance at this juncture and thus the said contentions of the Noticee are not tenable.

23. Noticee further submitted that Noticee was neither involved in, nor responsible for, the execution of the transactions on the anonymous platform in question. Instead, his broker should be hold sole responsible for carrying out these trades. His actions were in good faith, with the reasonable expectation that the Broker would adhere to all applicable regulations and ethical standards. In this regard, it is pertinent to note that since the Noticee has traded in the securities as defined under Securities Contracts (Regulation) Act, 1956, he is obligated to comply with the securities law. The responsibility of ensuring the genuineness of trades rests with the Noticee. The Noticee is expected to act with due diligence and cannot shift responsibility for his own trading decisions onto the broker. Hence, the contention of the Noticee in this regard is not tenable.

24. The non-genuineness of these transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within few seconds, the Noticee reversed the position with the same counterparty with significant price difference on the same day. The fact that the transactions in a particular contract were reversed with the same counterparties indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid option contract, there was negligible trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contract, within a short span of time, is a clear indication that there was pre-determination in the prices by the counterparties while executing the trades. Thus, it is observed that Noticee had indulged in reversal

trades with its counterparty in the stock options segment of BSE and the same were non-genuine trades. Thus, submissions of Noticee are devoid of merits.

25. Noticee has contended that he has no direct or indirect relationship with HDVS Developers Limited. Noticee also submitted that in an online, faceless trading system, all trades are matched through a computerized algorithm, and the identity of the counterparty is never disclosed. Therefore, it would be impossible for him to knowingly participate in any reversed trades with the same counterparty on the same day since he remains unaware of the identities of other market participants. Noticee has relied on rulings of the Hon'ble Securities Appellate Tribunal (SAT) in the matters of Nirmal Bang Securities Pvt. Ltd. vs. SEBI, M/s. KSL & Industries Ltd. vs. SEBI (SAT Appeal No. 9 of 2003) and M. J. Patel & Ors. vs. SEBI.

26. It is also noted that it is not mere coincidence that the Noticee could match his trades with the same counterparty with whom he had undertaken first leg of the respective trades. The fact that the transactions in a particular contract were reversed with the same counterparty for the same quantity of units, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. It is further noted that direct evidence is not forthcoming in the present matter as regards 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.

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

“...According to us, knowledge of who the 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."

28. The observations made in the aforesaid judgment 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 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 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.

29. It is also relevant to refer to judgement of the Hon'ble Securities Appellate Tribunal in the matter of **Ketan Parekh vs SEBI** (in Appeal No. 2 of 2004; date of decision July 14, 2006):

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

30. In this regard, reliance is placed on judgment of Hon'ble Supreme Court in the matter in respect of **SEBI v Rakhi Trading Private Limited**, Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011, decided on February 8, 2018 on similar factual situations, which *interalia* states 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.....”

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

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

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 and in terms of the judgement of Hon'ble Supreme Court of India 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 15 HA of SEBI Act which reads as under:

Penalty for Fraudulent and Unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

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

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

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.

[Explanation. —For the removal of doubts, it is clarified that the power 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.]

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 4 non-genuine trades entered by the Noticee in 2 illiquid option contracts led to creation of artificial trading volumes which had the effect of distorting the market mechanism in the stock options segment of BSE, I find that the aforesaid violations were detrimental to the integrity of securities market and therefore, the quantum of penalty must be commensurate with the serious nature of the aforesaid violations.

ORDER

35. In view of the above, after considering all the facts and circumstances of the case and the factors mentioned in the provisions of Section 15J of the SEBI Act, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, conclude that the proceedings against the Noticee stands established in terms of the provisions of the SEBI Act. Hence, in view of the charges established under the provisions of the SEBI Act, I, hereby impose monetary penalty of **₹ 5,00,000/- (Rupees Five Lakh only)** on the Noticee (Vidhu Shekhar Singh) 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.

36. 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;

37. 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.

38. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to SEBI.

Place: Mumbai

Date: March 28, 2025

ASHA SHETTY

ADJUDICATING OFFICER