

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/AS/VC/2024-25/31347]**

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:
Meeta Singh
(PAN: ANXPS4790H)**

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 2,91,643 trades comprising substantial 81.38% 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 Meeta Singh (PAN – ANXPS4790H) (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. Maninder Cheema as Adjudicating Officer 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. Pursuant to transfer of cases, the undersigned was appointed as Adjudicating Officer in the matter vide order dated September 06, 2024.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Based on the findings by SEBI, Show Cause Notice dated November 15, 2021 (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 had executed 4 non genuine trades in 2 Stock Options Contracts creating artificial volume of 1,04,000 units on June 24, 2015. Summary of dealings of the Noticee in the said Options contracts, in which the Noticee allegedly executed non-genuine trades during the I.P, is as follows:

Contract name	Avg. buy rate (₹)	Total buy volume (no. of units)	Avg. sell rate (₹)	Total sell volume (no. of units)	Total Volume in the Contract	% 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	G	H	I
ABNV15AUG1650.00PE	18	20000	39	20,000	80,000	100	50
INFY15AUG940.00PE	10.25	32,000	22	32,000	2,02,000	100	31.68

6. The abovementioned contracts which resulted in 4 reversal trades creating artificial volumes is illustrated through the dealings of the Noticee in one contract viz. "ABNV15AUG1650.00PE", is as follows:

- (a) During the investigation period, in the said contract viz. "ABNV15AUG1650.00PE", the Noticee on June 24, 2015 has executed 2 trades for a total volume of 40000 units with counterparty, viz. HDVS Developers Limited.
- (b) While dealing in the said contract on June 24, 2015, the Noticee at 14:39:15.51 hrs executed one sell trade for 20000 units at the rate of Rs.39 per unit with counterparty viz. HDVS Developers Limited. In 7 minutes after

the aforementioned sell trade, the Noticee reversed the trade by executing one buy trade at 14:39:22.53 hrs for 20000 units at the rate of Rs.18 per unit with the same counterparty.

- (c) From the above, it is noted that while dealing in aforesaid contract during the investigation period, the Noticee executed a total of 2 trades (1 buy trade and 1 sell trade). This made up to 50% of the total market volume for this contract during the investigation period, thereby allegedly generating artificial volume of 104000 units.

7. The aforesaid SCN was issued to the Noticee through Speed Post Acknowledgement Due (hereinafter referred to as “**SPAD**”). However, the SCN could not be delivered to the Noticee at her address and it returned underlived to SEBI.
8. Vide Post SCN Intimation (PSI) dated August 02, 2022, Noticee was informed 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 PSI dated August 02, 2022 was issued through SPAD, however the PSI could not be delivered to the Noticee at her address and it returned underlived to SEBI.
9. 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”.

10. It was observed that Noticee did not avail the Settlement Scheme 2022, in view of which, the adjudication proceeding against the Noticee was resumed.
11. In the interest of natural justice, vide notices of hearing dated March 03, 2023 and April 21, 2023, Noticee was granted opportunities of being heard on March 16, 2023 and May 03, 2023 respectively. However, the notices of hearing could not be served to the Noticee at her address and it returned underlived to SEBI.
12. Subsequently, a second PSI dated March 22, 2024, was served on 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. However, the second PSI dated March 22, 2024 also could not be served to the Noticee at her last known address and it returned underlived to SEBI.
13. Further, vide Public Notice dated May 08, 2024, the Settlement Scheme 2024 was extended till June 10, 2024 by SEBI.
14. It is observed that Noticee did not avail the settlement scheme and accordingly, the adjudication proceeding against the Noticee was resumed.
15. Since SCN and both PSIs could not be served 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 SCN and Hearing Notice was published in the Hindustan Times (English) and Dainik Jagran (Hindi) in the Lucknow editions on November 28, 2024. It was also published in the said newspaper publications that the SCN has been published / uploaded on www.sebi.gov.in under the section “Enforcement: Unserved Summons/ Notices” and Noticee was advised to submit her reply to the SCN within 14 days from the date of the said publication. However, Noticee did not furnish any response / reply to the SCN. Vide the said newspaper publication, an opportunity of personal hearing was also granted to the Noticee on December 03, 2024 in person at ‘SEBI Bhavan II, C-7, G Block, BKC, Bandra (E) Mumbai 400051 or if Noticees so desire, through online platform.

16. Vide email dated January 22, 2025, Authorized Representative (“AR”) of the Noticee requested for providing a copy of the SCN and other relevant documents, which was provided to her vide email dated January 23, 2025. In the interest of natural justice, vide notice of hearing dated January 23, 2025, an opportunity of being heard on February 10, 2025 was granted to the Noticee. Vide e-mail dated February 06, 2025, Noticee forwarded her reply dated February 04, 2025. On February 10, 2025, AR of the Noticee appeared for the hearing and reiterated the submissions made by the Noticee vide letter dated February 04, 2025.

17. The key submissions made by the Noticee vide letter dated February 04, 2025 are as under:

- (a) *“It is alleged that the Noticee was engaged in 4 non-genuine/ reversal trades through 2 contracts namely, ABNV15AUGL650.00PE & INFY15AUG940.00PE with 1 counterparty i.e. HDVS Developers Limited which led to a generation of artificial volume of 104000 units. The 2 contracts each entered into by the Noticee were reversed on the same day with the same counterparty at a different price without any basis for significant change in the contract price which indicated that these trades are*

artificial and non-genuine in nature. However, the Noticee wishes to categorically state that she 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 her agent. The Noticee was lured with the promise of high returns on this investment.*
- (d) The amount of INR 8,00,000/- and INR 20,697.16/- that was credited to the Noticee's bank account on June 29, 2015 and August 11, 2015 respectively, 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) Moreover, in light of the circumstances, the Noticee is fully willing to take legal action and tile 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) *The Noticee is a law-abiding individual, who was approached—through her Chartered Accountant (CA)—by the broker M/s Sunstar Securities, which offered purportedly lucrative investment schemes involving illiquid stocks. Acting on the reference of her CA, the Noticee agreed to invest INR 15,000 to INR 20,000 per month over a period of time, entrusting her CA to manage these investments through the broker.*
- (i) *It came as a utter surprise to the Noticee, when, in January 2025, she learned of an adjudication proceeding initiated by SEBI against her, alleging non-genuine trades in illiquid stock options on the BSE and purported violations of the PFUTP Regulations, 2003. Upon discovering this, the Noticee immediately sought assistance from a Practicing Company Secretary (CS) to ascertain the details of the matter and approached your offices—through the CS—to obtain comprehensive information regarding the allegations.*
- (j) *Subsequently, upon following up with your Offices, the Noticee was able to receive your hearing letter dated January 23rd, 2025, affording her opportunity to present her case. In this regard, the Noticee wishes to emphasize her innocence and underscores that she has taken these proceedings very seriously, demonstrating her willingness to cooperate fully with the adjudication process.*
- (k) *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 she cannot be held liable for actions undertaken by the Broker independently of her 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 5 of SCN-

- (l) 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 she has no knowledge of these facts and therefore offers no specific comments. Even assuming such reversals occurred, the Noticee maintains that she was not involved in any manner.*
- (m) Furthermore, the Noticee denies any allegation of engaging in non-genuine trades or creating artificial volume. She 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 she remains unaware of the identities of other market participants.*
- (n) 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.*
- (o) 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 her 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 she 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, 7 and 8 of SCN-

- (p) 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 and 11 of SCN-

- (q) The Noticee has given detailed and sufficient grounds demonstrating why no inquiry is warranted against her 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 her 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.*
- (r) The Noticee further clarify that she had no knowledge or awareness of any alleged reversal trades or non-genuine trades carried out by the Broker. Her 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 on the part of the Noticee.

Additional Submission:

- (s) 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 she has no connection with any of these entities and has consistently complied with all relevant regulations and guidelines.*
- (t) 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*
- (u) Further, due to a change in the Noticee's service address and absence of email address in SEBI records, the Noticee regrettably did not receive any information the relevant notice concerning the SEBI Settlement Scheme, 2022 in a timely manner. Likewise, the Noticee did not receive SEBI's 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, she would have qualified for a settlement amount of INR 1,20,000/-, thus enabling a suitable exit from the proceedings.*
- (v) Furthermore, in the event that no settlement scheme can be extended, the Noticee requests that she be granted the benefit of Section 15JB of the SEBI Act, 1992, for settlement of the proceedings."*

CONSIDERATION OF ISSUES AND EVIDENCE

18. 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?**

19. 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?

20. 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.

21. Noticee has submitted that she 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.

22. 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.

23. From the documents on record, I note that the Noticee was one of the entities who had indulged in creating artificial volume of 1,04,000 units through 4 non genuine trades in 2 Stock Options 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	G	H
ABNV15AUG1650.00PE	18	20000	39	20,000	100%	50%
INFY15AUG940.00PE	10.25	32,000	22	32,000	100%	31.68%

24. To illustrate, on June 24, 2015, the Noticee entered into a sell trade with counterparty HDVS Developers Limited for 20,000 units of the contract named "ABNV15AUG1650.00PE" at the rate of Rs.39 per unit at 14:39:16 hrs. On the same day, Noticee, at 14:39:23 hrs, entered into a buy trade for 20,000 units of same contract at the rate of Rs.18 per unit with the same counterparty. It is noted that while dealing in the said contract during the IP, the Noticee executed a total of 2 trades in 1 contract (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 said contract during the IP, executed 2 non-genuine reversal trades and thereby, the Noticee generated artificial volume of 40,000 units. This made up to 50% of the total market volume for this contract during the investigation period.
25. Similarly, Noticee also traded in one other contract viz. INFY15AUG940.00PE with same counterparty during the IP as mentioned in above table and generated an artificial volume of 64,000 units, which made up 31.68% of total market volume in the said contract during this period, with similar modus operandi. Thereby, Noticee generated a total artificial volume of 1,04,000 units in 2 contracts.
26. Noticee has contended that the impugned trades were executed by the Broker, Sunstar Securities, and not by her. Noticee stated that she had no knowledge or awareness of any alleged reversal trades or non-genuine trades carried out by the Broker. She 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. After any trade takes place in trading account of any investor, contract note containing the trade details is issued by the broker to the investor. In the instant matter, I note from the available records that Noticee has earlier not

disputed / objected to the trades placed in her trading account. Further, she also not furnished anything on record to show that she has complained to her broker for the said trades. However, Noticee has admittedly submitted that she was approached by her broker through her Chartered Accountant (CA), which offered purportedly lucrative investment schemes involving illiquid stocks. Acting on the reference of her CA, she agreed to invest Rs. 15,000 to 20,000 per month over a period of time, entrusting her CA to manage these investments through the broker. Thus, she 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/- and Rs. 20,697.16/- in her bank account on June 29, 2015 and August 11, 2015, on account of the promise being made by the Broker. This indicates that she was well aware of the said trades and also given her consent and funds for it, hence, she is responsible for the said trades. Noticee cannot plea ignorance at this juncture and thus contention of the Noticee are untenable.

27. Noticee further submitted that she was neither involved in, nor responsible for, the execution of the transactions on the anonymous platform in question. Instead, her broker should be hold sole responsible for carrying out these trades. Her 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, she 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 her own trading decisions onto the broker. Hence, the contention of the Noticee in this regard is not tenable.

28. 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.

29. Noticee has contended that she 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 her to knowingly participate in any reversed trades with the same counterparty on the same day since she 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.

30. It is also noted that it is not mere coincidence that the Noticee could match her trades with the same counterparty with whom she had undertaken first leg of the respective trades. The fact that the transactions in a particular contract were reversed with the same counterparty for the same quantity of units, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. 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.

31. 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.”

32. 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.

33. 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.”

34. 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.....”

35. 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?

36. 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 be 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?

37. 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.]

38. 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

39. 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 (Meeta 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.

40. 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;

41. 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.

42. 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