

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. Order/AK/GN/2025-26/31494**

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

SPECTRUM TECHNOPROJECTS PVT. LTD.(PAN: AAOC57016F)

In the matter of dealings in Illiquid Stock Options at BSE

BACKGROUND OF THE CASE

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

and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “PFUTP Regulations”).

3. Subsequently, an Adjudication order No. Order/AK/AJ/2023-24/29538 dated October 05, 2023 was passed in the matter against the Noticee imposing penalty of Rs 5,00,000/- (Rupees Five Lakh only) on the Noticee u/s 15HA of SEBI Act for the violation of Regulations 3 (a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations.
4. Noticee appealed before the Hon'ble Securities and Appellate Tribunal (hereinafter referred to as **SAT**), on the ground that the appellant was not served with the Show Cause Notice and the appellant was not provided an opportunity to defend itself.
5. Hon'ble Securities Appellate Tribunal (SAT), vide Order dated March 13, 2025, in, Appeal no. 135 of 2024 and misc. application No. 611 of 2024 remitted the matter to SEBI to decide the matter afresh, stating, *“The appeal is allowed. The matter is remitted to the respondent to decide the matter afresh after serving a SCN on the Appellant. In this regard, the Appellant shall appear before the Respondent on March 26, 2025 on which date, the Respondent shall serve a copy of the SCN and thereafter proceed in accordance with law”*

APPOINTMENT OF ADJUDICATING OFFICER

6. In compliance with the abovementioned directions of Hon'ble SAT, vide communique dated March 20, 2025, undersigned was appointed as Adjudicating Officer (AO) by SEBI u/s 19 of the SEBI Act r/w Section 15-I(1) of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “Adjudication Rules”) to enquire into and adjudge under the provisions of Section 15HA of SEBI Act, the alleged violations of Regulations 3(a),(b),(c),(d),4(1)and 4(2)(a) of PFUTP Regulations by Noticee.

PERSONAL HEARING & REPLY:

7. The Show Cause Notice dated August 12, 2022 along with annexures and communique dated March 20, 2025 was sent to the Noticee and the same was acknowledged by Noticee.

8. In the interest of Natural Justice, vide hearing notice dated April 09, 2025, Noticee was provided an opportunity of hearing on April 17, 2025 and Noticee was advised to submit its reply, if any, on or before April 15, 2025. The aforesaid Hearing Notice was sent to the Noticee via SPAD and digitally signed email dated April 09, 2025 and was duly delivered. Vide email dated April 13, 2025 Noticee submitted its reply to the SCN, reply of the Noticee is summarized below-

8.1. Noticee submitted that he has never knowingly or voluntarily traded in any such illiquid stocks, nor ever been involved in any manipulative or suspicious trading activity.

8.2. Upon receiving notice, Noticee conducted a detailed review of its trading activity and was surprised to learn that the mentioned transactions were carried out through F6 Finserve Pvt. Ltd. (F6 broker). With regard to the aforesaid Noticee submitted that:

8.2.1. It has never placed any trades in the mentioned illiquid stocks through F6 or otherwise.

8.2.2. It was completely unaware of such trades, and they were never discussed, disclosed, or confirmed with it at any point.

8.2.3. As is widely known, F6 broker has a history of unauthorized trading activities, and several complaints have been lodged against them by affected investors.

8.2.4. In fact, SEBI has also issued notices and taken action against F6 broker for such unauthorized trades and client account misuse.

8.3. Given the circumstances and facts presented, Noticee requested SEBI to quash the notice issued against it, as he has never engaged in the alleged activity and have been unknowingly affected by the broker's actions without my knowledge or consent.

9. Authorized Representative (AR) of the Noticee personally appeared for the hearing conducted on April 17, 2025. The AR reiterated the submissions already made vide reply dated April 13, 2025.

ISSUES FOR CONSIDERATION, EVIDENCE AND FINDINGS

10. I have carefully perused the allegations levelled against the Noticee, its reply and the documents / material available on record. The issues that arise for consideration in the present case are:

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

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

Issue III: If so, what should 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?

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

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 recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

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

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

12. I note that allegation against the Noticee is that, while dealing in the stock option contracts at BSE during the IP, it 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.

13. I note from the trade log of the Noticee that it had traded in nineteen contract in the stock options segment of BSE during the IP. I note that the Noticee had allegedly executed 56 non-genuine trades in 19 contract. I further note that the above mentioned trades of the Noticee had resulted in the creation of artificial volume of 2,05,500 units in the said contracts. Summary of alleged non-genuine trades of the Noticee is as follows:

S. No .	Contract Name	Avg. Buy Rate (Rs)	Total Buy Volume (No. of units)	Avg. Sell Rate (Rs)	Total Sell Volume (No. of units)	% of Non Genuine trades of Noticee in contract to Noticee's Total trades in Contract	% of Non Genuine trades of Noticee in contract to Total trades in Contract	% of Artificial Volume generated by Noticee in contract to Noticee's Total Volume in Contract	% of Artificial Volume generated by Noticee in contract to Total Volume in the Contract
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1	ALBK15AU G90.00CE	1.03	6000	4.2	6000	100	27.27	100	2.75
2	APLT15AU G185.00CE	10.17	6000	0.9	6000	100	100	100	100
3	ARVI15AU G300.00PE	11.04	5000	23.87	5000	71.43	26.32	71.43	10
4	AUPL15AU G800.00CE	1	500	5	500	50	22.22	50	16.67
5	BOIL15AUG 160.00CE	9.36	4000	2.65	4000	100	50	100	5.56
6	BPCL15AU G960.00CE	2.25	1500	21.05	1500	100	100	100	100
7	CANB15AU G300.00PE	0.55	5000	6.75	5000	100	100	100	100
8	CESC15AU G600.00CE	4.13	1000	14	1000	100	100	100	100
9	DISH15AUG 120.00CE	0.45	12000	4.58	12000	100	62.5	100	42.86
10	HPCL15AU G1000.00CE	4.18	1500	18.52	1500	100	100	100	100
11	IDBI15AUG 60.00CE	4.2	12000	8.85	12000	100	22.22	100	3.08
12	IDFC15AUG 145.00CE	4.05	6000	0.9	6000	100	50	100	23.08
13	IOBL15AUG 36.00CE	0.95	24000	2.2	24000	100	10	100	7.69
14	LICH15AUG 500.00CEW2	14.7	1000	33.75	1000	100	50	100	50
15	PFCL15AUG 240.00CE	4.95	5000	12.25	5000	100	16.67	100	3.88
16	SYND15AU G100.00PE	0.6	4000	2.85	4000	100	100	100	100
17	UCOB15AU G60.00PE	3.25	4000	7.1	4000	100	50	100	5
18	VOLT15AU G310.00CE	6.5	3000	15.65	3000	100	100	100	100
19	YESB15AU G820.00CE	2.8	1250	18.95	1250	100	60	100	4

14. I note that the Noticee had allegedly executed non-genuine trades in said contract, wherein the percentage of alleged non-genuine trades of the Noticee in stock options contracts to total trades in the contract was 50% to 100% in the aforesaid contracts. Further, alleged artificial volume generated by Noticee in the contracts amounted to 50% to 100% of total volume generated by it in the contracts. I also note that alleged artificial volume generated by the Noticee contributed 2.75% to 100% of the total volume from the market in the said contracts.

15. To illustrate, the details of squaring up done by the Noticee in the contract AUPL15AUG800.00CE are as under:

Trade Date	Client Name	CP Client Name	Trade Time	Trade Rate (Rs.)	Traded Quantity	Buy/Sell by the Noticee
13/08/2015	Spectrum Technoprojects Private Limited	Kumer Singh	12:11:29.938521	1	500	Buy
13/08/2015	Kumer Singh	Spectrum Technoprojects Private Limited	12:15:38.511725	5	500	Sell

16. As can be seen from the table above, the trades executed by the Noticee in the contract were squared in a short interval, with the same counterparty. Noticee while trading in the contract of AUPL15AUG800.00CE on August 13, 2015, executed one buy trade of 500 units at the rate of INR 1 per unit at 12:11:29.938521 hrs from the counterparty, viz. Kumer Singh. Thereafter, on the same day at 12:15:38.511725 the Noticee sold 500 units at the rate of INR 5 per unit to the same counterparty.

17. These trades were entered into with the same counterparty in the same contract. I note that while dealing in the said contract during the IP, the Noticee executed reversal trades with same counterparty viz. Kumer Singh on the same day, with significant price difference. Thus, the Noticee, through its dealing in the contract viz. AUPL15AUG800.00CE during the I.P., executed non genuine trades which was 50% of the total trades from the market in the said contract during the I.P., and thereby, Noticee generated artificial volume of 1000 units which was 16.67% of the

volume traded in the said contract from the market during the I.P. In the same way, squaring up was done by the Noticee with the same counterparty in the 18 other contracts as mentioned in paragraph 13 above.

18. I note that in its reply Noticee submitted that it has never knowingly or voluntarily traded in any such illiquid stock options, nor has it ever been involved in any manipulative or suspicious trading activity. However, I note from the trade log that the Noticee had executed 56 non-genuine trades in 19 contracts. I further note that the above mentioned trades of the Noticee had resulted in the creation of artificial volume of 2,05,500 units in the said contracts. Further, no documentary evidence has been submitted by the Noticee in support of its contention, therefore, the contentions of the Noticee are devoid of merit and hence, not tenable.

19. 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 a short span of time, the Noticee reversed the position with its counterparty. The fact that the transactions in a particular contract were reversed with the same counterparty indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid option contracts, there was no trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contract, within a short span of time, is a clear indication that there was pre-determination in the prices by the counterparties while executing the trades. The fact that the buy and sell orders were placed by the Noticee and counterparty within a short span of time, strongly indicates meeting of minds. Thus, it is observed that Noticee had indulged in reversal trades with her counterparty in the stock options segment of BSE and the same were non-genuine trades.

20. 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. This is the

outcome of meeting of minds elsewhere and it was a deliberate attempt to deal in such a manner. I further note in matters dealing with violation of PFUTP Regulations, 2003, the reason as regards execution of non-genuine trades might not be immediately forthcoming. However, the correct test instead, is one of preponderance of probabilities. Here the judgment of Hon'ble Supreme Court in SEBI v Kishore R Ajmera (AIR 2016 SC 1079) decided on February 23, 2016 is relied upon, wherein it was held that- *"...According to us, knowledge of who the 2nd party / client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naïve to rest the final conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming...in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive..."*

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

22. The observations made in the aforesaid judgments of Hon'ble Supreme Court apply with full force to the facts and circumstances of the present case. Therefore, applying the ratio of the above judgments, it is concluded that the execution of trades by the Noticee in the illiquid options segment with such precision in terms of order placement, time, price, quantity etc. and also the fact that the transactions were reversed with the same counterparty clearly indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. The only reason for the wide variation in prices of the same contract, within short span of time was a clear indication that there was pre-determination in the prices by both the counterparty when executing the trades. Thus, the nature of trading, as brought out above, clearly indicates an element of prior meeting of minds and therefore, a collusion of the Noticee with its counterparty to carry out the trades at pre-determined prices
23. The following is noted from the judgement of the Hon'ble SAT in the matter of Ketan Parekh vs SEBI (supra): *In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4 (a) of the Regulations.*
24. Reliance is also placed on the judgment of Hon'ble Supreme Court in the matter of SEBI v Rakhi Trading Private Limited (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018), in which the Hon'ble SC held that - *"Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss*

and/or profit. Such synchronized trading is violative of transparent norms of trading in securities.....”

25. Further, the Hon'ble SAT in its judgement dated September 14, 2020 in the matter of Global Earth Properties and Developers Pvt Ltd relied upon the Hon'ble Supreme Court judgement in the matter of SEBI v Rakhi Trading Private Limited (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018), and held that, *“It is not a mere coincidence that the Appellants could match the trades with the counter party with whom he had undertaken the first leg of respective trade. In our opinion, the trades were non-genuine trades and even though direct evidence is not available in the instant case but in the peculiar facts and circumstances of the present case there is an irresistible inference that can be drawn that there was meeting of minds between the Appellants and the counter parties, and collusion with a view to trade at a predetermined price.”*

26. Therefore, the trading behavior of the Noticee confirms that such trades were not normal indicating that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in respective contracts. In view of the above, allegation of violation of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations by the Noticee stands established.

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

27. 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. Shri Ram Mutual Fund[2006] 68 SCL 216(SC) decided on May 23, 2006 held that *“In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation*

becomes wholly irrelevant...” it is concluded that it is a fit case for imposition of monetary penalty under the provisions of Section 15 HA of SEBI Act which reads as under:

Penalty for fraudulent and unfair trade practices.

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

Issue III: If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in Section 15J of the SEBI Act, 1992?

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

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

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.*

29. 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 56 non-genuine trades entered by the Noticee in 19 contracts led to creation of artificial trading volumes which had the effect of distorting the market mechanism in the Illiquid Stock Options segment of BSE, I find that the aforesaid violations were detrimental to the integrity of securities market and therefore, the quantum of penalty must be commensurate with the serious nature of the aforesaid violations.

ORDER

30. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in section 15J of the SEBI Act and in exercise of power conferred upon u/s 15-I of the SEBI Act r/w rule 5 of the Adjudication Rules, 1995, I impose a penalty of Rs. 5,00,000 (Rupees Five Lakhs Only) u/s 15HA of the SEBI Act, 1992 on Spectrum Technoprojects Pvt. Ltd. For violation of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations. I am of the view that the said penalty is commensurate with the violations by the Noticee.

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

ENFORCEMENT >Orders >Orders of AO> PAYNOW

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

33. In terms of the provisions of rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee viz. Spectrum Technoprojects Pvt Ltd and also to SEBI.

Date: June 26, 2025

Place: Mumbai

AMIT KAPOOR
ADJUDICATING OFFICER