

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER No.- Order/AS/VC/2025-26/31359]**

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:
Abhijeet Bora
(PAN No.- AHHPB2120N)**

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 Abhijeet Bora (PAN No.- AHHPB2120N) (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 Mr. Venkateswaran Ramakrishnan as Adjudicating Officer (AO) in the matter, vide order dated September 20, 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 **"SEBI 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 March 16, 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 engaged in two non-genuine trades in one contract, viz, AXIS15APR580.00CE, which led to generation of alleged artificial volume of 2,42,000 units on March 23, 2015. Summary of dealings of the Noticee in the said options contract, in which the Noticee allegedly executed non-genuine trades during the I.P, is as follows:

Table No. 1

Name of the Contract	AXIS15APR580.00CE
Avg. Buy Rate (₹)	0.5
Total Buy Volume (No. of units)	1,21,000
Avg. Sell Rate (₹)	17
Total Sell Volume (No. of units)	1,21,000
% of non-genuine trades of Noticee in the contract to Noticee's total trades in the contract	100%
% of Non- Genuine Trades of Noticee in the Contract to Total Trades in the Contract	13.33%
% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract	100%
% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract	33.80%

- (a) During the investigation period, two trades were executed by the Noticee for 2,42,000 units in the contract on March 23, 2015, of which buy and sell trades were for 1,21,000 units each.
- (b) While dealing in the said contract on March 23, 2015, at 10:19:55.15 hrs, the Noticee entered into a buy trade with counterparty 'E Ally Commodities India Pvt. Ltd.' for 1,21,000 units at 0.5 per unit, which was reversed by a sell trade at 10:20:03.95 hrs with the same counterparty for 1,21,000 units at 17 per unit.

(c) The Noticee's two trades while dealing in the contract with the same counterparty were reversal trades involving squaring off transactions, but with significant difference in the buy value and sell value of the transactions and allegedly generated artificial volume of 2,42,000 units, which made up 33.80% of total market volume in the said contract during investigation period.

6. The aforesaid SCN was issued to the Noticee through Speed Post Acknowledgement Due (hereinafter referred to as “**SPAD**”) and email and it was acknowledged by Noticee. Vide email dated March 25, 2022, Noticee furnished a letter dated March 24, 2022, requesting the copies of documents and information gathered during the investigation and material/ documents relied upon for issuing the SCN. In this regard, vide letter dated April 11, 2022, Noticee was informed that all the relevant a material/ information relied upon for issuing the SCN has already been provided to him and a copy of the investigation report was provided to him.

7. Further, vide email / letter dated June 15, 2022, Noticee made the submissions to the SCN. The key submissions made by the Noticee are, *inter-alia*, as under:

(a) *“Noticee denies that he has violated any of the provisions of SEBI Act, Regulation 3 and 4 of the PFUTP Regulations and there is no basis/ material for the same. Noticee has not indulged in any fraudulent and unfair trade practices relating to the securities so as to warrant any kind of directions under provisions of SEBI Act, 1992.*

Violation of principles of natural justice:

(a) *Noticee submitted that the complete materials/documents in support of the allegations have not been made available to the Noticee. Due to the unavailability of all such document s/material based on which the allegations have been levelled against the Noticee, it renders the Noticee ill-equipped to effectively defend the charges levelled against upon in the Notice.*

(b) *However, upon the perusal of the allegations levied against him in the Notice, the Noticee through her authorized representative's letter dated March 24, 2022, had*

requested certain documents/materials/statements which were referred to and relied upon by SEBI in issuance of the Notice.

- (c) Pursuant to the same, the Respondent vi.de letter dated April 11, 2022 provided the Noticee with the Investigation Report. However, it is pertinent to note that the Investigation Report does not provide any specific details about the trades carried out by the Noticee as claimed by the Respondent in the Show Cause Notice. The name of the Noticee is not even listed in table no. 1 at page 4 of the Investigation Report. Furthermore, the Respondent has failed to furnish the Noticee with a comprehensive Investigation Report and has also failed to give any material information necessary for the Noticee to defend himself against the charges levelled against him. As a result, the Investigation Report is of no assistance to the Noticee.*
- (d) Therefore, the Noticee hereby, in the interest of principles of natural justice, once again makes a request to provide him with the copies of the following documents to enable him to file a detailed and appropriate reply to the captioned SCN:*
- i) Complete copy of Investigation Report.*
 - ii) Copy of the complete order log and trade log for the trades executed by the Noticee in all the scripts/options during financial year 2014-15 in both NSE and BSE.*
 - iii) Complete details of the options in which the Noticee had traded during the financial year 2014-2015 in both BSE and NSE.*
 - iv) Price movement with time stamps in all the scripts in which trades have been executed by the Noticee during the financial year 2014-2015 in both NSE and BSE*
 - v) The Noticee's connection with counter parties' broker/counter party client in the alleged transactions executed by us.*
 - vi) Records/recording of order placement by the Noticee with the concerned broker.*
 - vii) Order book maintained by the Broker for the Noticee.*
 - viii) Any other documents/ material relied upon while issuing the SCN for the alleged violation in the captioned matter.*
 - ix) File notings by which the action was approved in the instant matter.*

- x) *Volatility index in the underlying scripts of the options in which trades have been executed by the Noticee during the financial year 2014-2015 in both NSE and BSE.*
- (e) *In this regard, Noticee relied upon the observations in the matters of Ms. Smitaben N. Shah v. SEBI, Appeal No. 37 of 2010, Kanwar Natwar Singh vs Directorate of Enforcement & Anr., (MANU/SC/0795/2010), Shingar Limited vs. Adjudicating Officer, SEBI (Appeal No. 122 of 2008 decided on July, 14, 2009) etc.*
- (f) *Since, the Investigation Report provided by the Respondent is incomplete and does not disclose any precise details of the Noticee's trading activities, it is not possible for the Noticee to present a complete and appropriate reply. The Noticee once again requests your goodself to concede to his request and provide him with the necessary and complete documents as sought by the Noticee. In light of the fact that the Noticee has received an incomplete copy of the Investigation Report vide the letter dated April 11, 2022, the Noticee is therefore limiting its submissions strictly on the basis of the documents available on record.*

Delay in proceedings:

- (a) *The Noticee submits that there is a long unexplained delay in initiation of proceedings against it. The Noticee would also like to draw your attention to the facts that the inspection period in the instant case is 2014-2015, more than 6 years back from the date of issuance of SCN i.e., March 16, 2022. An important facet of principles of natural justice is that the action must be commenced within a reasonable period of time and inordinate delay of many years in initiation of proceedings is a violation of principles of natural justice as it leads to difficulties for the alleged delinquent in properly defending the case.*
- (b) *In this regard, Noticee relied upon the observations of the Hon'ble Securities Appellate Tribunal (SAT) in the matters of Libord Finance Ltd. v. SEBI, 2008 86 SCL 72 SAT, HB Stockholdings Limited v. SEBI [Appeal No. 114 of 2012], Ashlesh Gunvantbhai Shah v. SEBI on January 31, 2020 (Appeal no. 169 of 2019) and Mr. Rakesh Kathotia & Ors. v. SEBI (Appeal No. 7 of 2016).*

Lack of evidence in support of the contents of the SCN:

- (a) *It is submitted that since no documents in support of the aforesaid contention in the Notice has been provided by your goodself the Noticee is constrained from making his submission in regard to the same.*
- (b) *A statement is made in the paragraph no. 5 of the SCN that "The trades in which an entity reverses its buy or sell positions with the same counterparty during the same day have been considered as reversal trades." However, the SCN does not justify the basis of this alleged definition of reversal trades and which authority has been relied on in this context. No documents in this regard have been provided.*
- (c) *It has been alleged in the SCN that "The Noticee was one of the entities, which indulged in such non-genuine trades, which allegedly created false or misleading appearance of trading, generating artificial volumes in the stock options in the equity derivatives segment of the BSE during the investigation period." However, it has not been stated as to who has alleged these trades to be non-genuine and on what basis. The Investigation Report provided by the Respondent does not specify the same. It is important to point out here that the Ld. Adjudicating Officer is carrying out a quasi-judicial function, wherein the Ld. Adjudicating Officer issues a SCN on the basis of allegations levied upon a Noticee by SEBI and thereafter provides the Noticee to rebut these allegations and thereafter passes an appropriate order. In the instant case however the Ld. Adjudicating Officer has provided us with incomplete documents which does not provide with any necessary information in regards to the Noticee's trading activities. Hence, the entire allegation is baseless.*
- (d) *It is submitted that the basis of arriving at the definition of artificial volume is done without any disclosure. There is no material on record in the present proceedings to uphold the aforesaid definition of artificial volume. It is submitted that there appears to be no sound legal reasoning, whatsoever which justifies the definition of artificial volume/reversal trades/non-genuine trades as in the SCN. Had there been any law/precedent the same would have formed a part of records of present proceedings. In absence of any such materials the statements made in the SCN are without any basis and therefore denied and disputed.*

- (e) *Further, it is submitted that even after making a request for the relevant documents, the Respondent has submitted an incomplete Investigation Report which does not provide any material to show proof of any trading activities carried out by the Noticee. The Noticee further submits that it is not in a position to verify the total trades that were carried out during the investigation period or if 81.41 % of the same were non-genuine trades. The Noticee submits that incomplete information has been supplied substantiating the claim. Therefore, the present reply has been filed based on the incomplete material available on record as provided by SEBI.*
- (f) *The data supplied along with the SCN does not bring out the necessary circumstances under which the orders were placed by the Noticee or executing these trades which were sought by the Noticee however they have not been provided. In the present matter there is no material evidence or proof to reflect upon the conduct and the manner in which the alleged trades were executed.*

No connection with any person/ entity in the notice:

- (a) *Noticee did not have any relation/connection with the entities/ persons mentioned in the Notice or with any of the counter parties to Noticee's trades. The trades were done in normal course devoid of any malafide intentions and knowledge of any such alleged scheme as carved out in the Notice.*
- (b) *The Notice has failed to appreciate that the anonymous systems of the Exchange do not allow a transacting party to know the details of the counter party and therefore the allegation of executing reversal trades cannot hold good. It is submitted that the Noticee never knew that the trades are in the nature of reverse trades before receiving the Notice and scrutinising the Annexures thereto.*
- (c) *It is further submitted that, the Notice has also failed to bring out any connection between the Noticee and the other persons/entities mentioned in the Notice, including the counter party broker or the counter party client. Therefore, by no stretch of imagination, it can be presumed that, the Noticee had any relationship/nexus/prior meeting of mind with any entities involved in the said trades in options.*

- (d) *A serious charge of fraud and manipulation cannot be levelled merely on the possibility of reversal. There has to be some collusion / connection / relation / nexus / prior meeting of minds to be shown so as to substantiate such trading between the entities.*
- (e) *It is further submitted that, in order to establish charges of fraudulent trading or violation of PFUTP Regulations, it is a settled principle of law that there must exist some collusion between the parties to the trades. In this regard, Noticee relied upon the observations of the Hon'ble Securities Appellate Tribunal in the matters of M/s. Jagruti Securities Ltd Vs. SEBI, Vintel Securities Pvt. Ltd Vs. SEBI, Appeal No. 219/2009 order dated November 23, 2009 etc.*

Allegations against the Noticee in violation of principle of equity:

- (a) *It is submitted that the presumption which can be drawn from the Notice is that all the said trades are premeditated and were carried out in connivance with each other i.e. the brokers and the clients at both the ends of a transaction were acting in concert with each other to carry out these alleged irregular trades.*
- (b) *All the entities/persons which/who have executed trades in the said options during the examination period along with their respective brokers should have been made a party to the Noticee. In this regard, it is pertinent to point out here that interestingly, SEBI has in the Notice taken action against the Noticee who had allegedly made profit or loss, and ignoring the very counter parties of the Noticee.*
- (c) *SEBI only took action against selected/ shortlisted persons/ entities and not against all of them who were allegedly involved in the entire scheme of the said options during the examination period. If the allegation of SEBI were correct, then allegation would also have been levelled against all of them, failing which the Notice needs to be withdrawn.*
- (d) *Thus, it is humbly submitted that, such proceedings where only selected persons/entities are alleged are strictly against the principle of justice, equity and good conscious and thus is liable to be set aside.*

Trade log and order log analysis:

- (a) *It is reiterated that in the aforesaid letter seeking documents the Noticee had sought from your goodself documents/materials that were imperative for it to understand the allegations and make appropriate defence. It is to be noted that the complete trade log and order log of all the trades in options during the examination period is imperative for the purpose of giving an appropriate reply/defence to the Notice.*
- (b) *However, on basis of the incomplete trade and order log provided to the Noticee's, following observations can be deduced:*
- i) The Noticee had traded only in 1 distinct option during the Investigation period.*
 - ii) On perusal of the logs, it can be observed that all the contracts belong to scripts which are highly traded scripts on stock exchanges and there is no reason to believe that the meagre trades of the Noticee could have, in anyway affected its volume so as to warrant the charge of artificial volume as alleged in the Notice. In this regard, it is submitted that Options are mere derivatives which derive their values from the underlying script and therefore for the allegation of fraud with respect to generating artificial volume which is levelled, has to be proved, and shown in the underlying script. But as aforesaid, it is reiterated that all the scripts in whose options the Noticee traded in the examination period are extremely liquid and the Noticee's contribution to the same is a meagre quantity.*
 - iii) It is submitted that out of all the alleged options trades executed on BSE during the investigation period, the Noticee had executed only 2 trades which is amounting to 0.000006% of all the trades were executed in stock options segment of BSE where these trades were non-genuine trades in to during the investigation period and this could not possibly have any impact on the underlying script of the option segment.*
- (c) *In view of the aforesaid observations out of the incomplete trade and order log, it is submitted that the aforesaid allegations against us are baseless, unjustified and prejudiced and are liable to be vacated.*

Trades carried out are legal and the same are not under a fraudulent scheme:

- (a) *It is submitted by the Noticee that the said trades were carried out in the normal course of business devoid of any fraudulent intentions and the Noticee is in no way part of the alleged scheme which is carved out by your goodself in the Notice. Without prejudice to the aforesaid, even if it is assumed for the sake of argument that the Noticee was involved with other persons/ entities mentioned in the Notice in the alleged scheme of option trading, it is submitted that there is nothing fraudulent or illegal about the same.*
- (b) *As per the Notice, the Noticee has indulged in an act that has created a misleading appearance of trading in the securities market. It is submitted that every action has an equal and opposite reaction. Assuming without admitting, the Noticee had created a misleading appearance of trading in the market, but the reaction that the market gave to such an act does not exist. SEBI has not provided any instances or evidences to prove that the trades carried out by the Noticee were fraudulent.*
- (c) *In this regard, Noticee relied upon the observations of the Hon'ble Securities Appellate Tribunal in the matters of Ketan Parekh Vs. SEBI (SAT Appeal No 2 of 2004).*
- (d) *This allegation of fraudulent trading has no basis as your goodself has failed to provide any evidences to prove that there was a misleading appearance created in the market by the Noticee or had any other impact on the market.*
- (e) *The SCN further alleges that non-genuine trades executed by the Noticee had significant difference in buy rates and sell rates, in this regard it is submitted that the pricing of an option depends on various factors which are taken into consideration by the option writer. The pricing of option is determined by the parties to the contract considering host of factors like price of the underlying script, movement of the market, the no. of trades in other options, the volatility index prevailing etc. Since none of these details have been provided to the Noticee in spite of them being sought for by the Noticee it is impossible for the Noticee to explain as to why the Noticee had dealt in a particular option at a particular price at a particular time. The Noticee therefore states that the Ld. Adjudicating Officer needs to ignore the allegations based on pricing.*

No loss to the investors and the transactions were genuine:

- (a) *The Noticee submits that their trades have all the characteristics of being genuine trades and cannot be categorised as non-genuine trades. These trades were executed on the anonymous platform of the Exchange, without any knowledge of counter party, at price ranges that were permitted by the Exchange and SEBI and the obligations arising out of it have been settled through the clearing mechanism of the Exchange.*
- (b) *The next issue for consideration is that whether the Noticee's trading which has been branded as fraudulent by SEBI, has caused any loss to any other market participants. The stand of SEBI is self-defeating on this issue because the whole premise of SEBI issuing a Notice was that the options in which trading was executed by Noticee were illiquid and no trading was taking place in these options. This makes it clear that there was no public involvement in these options and hence, no harm could have been caused to any other market participants.*

No penalty should be imposed on Noticee:

- (c) *With respect to imposition of penalty under Section 15HA of the SEBI Act, in respect of the alleged violations Noticee humbly submit that while determining the quantum of penalty under the aforementioned provisions, the provisions of Section 15 J of the SEBI Act shall be required to be taken into account.*
- (d) *With regard to Clause (a)- "the amount of disproportionate gain or unfair advantage, whether quantifiable, made as a result of the default": it is submitted that the findings does not lead to the conclusion that there has been disproportionate gain or unfair advantage of Noticee.*
- (e) *With regard to Clause (b)-"the amount of loss caused to an investor or group of investors as a result of the default": it is submitted that there are no investor complaints filed at any Stock Exchange or SEBI in respect of the trades executed by Noticee in the script and the same has also not been alleged in the SCN. In absence of any direct information, the allegation of causing loss to other investors is baseless.*

(f) *With regard to Clause (c)- "the repetitive nature of the default." it is submitted that Noticee has never been held guilty for any violation of SEBI Laws, and it has been first time the present proceeding have been initiated against the Noticee. Further Noticee submits that they have clean records and they have always maintained transparency, integrity, honesty and accountability in all its operations and hence there is no question of repetitive nature of default.*

(g) *In this regard, Noticee relied upon the observations of the Hon'ble Supreme Court of India in the matters of Superintendent and Remembrancer Legal Affairs to Government of West Bengal Vs. Abani Maity (1979) 4 SCC 85, Nandakishore Prasad Vs. State of Bihar(1978) 3 SCC 366 and observations of the Hon'ble SAT in the matters of R.K. Global Vs. SEBI, KSL & Industries Ltd Vs. SEBI (SAT Appeal no. 92003 decided on 30.09.2009) etc.*

8. Vide Post SCN Intimation (PSI) dated August 04, 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 was issued through SPAD and email and it was duly served to the Noticee.

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. However, it was observed that Noticee did not avail the SEBI Settlement Scheme 2022, in view of which, the adjudication proceeding against the Noticee was resumed.
11. In the interest of natural justice, vide notice of hearing dated May 16, 2023, Noticee was granted an opportunity of being heard on May 29, 2023. On May 29, 2023, Authorized Representative (“**AR**”) of the Noticee attended the hearing through video-conferencing and submitted that Noticee is interested in opting for settlement in the matter. Further, vide letter dated May 30, 2023, Noticee again reiterated that he wants to settle the instant matter.
12. Subsequently, a second PSI dated March 06, 2024, was issued 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. The second PSI issued to the Noticee was duly served to him by SPAD.
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 2024 and accordingly, the adjudication proceeding against the Noticee was resumed. In view of change of AO, vide hearing notice dated January 01, 2025, an opportunity of hearing in the matter was provided to the Noticee on January 16, 2025. Noticee did not appear for hearing on January 16, 2025, however, vide letter dated January

21, 2025, he requested to provide another opportunity of being heard in the matter. Therefore, another opportunity of personal hearing in the matter was granted to Noticee on February 04, 2025. On February 04, 2025, AR of the Noticee appeared for the hearing and reiterated the submissions made by Noticee vide letter dated June 15, 2022.

CONSIDERATION OF ISSUES AND EVIDENCE

15. 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?**

16. 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?

17. Before proceeding to the merits of the case, it is pertinent to deal with the following preliminary contentions raised by the Noticee:

18. Noticee has submitted that complete materials/documents in support of the allegations have not been made available to him and due to the unavailability of all such documents/material based on which the allegations have been levelled against him, it rendered him ill-equipped to effectively defend the charges levelled against him. I note that relevant and relied upon documents including the details of trades of the Noticee in stock options contract, details of non-genuine trades of the Noticee in stock options contract and analysis of non-genuine trades of the

Noticee in stock options contract during IP were provided to the Noticee as annexures to the SCN. Further, considering the Noticee's request, vide letter dated April 11, 2022, a copy of the investigation report was provided to him. Therefore, all the relevant and relied upon documents for issuing the SCN have been provided to the Noticee and in my view Noticee had sufficient material to defend his case. Hence, the said contentions of the Noticee are not tenable.

19. Noticee further contended that investigation report provided to him was incomplete and it does not provide any material to show proof of any trading activities carried out by him and there are lack of evidences in support of the contents of the SCN. In this regard, it is noted that the details of the alleged non-genuine reversal trades executed by the Noticee including the trade dates, name of the counterparties, time, price and volume etc. were already provided to the Noticee as an Annexure to the SCN. Regarding contentions of the incomplete investigation report, I note that the third party information / confidential information was redacted in the investigation report and all other information related to and relevant with the Noticee was provided to him. The SCN was issued based on the said trade details of the Noticee and investigation carried out in the matter, therefore I note that all the relied upon material for framing the charges in SCN were provided to Noticee. Hence, I note that the principles of natural justice have been adhered to and there is not such violation as contended by the Noticee.

20. Noticee has submitted that inspection period in the instant case is 2014-2015, more than 6 years back from the date of issuance of SCN, hence, there is a long unexplained delay in initiation of proceedings against it. In this regard, I note that pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, Interim order was passed by SEBI on August 20, 2015 which was confirmed vide Orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation relating to stock options segment of BSE which

was completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock option segment during the investigation period. The proceedings initiated vide the aforementioned Interim Order were disposed of vide Final Order dated April 05, 2018 also considering that appropriate action was initiated against the said 14,720 entities in a phased manner. During the course of hearing in the case of R. S. Ispat Ltd Vs SEBI, the Hon'ble Securities Appellate Tribunal (SAT), vide its Order dated October 14, 2019, inter alia observed that "SEBI may consider holding a Lok Adalat or adopting any other alternative dispute resolution process with regard to the Illiquid Stock Options".

21.A Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided one-time opportunity for settlement of proceedings in the Illiquid Stock Options matter. The said scheme was kept open from August 01, 2020 till December 31, 2020. Adjudication proceedings were initiated against those entities who had not availed of the opportunity of settlement. Further, another settlement scheme i.e. Settlement Scheme 2022 was introduced from August 22, 2022 to November 21, 2022. Finally, third settlement scheme i.e. Settlement Scheme 2024 was introduced from March 11, 2024 till June 10, 2024.

22.It is further noted that there are no timelines prescribed in the SEBI Act, 1992 for the purpose of identifying trades as non-genuine. In this regard, it is pertinent to note that, in the matter of *SEBI Vs Bhavesh Pabari* (2019) SCC Online SC 294, the Hon'ble Supreme Court of India has, inter alia, held that:

"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."

23. As can be seen from the narration of facts in the foregoing paragraphs, pursuant to appointment of AO on September 20, 2021, SCN dated March 16, 2022 was issued to the Noticee. First PSI dated August 04, 2022 was issued to the Noticee to inform about the second Settlement Scheme 2022. As Noticee had not availed the second settlement scheme, he was provided an opportunity of personal hearing on May 29, 2023, which was availed by him. Subsequently, the Noticee was informed regarding the Settlement Scheme 2024, vide second PSI dated March 06, 2024. As Noticee also not availed the third settlement scheme, he was provided another opportunity of personal hearing on January 16, 2025, which was adjourned to February 04, 2025 and Noticee availed the said opportunity of being heard. Hence, there has been no delay in initiation of the proceedings as alleged by the Noticee.

24. Noticee further submitted that the allegations against him are in violation of principle of equity as SEBI only took action against selected/ shortlisted persons/ entities and not against all of them who were allegedly involved in the entire scheme of the said options during the IP. In this regard, I note that adjudication proceedings against all the entities and brokers who were involved in executing the non-genuine trades in BSE's stock option segment during the IP was initiated in the matters of Illiquid Stock Options at BSE. From the records, I note that adjudication proceedings against the broker and counterparty of the Noticee was initiated. Hence, the contentions of the Noticee are not tenable.

25. In view of the above, the preliminary objections made by the Noticee that principles of natural justice have not been adhered to, there are lack of evidences in support of the contents of the SCN and delay in initiation of the proceedings etc. hold no merit. Having dealt with the preliminary contentions, I shall now proceed to address

the key issues that arise for consideration, in light of the facts of the case and the submissions made by the Noticee.

26. 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.

27. From the documents on record, I note that the Noticee entered into two (2) reversal trades in one (1) unique contract i.e. AXIS15APR580.00CE on March 23, 2015, which led to generation of alleged artificial volume of 2,42,000 units. A summary of the alleged non-genuine trades and reversal trade of the Noticee, in said contract during the investigation period, is as follows:

Table No. 2

Contract name	Avg. buy rate (₹)	Total buy volume (no. of units)	Avg. sell rate (₹)	Total sell volume (no. of units)	% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract	% of Artificial volume generated by the Noticee in the contract to Total volume in the contract
A	B	C	D	E	G	H
AXIS15APR580.00CE	0.5	1,21,000	17	1,21,000	100.00%	33.80%

28. On March 23, 2015, at 10:19:55 hrs, the Noticee entered into a buy trade with counterparty 'E Ally Commodities India Pvt. Ltd.' for 1,21,000 units of a contract named 'AXIS15APR580.00CE' at Rs.0.5/- per unit. Within a few seconds, Noticee, at 10:20:06 hrs, entered into a sell trade with the same counterparty for 1,21,000 units of same contract at the rate of Rs.17/- per unit. 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. E Ally Commodities India Pvt. Ltd. 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 2,42,000 units, which made up 33.80% of total market volume in the said contract during investigation period.

29. Noticee contended that the trades were executed on the anonymous platform of the Exchange, without any knowledge of counter party, at price ranges that were permitted by the Exchange and SEBI and the obligations arising out of it have been settled through the clearing mechanism of the Exchange. 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. Exchange only provides a platform for trading, the responsibility of ensuring the genuineness of trades rests with the Noticee. The Noticee is expected to act with due diligence. Hence, the contention of the Noticee in this regard is not tenable.

30. Noticee has submitted that the underlying scrips of the stock options contracts in which Noticee traded were liquid in nature. In this regard, it is noted that the present proceedings pertain to the trades executed by the Noticee in the stock options and not on the underlying scrips. It is further noted that the Noticee's trades in particular stock options contracts of the said scrip during the IP (1 buy and 1 sell trades of

1,21,000 units each) itself contributed a significant viz. 33.80% of the total volume across market in the said option contract reflecting the illiquidity of stock options contracts in which the Noticee traded. Hence, this submission of the Noticee is not tenable.

31. Noticee further submitted that he had traded only in 1 distinct option during the IP and executed only 2 trades which is amounting to 0.000006% of all the trades executed in stock options segment of BSE where these trades were non-genuine trades and this could not possibly have any impact on the underlying script of the option segment. The said trades were carried out in the normal course of business devoid of any fraudulent intentions and SEBI has not provided any instances or evidences to prove that the trades carried out by the Noticee were fraudulent. Noticee further submitted that the pricing of an option depends on various factors which are taken into consideration by the option writer. The pricing of option is determined by the parties to the contract considering host of factors like price of the underlying script, movement of the market, the no. of trades in other options, the volatility index prevailing etc. He stated that since none of these details have been provided to him, it is impossible for him to explain as to why he had dealt in a particular option at a particular price at a particular time.

32. I note that 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 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 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 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.

33. Noticee has further submitted that he did not have any relation/connection with the entities/ persons mentioned in the SCN or with any of the counter parties to his trades and the SCN also failed to bring out any connection between the Noticee and the other persons/entities mentioned in the SCN, including the counterparty broker or the counterparty client. Noticee further submitted that anonymous systems of the Exchange do not allow a transacting party to know the details of the counter party. Noticee also submitted that a serious charge of fraud and manipulation cannot be levelled merely on the possibility of reversal. There has to be some collusion / connection / relation / nexus / prior meeting of minds to be shown so as to *substantiate* such trading between the entities.

34. I note 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.

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

“in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive.” It was further held that *“It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.”*

36. 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.

37. 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."

38. 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 inter-alia 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.....”

39. Therefore, the trading behaviour of the Noticee confirms that such trades were not normal indicating that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in respective contract. In view of the above, I find that the allegation of violation of Regulations 3(a), (b), (c) and (d), and 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 the SEBI Act?

40. With regard to levy of penalty, Noticee submitted that he has not made any disproportionate gain or advantage, no loss was caused by him to the investor investors and he has not committed any repetitive default. In this regard, I find that the allegation of violations that were established in the case relied upon by Noticees are different from the violations that have been established in the present case of Noticees. Hence, I note that the said case does not stand on the same footing as the given case of Noticees. Thus, 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 the 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?

41. 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.]

42. As established above, the trades of 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 2 non-genuine trades entered by the Noticee in 1 contract 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

43. In view of the above, after considering all the facts and circumstances of the case including the submissions of the Noticee and findings elaborated hereinabove, 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 (Abhijeet Bora) 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.

44. 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;

45. 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.

46. 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: April 02, 2025

ASHA SHETTY

ADJUDICATING OFFICER