

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/AS/YK/2025-26/31585]**

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:
Manoj Kumar Gupta
(PAN: ADVPG8770D)**

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 Manoj Kumar Gupta (PAN – ADVPG8770D) (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 Shri Ram Rudra Murari as Adjudicating Officer in the matter vide communique dated September 27, 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 communique dated September 06, 2024.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Based on the findings by SEBI, Show Cause Notice dated January 25, 2022 (hereinafter referred to as “**SCN**”) was served upon 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 him 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 2 non genuine trades in 1 Stock Option Contract creating artificial volume of 15,000 units. 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:

Table No. 1

Contract name	Avg. buy rate (₹)	Total buy volume (no. of units)	Avg. sell rate (₹)	Total sell volume (no. of units)	% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract	% of Artificial volume generated by the Noticee in the contract to Total volume in the contract
A	B	C	D	E	F	G
BPCL15MAR680.00CE	52.1	7,500	72.1	7,500	100	100

6. The abovementioned reversal trades and volumes through the dealings of the Noticee in one contract viz, "BPCL15MAR680.00CE" during the investigation period, are as follows:

- (a) It was found that Noticee executed 1 trade reversal through 2 non-genuine transactions on March 25, 2015 and with same counter party i.e., Triple A Real Estate Private Limited.
- (b) While dealing in the said contract on March 25, 2015, the Noticee, at 13:35:19 hours, entered into a buy trade with counterparty Triple A Real Estate Private Limited for 7,500 units at Rs. 52.1 per unit. At 13:40:42 hours, the Noticee entered into a sell trade with the same counterparty, for 7,500 units at Rs. 72.1 per unit.

- (c) The Noticee's two trades while dealing in the aforesaid contract during the investigation period allegedly generated artificial volume of 15,000 units, which made up 100% of total market volume in the said contract during this period.
7. Noticee vide letter dated February 04, 2022, submitted his response to the SCN which, *inter alia*, states as under:
- (a) He has not entered into any transaction for purchase or sale either Delivery Base or Option at BSE or any other Stock Exchange.
 - (b) He did not maintain any demat Account and trading account in his name with the PAN ADVPG8770D.
 - (c) SCN deserves to be dropped at this preliminary stage.
8. Since Noticee claimed that he did not have any trading and demat account in his name, a copy of his trading and demat account application form along with related details, as obtained from his broker, was provided to him by the erstwhile AO for his comments. In response to the said e-mail, the Noticee, vide e-mail dated January 10, 2023, *inter alia*, stated as under:
- (a) KYC details along with trading and demat Account details attached with aforesaid mail belongs to him, but it may be noted that this account opened in the month of December 2019 and before that he did not have any trading and demat account.
 - (b) The transactions reported in the show cause notice pertains to FY 2014-15, which is before the account was opened.
 - (c) He reiterated that he did not have any trading and demat account during the FY 2014-15 when the alleged transactions occurred.
9. Vide hearing notice dated April 03, 2023, Noticee was granted an opportunity of being heard on May 02, 2023 which was rescheduled to May 09, 2023. Noticee vide letter dated April 29, 2023, reiterated the submissions made by him earlier.

10. Subsequently, a Post SCN Intimation (PSI) dated March 06, 2024, was issued to the Noticee wherein it was informed to the Noticee that SEBI introduced 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. Further, vide Public Notice dated May 08, 2024, the Settlement Scheme 2024 was extended till June 10, 2024 by SEBI. It is observed that Noticee did not avail the Settlement Scheme 2024 and accordingly, the adjudication proceeding against the Noticee was resumed.
11. Subsequent to change in the AO, in the interest of natural justice, vide hearing notice dated January 01, 2025, another opportunity of hearing in the matter was provided to the Noticee on January 13, 2025. The Authorised Representative (AR) of the Noticee appeared for the hearing on January 13, 2025, and reiterated the submissions made earlier in the present proceedings. AR of Noticee vide email on January 16, 2025 filed further submissions reiterating the earlier submissions made and requested to drop the proceedings.

CONSIDERATION OF ISSUES AND EVIDENCE

12. I have carefully perused the charges levelled against the Noticee in the SCN, his 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?**

13. 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?

14. I note that it was alleged that the Noticee, while dealing in the stock option contract at BSE during the IP, had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock option contract at BSE. It was alleged that the Noticee was one of the entities who had indulged in creating artificial volume of 15,000 units through 2 non genuine reversal trades in 1 stock options contract during IP.

15. It was alleged in the SCN that on March 25, 2015, the Noticee entered into a buy trade for 7,500 units at the rate of Rs. 52.1/- per unit at 13:35:19 hours with the counterparty Triple A Real Estate Private Limited, for the contract named "BPCL15MAR680.00CE". On the same day, Noticee, at 13:40:42 hours, entered into a sell trade with same counterparty for 7,500 units of same contract at the rate of Rs. 72.1/- per unit. Thus, it was alleged that the Noticee, through its dealing in the said contract during the IP, executed 2 non-genuine reversal trades and thereby, generated an artificial volume of 15,000 units.

16. In response, the Noticee in his various replies, *inter alia*, submitted that the aforesaid transactions have not been executed by him since he did not have any trading and demat account in his name during the IP. In this regard, a clarification was obtained by SEBI from Noticee's broker and broker vide e-mail dated July 17, 2025, *inter alia*, stated that:

- ".....regarding the trades executed on 25/03/2015) under client code V330, as per the updated Exchange UCC database, client code V330 is now correctly mapped to ****HUF (PAN: ****). Previously, due to an internal error, this UCC was incorrectly associated with Mr. Manoj Kumar Gupta (PAN: ADVPG87700).

- *The HUF account (PAN: *****) was opened on 30/01/2012. The Individual account (PAN: ADVPG8770D) was opened later, on 23/12/2019, and is not linked to the impugned trades or client code V330.*
- *This is with reference to the order number and trade date mentioned in your trailing email. We would like to clarify that there was no trades executed in the individual account during the mentioned period, as this account was opened on 23-12-2019. Therefore, the trade referred to is not associated with the individual account.”*

17. The above reply of the broker supports Noticee’s claim that the alleged trades were not done by him since he did not have any trading and demat account during the IP and his account was opened only on December, 2019, i.e., much after the alleged transactions.

18. In view of the above, I am inclined to give benefit of doubt to the Noticee. Consequently, it is concluded that the aforesaid transactions which is in question in the present proceedings were not executed by the Noticee and the Noticee cannot be held liable for the alleged violations. Therefore, the allegation made against the Noticee for violation of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations, does not stand established.

19. As the violation alleged against the Noticee is not established, issues II and III do not merit consideration.

ORDER

20. 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 adjudication proceedings initiated against the Noticee (Manoj Kumar Gupta) vide SCN dated January 25, 2022, is disposed of without imposition of any monetary penalty.

21. 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: August 08, 2025

ASHA SHETTY

ADJUDICATING OFFICER