

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/AS/VC/2025-26/31580]**

**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:
Prem Sanghai
(PAN: ALCPS8701M)**

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 his 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 81.40% 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 **Prem Sanghai** (PAN– ALCPS8701M) (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. Laxman Datt Swami 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 “**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 October 26, 2021 (hereinafter referred to as “**SCN**”) was issued to the Noticee under Rule 4(1) of Adjudication Rules to show cause as to why an inquiry should not be held and penalty should not be imposed on it for the alleged violations of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations for indulging in reversal trades.
5. It was alleged in the SCN that the Noticee had executed 2 non genuine reversal trades in 1 stock options contract creating artificial volume of 32000 units. Summary of dealings of the Noticee in said options contract, in which the Noticee allegedly executed non-genuine trades during the I.P, is as follows:

| Contract name | Avg. buy rate (₹) | Total buy volume (no. of units) | Avg. sell rate (₹) | Total sell volume (no. of units) | % 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 |
|----------------------|--------------------------|--|---------------------------|---|--|--|
| IDBI15JUN90.00PEW1 | 20.1 | 16,000 | 12.3 | 16,000 | 100.00% | 9.09% |

6. The abovementioned reversal trades and volumes through the dealings of the Noticee in one contract viz, "IDBI15JUN90.00PEW1" during the investigation period, are illustrated as follows:

- (a) During the investigation period, 2 trades for 16000 units were executed by the Noticee in the said contract on May 29, 2015.
- (b) While dealing in the said contract on May 29, 2015, at 14:16:17 hours, the Noticee entered into a sell trade with the counterparty Chandra Kala Sangneria for 16000 units at Rs. 12.3/- per unit. At 14:42:23 hours, the Noticee entered into a buy trade with the same counterparty, for 16000 units at Rs. 20.1/- per unit.
- (c) The Noticee's two trades while dealing in the abovementioned contract during the investigation period generated artificial volume of 32000 units, which constituted 9.09% of total market volume in the said contract during this period.

7. The aforesaid SCN was served upon the Noticee through Speed Post Acknowledgement Due. Noticee filed his reply to the SCN vide letters / e-mails dated November 13, 2021, November 18, 2021, September 14, 2022, May 29, 2023, June 03, 2023, June 17, 2023, April 06, 2024 and October 24, 2024.

8. Reply of the Noticee submitted vide above mentioned letters / e-mails is summarised as under:

- (a) He has not done any such transaction as mentioned in the SCN and he furnished a letter obtained from his broker i.e., 'Destiny Securities Limited' in this regard.
- (b) He was registered in Cash Segment only and his client code is P175.

- (c) Noticee furnished a copy of the ledger from his broker and stated that alleged transaction does not reflect in ledger.
 - (d) No profit/loss was debited or credited to his account.
9. In the interim, SEBI also introduced two Settlement Schemes in ISO matters i.e. SEBI Settlement Scheme, 2022 and SEBI Settlement Scheme, 2024 in terms of Regulation 26 of the SEBI (Settlement Proceedings) Regulations, 2018, which were intimated to the Noticee vide Post SCN Intimations (PSI). In response to said PSIs, Noticee, vide letter/e-mail dated September 14, 2022 and April 25, 2024, again submitted that he did not do the alleged trades as mentioned in the SCN and no credit/debit of impugned trades was done in his account, and he did not avail the said settlement schemes.
10. In view of above, the adjudication proceedings against the Noticee was resumed. Vide hearing notice dated October 15, 2024, Noticee was granted an opportunity of hearing on November 05, 2024. However, considering the request of the Noticee, the hearing in the matter was rescheduled to November 14, 2024. Noticee appeared for the hearing on November 14, 2024 and reiterated the submissions made vide his previous replies.

CONSIDERATION OF ISSUES AND EVIDENCE

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

12. Before proceeding further, I would like to refer to the relevant provisions of the 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?

13. I note that it is alleged in the SCN that 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.

14. From the documents available on record, I note that the Noticee was one of the entities who was alleged to have indulged in creating artificial volume of 32000 units through 2 non-genuine trades in a Stock Option contract during IP. The summary of trades is given below:

| Contract name | Avg. buy rate (₹) | Total buy volume (no. of units) | Avg. sell rate (₹) | Total sell volume (no. of units) | % of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract | % of Artificial volume generated by the Noticee in the contract to Total volume in the contract |
|----------------------|--------------------------|--|---------------------------|---|--|--|
| IDBI15JUN90.00PEW1 | 20.1 | 16,000 | 12.3 | 16,000 | 100.00% | 9.09% |

15. It is alleged in SCN that on May 29, 2015, the Noticee entered into a sell trade for 16000 units at the rate of Rs. 12.3/- per unit at 14:16:17 hours with the counterparty Chandra Kala Sangneria, for the contract named "IDBI15JUN90.00PEW1". On the same day, Noticee, at 14:42:23 hours, entered into a buy trade with same counterparty for 16000 units of same contract at the rate of Rs. 20.1/- 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 32000 units.
16. In response to above allegations, Noticee submitted that he was registered with broker in Cash Segment only and the impugned trades in said contract were not carried out by him. He further submitted that there was no credit/debit of any amount related to the alleged trades in his bank account. In support of his claim that the alleged trades in aforementioned contract were not carried out by him, he furnished a copy of the letter dated June 13, 2023 obtained from his broker i.e., 'Destiny Securities Limited'. I note from the Noticee's broker letter that it also confirmed that the alleged trades were not not

carried out by the Noticee during FY 2015-16. I further note from the copy of ledger submitted by Noticee, which was issued to him by his broker, that the alleged trades in said contract on May 29, 2015 are not reflecting in his ledger. Further, I also note that the copies bank accounts submitted by Noticee that the proceeds of said trades were not apparently credited/debited in his bank accounts.

17. In view of the above, I am inclined to give benefit of doubt to the Noticee. Consequently, it is concluded that the impugned reversal trades were not executed by the Noticee and the Noticee should not be held liable for the alleged violations. Therefore, the allegation against Noticee of indulging in reversal trades, creating false and misleading appearance of trading, and thereby generating artificial volumes in the Stock Options Segment of BSE is not established.
18. As the violation alleged against the Noticee is not established, issues II and III do not merit consideration.

ORDER

19. 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 (Prem Sanghai) vide SCN dated October 26, 2021, are disposed of without imposition of any monetary penalty.
20. Copy of this Adjudication Order is being sent to the Noticee and also to SEBI in terms of Rule 6 of the Adjudication Rules.

Place: Mumbai

Date: August 05, 2025

ASHA SHETTY

ADJUDICATING OFFICER