

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/AS/DP/2025-26/31361]**

**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:
Rishav Lakkar
PAN: ADBPL4199F**

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 **Rishav Lakkar (PAN –ADBPL4199F)** (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. Lamber Singh as Adjudicating Officer (AO) in the matter vide communique dated June 28, 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 August 30, 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 the 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 Contracts. Summary of dealings of the Noticee in the said Options contracts, in which the Noticee allegedly executed non-genuine trades during the I.P, is as follows:

Contract name	Avg. buy rate (₹)	Total buy volume (no. of units)	Avg. sell rate (₹)	Total sell volume (no. of units)	% 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
EXID15MAR185.00PEW1	0.70	52000	5.10	52000	100	7.24

6. The abovementioned reversal trades and volumes through the dealings of the Noticee in one contract viz, " EXID15MAR185.00PEW1" during the investigation period, are illustrated as follows:

- (a) During the investigation period, 2 trades for 104000 units were executed by the Noticee in the said contract on 23/02/2015.
- (b) While dealing in the said contract on 23/02/2015, at 12:03:21:960137 hrs the Noticee entered into a buy trade with counterparty SANGHRALAYA TIMBER AND CRAFTS LIMITED for 52000 units at Rs 0.70 per unit. At 12:36:04.778144 hrs the Noticee entered into a sell trade with the same counterparty for 52000 units at Rs 5.10 per unit.

(c) The Noticee's two trades, while dealing in the above said contract during the investigation period, allegedly generated artificial volume of 104000 units, which made up 7.24% of total market volume in the said contract, on the aforesaid date.

7. Vide letter dated October 13, 2021, Noticee was informed that no reply is received from the Noticee and was granted 15 days from the received of said letter.
8. Vide email dated October 27, 2021, Noticee through his Authorised Representative (AR) submitted that impugned trades are not executed by him and there is no contract note with the Noticee with respect to the said trades. Noticee also forwarded the communication addressed to the trading member in this regard.
9. Vide email dated November 08, 2021, Noticee replied to the SCN and reiterated the submissions made vide email dated October 27, 2021. Noticee further submitted that he did not receive any payment on account of the impugned trades.
10. Vide Notice of hearing dated December 24, 2021, Noticee was granted opportunity of hearing on January 06, 2022. The AR of the Noticee appeared for the hearing on January 06, 2022 and reiterated the submissions made vide replies dated October 27, 2021 and November 08, 2021. The AR of the Noticee also undertook to furnish documents from the trading member and additional submissions by January 17, 2022.
11. Vide email dated January 09, 2022, the AR of the Noticee reiterated the submission made vide replies dated October 27, 2021 and November 08, 2021 and also forwarded copy of the letter from the trading member which stated that the said trades were executed in the name of Archana Lakkar. The trading member also forwarded the copy of the ledger, contract note in the name of Archana Lakkar for the same.

12. Vide Post SCN Intimation (PSI), dated August 10, 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.
13. 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”*.
14. Vide email dated October 31, 2022, Noticee reiterated the submissions made earlier and therefore shall not be availing the settlement.
15. It was observed that Noticee did not avail the Settlement Scheme 2022, in view of which, the adjudication proceeding against the Noticee was resumed.
16. Subsequently, a second PSI dated March 06, 2024, was served on the Noticee wherein it was informed to the Noticee that SEBI introduced another Settlement Scheme i.e. SEBI Settlement Scheme, 2024 (hereinafter referred to as “**Settlement Scheme 2024**”) in terms of Regulation 26 of Settlement Regulations. It was informed that the Settlement Scheme, 2024 provided opportunity to the entities against whom proceedings had been initiated and appeals against the said proceedings are pending before any forum or authority. The scheme commenced from March 11, 2024 to May 10, 2024.

17. Further, vide Public Notice dated May 08, 2024, the Settlement Scheme 2024 was extended till June 10, 2024 by SEBI.

18. However, Noticee did not avail the settlement scheme and therefore, the adjudication proceedings against the Noticee were resumed.

19. Vide hearing notice dated January 01, 2025, Noticee was granted opportunity of hearing on January 08, 2025. Noticee appeared for the hearing on January 08, 2025 and reiterated the submissions made vide reply dated November 08, 2021. Noticee also undertook to file additional submissions in two days time.

20. Vide email dated January 10, 2025, Noticee filed additional submissions and inter alia submitted following:

- a. Vide his communication dated January 09, 2025, the trading member has provided his entire trade book for the impugned date 23.02.2015. and it is seen that a total of 30 trades have been executed by the Trading member in the illiquid options contracts EXID 185 PE and none of the 30 trades were executed by the Noticee.
- b. Noticee also provided the documents substantiating his submissions.

CONSIDERATION OF ISSUES AND EVIDENCE

21. 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?**

22. 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?

23. 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.

24. From the documents on record, I note that the Noticee was one of the entities who was alleged to have indulged in creating artificial volume of 144000 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
EXID15MAR185.00PEW1	0.70	52000	5.10	52000	100	7.24

25. On February 23, 2015, the Noticee entered into 1 buy trade for 52,000 units at the rate of Rs. 0.7/- per unit at 12:03:21.960137 hours with the counterparty SANGRAHALAYA TIMBER AND CRAFTS LIMITED. On the same day, Noticee, within a minute at 12:36:04.778144 hours entered into 1 sell trade with same counterparty for 52, 000 units at rate of Rs. 5.1/- per unit. Thus, Noticee, through its dealing in the contract viz, EXID15MAR185.00PEW1 during the IP, executed 2 non-genuine trades and thereby, the Noticee generated artificial volume of 104,000 units which made up 7.24% of total market volume in the said contract, on the aforesaid date.
26. Before going into the merits of the case, I observe that the Noticee has contended that the impugned trades were not carried out by him and were on account of the broker, erroneously executed in his client code.
27. I note from the records submitted by the Noticee and the Stock Broker – Kayan Securities Pvt. Ltd.'s letter dated January 09, 2025 that the Broker erroneously executed the impugned trade in the code of the Noticee in place of another client. I also note from the documents forwarded by the Noticee that the Transaction register of the Broker does not reflect any transaction in the name of the Noticee on 23.02.2015. I also note that Noticee has not booked any profit in its P&L or its Balance Sheet for the FY 2014-15.
28. In view of the above, I find that the impugned reversal trades were not carried out by the Noticee. In view of the above, 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.
29. As the violations alleged against the Noticees are not established, issues II and III do not merit consideration.

ORDER

30. In view of the findings noted in the preceding paragraphs, the adjudication proceedings initiated against the Noticee vide SCN dated August 30, 2021 are disposed of without imposition of any monetary penalty.

31. Copy of this Adjudication Order is being sent to the Noticee and also to SEBI in terms of Rule 6 of the Adjudication Rules.

Date: April 03, 2025
Place: Mumbai

ASHA SHETTY
ADJUDICATING OFFICER