

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA**

SETTLEMENT ORDER

(Application No. 6618/2021)

On the applications submitted by
GPSK CAPITAL PRIVATE LIMITED (PAN: AABCM7457P)

Settlement Order No: SO/GR/BM/2021-22/6618

In the matter of trading in Illiquid Stock Options on BSE

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) observed large scale reversal of trades in stock options segment of Bombay Stock Exchange (hereinafter referred to as “**BSE**”). SEBI observed that such large scale reversal of trades in stock options lead to creation of artificial volume at BSE. In view of the same, SEBI conducted an investigation into the trading activities of certain entities in illiquid stock options at BSE for the period April 1, 2014 to September 30, 2015 (hereinafter referred to as “**IP**”).
2. Pursuant to investigation, it was observed that total 2,91,643 trades comprising substantial 81.38% of all the trades executed in stock options segment of BSE during the IP were non genuine trades. The aforesaid non-genuine trades resulted into creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in stock options segment of BSE during the IP. It was observed that GPSK Capital Private Limited (**PAN- AABCM7457P**) (hereinafter referred to as the “**Applicant**”) 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 observed to be non-genuine in nature and created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore were alleged to be manipulative, deceptive in nature. In view of the same, SEBI initiated

adjudication proceedings against the Applicant for 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, 2003**”).

3. In this regard, SEBI, after being satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violations as mentioned above inter-alia in respect of the Applicant, appointed the undersigned as Adjudicating Officer (‘AO’) under section 19 read with section 15-I(1) of the SEBI Act, 1992 (hereinafter referred to as “**SEBI Act**”) and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter, referred to as “**Adjudication Rules, 1995**”) to conduct adjudication proceedings in the manner specified under rule 4 of Adjudication Rules, 1995 read with section 15-I (1) and (2) of SEBI Act, and if satisfied that penalty is liable, impose such penalty as deemed fit in terms of rule 5 of Adjudication Rules, 1995 and section 15HA of SEBI Act.
4. In this regard, a Show Cause Notice no. SEBI/HO/EAD/EAD4/P/OW/2021/0000023925/1 dated September 14, 2021 (hereinafter referred to as ‘SCN’) was issued to the applicant. Briefly, the following allegations were leveled against the applicant in the SCN:
 - a) The Applicant was alleged to have engaged in 7 instances in 2 unique contracts wherein the position was taken and was reversed with the same counterparty on the same day, but at a substantial price difference.
 - b) The above mentioned 7 non genuine trades in 2 Stock Options contract resulted in artificial volume of total 9,34,000 units.
 - c) The Applicant indulged in execution of reversal of trades in Stock Options with same entities on the same day. Such trades are non-genuine in nature and have created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore are alleged to be manipulative and deceptive in

nature. In view of the same, it was alleged that the Applicant has violated regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003.

5. Pending Adjudication Proceedings commenced by the aforesaid SCN, the Applicant proposed to settle the instant proceedings initiated against them, without admitting or denying the findings of fact and conclusions of law, through a settlement order and filed the settlement applications mentioned above, with SEBI in terms of the provisions of SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as '**Settlement Regulations**').
6. Pursuant to the above mentioned settlement application filed by the Applicant, the meeting of the Internal Committee (hereinafter referred to as '**IC**') held on November 24, 2021. During the aforesaid meetings, the settlement terms of Rs.1,74,25,000/- (Rupees One Crore Seventy Four Lakhs Twenty Five Thousand only) was formulated by the IC for the applicant as settlement amount towards the alleged violations stated above. Thereafter, the Applicant vide communication dated November 24, 2021, have proposed to pay the aforesaid amount as communicated to them, towards full and final settlement of all regulatory, civil or criminal proceedings in relation to the facts contained in the SCN without admitting or denying any violation on their part.
7. The settlement terms were placed before the High Powered Advisory Committee (hereinafter referred to as '**HPAC**') on December 29, 2021, and the HPAC considered the facts and circumstances of the case, the proposed settlement terms offered by the applicant and other material made available before the HPAC by SEBI. The HPAC, after considering the facts and circumstances of the case, settlement terms offered by the applicant and also the material made available before it by SEBI, recommended that the aforesaid adjudication proceedings initiated against the applicant may be settled on payment of the aforesaid amount towards the settlement terms. The Panel of Whole Time Members of SEBI approved the said recommendation of HPAC on January 13, 2022 and the same was communicated to the applicant vide email dated January 17, 2022.

8. Subsequently, the applicant has remitted the respective settlement fees by way of online transfer. Further, the receipt of the abovementioned amount was confirmed by the concerned department of SEBI on February 01, 2022.
9. In view of the above and in terms of Regulation 23 (1) of the Settlement Regulations, it is hereby ordered that this settlement order disposes of the aforesaid adjudication proceedings initiated against the Applicant, GPSK Capital Private Limited vide SCN ref.no. SEBI/HO/EAD/EAD4/P/OW/2021/0000023925/1 dated September 14, 2021.
10. This order is without prejudice to the right of SEBI to take enforcement actions, in terms of Regulation 28 of the Settlement Regulations, including restoring or initiating the proceedings in respect to which the settlement order was passed against the applicant, if:
 - a. any representations made by the applicant in the settlement proceedings is subsequently found to be untrue; or
 - b. the applicant breaches any of the clauses / conditions of undertakings/ waivers filed during the current settlement proceedings.
11. This settlement order is passed on the February 09, 2022 and shall come into force with immediate effect.
12. In terms of Regulation 25 of the Settlement Regulations, copies of this order are being sent to the applicant GPSK Capital Private Limited and also to the Securities and Exchange Board of India.

Place: Mumbai

Date: February 09, 2022

G. RAMAR

ADJUDICATING OFFICER