IN THE SECURITIES APPELLATE TRIBUNAL
AT MUMBAI

DATED THIS THE 3RD DAY OF JULY, 2025

CORAM: Justice P.S. Dinesh Kumar, Presiding Officer
Ms. Meera warup, Technical Member
Dr. Dheeraj Bhatnagar, Technical Member

Appeal No.88 of 2025
[Along with Misc. Application Nos.100 & 101 of 2025]

Manju Devi Poddar
74/1, Topsia Road,
South Topsia, Kolkata,
West Bengal – 700 046 ....Appellant

(By Mr. Ram Awatar Dhoot, Chartered Accountant for the Appellant.)

Securities and Exchange Board of India
SEBI Bhavan, C-4AG Block,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051. …Respondent

(By Mr. Manish Chhangani, Advocate with Mr. Sumit Yadav, Mr. Abhay Chauhan, Mr. Atul Kumar Agrawal, Advocates i/b. The Law Point for the Respondent.)

THIS APPEAL IS FILED UNDER SECTION 15T OF SEBI ACT, 1992 TO SET ASIDE ORDER DATED SEPTEMBER 30, 2024 PASSED BY AO, SEBI.

THIS APPEAL HAVING BEEN HEARD AND RESERVED FOR ORDERS ON APRIL 22, 2025 COMING ON FOR PRONOUNCEMENT OF ORDER THIS DAY, THE TRIBUNAL MADE THE FOLLOWING:

ORDER

Per : Justice P. S. Dinesh Kumar, Presiding Officer

This appeal is directed against order dated September 30, 2024 passed by the AO[1], SEBI[2] imposing a monetary penalty of Rs.5 lakhs on the appellant for violation of Regulations 3(a), (b), (c), (d), Regulation 4(1) and Regulation 4(2)(a) of SEBI (PFUTP) Regulations[3], 2003.

2. The delay of 63 days in filing this appeal is condoned.

3. We have heard Mr. Ram Awatar Dhoot, Authorised Representative for the appellant and Mr. Manish Chhangani, learned Advocate for the respondent.

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[1] Adjudicating Officer
[2] Securities And Exchange Board Of India
[3] SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

4. Briefly stated the facts of the case are, SEBI conducted an investigation from April 1, 2014 to September 30, 2015 into the trading activities of certain entities in illiquid stock options at BSE[4]. The investigation revealed that a total of 2,91,744 trades comprising 81.40% of all the trades executed in stock options segment of BSE were non- genuine trades which resulted in creation of artificial volume in stock options segment of BSE.

5. Appellant herein had also indulged in execution of reversal trades in stock options segment which were non-genuine and created artificial trading volumes in stock options which were manipulative and deceptive in nature. A show cause notice dated August 12, 2022 was issued *inter alia* alleging that the appellant had executed two non-genuine trades in one stock options contract which resulted in artificial volume of total 11,000 units. The show cause notice was duly served. The authorised representative of the appellant attended the personal

[4] Bombay Stock Exchange

hearing on June 16, 2023. Later, appellant was also informed about SEBI Settlement Scheme, 2024, but the appellant did not avail the said scheme. Subsequently, adjudication proceedings were resumed. Appellant did not avail the opportunity of personal hearings and the SEBI has passed the impugned order.

6. Shri Ram Awatar Dhoot, Authorised representative for the appellant submitted that:

- There is an inordinate delay of more than 7 years in issuing show cause notice and also in initiating proceedings against the appellant. In support of this submission, he has placed reliance on *Rajeev Bhanot & Anr v. SEBI*[5], *Mr. Rakesh Kathotia & Ors v. SEBI*[6], *Mahamad Kavi Mahamad Amin v. Fatmabai Ibrahim*[7].
- SEBI has provided the investigation report which does not show the name of the appellant.

[5] Rajeev Bhanot & Anr v. Securities and Exchange Board of India, passed by Securities Appellate Tribunal, Mumbai on September 30, 2024 in Appeal No. 396 of 2018.
[6] Mr. Rakesh Kathotia & Ors v. Securities and Exchange Board of India, passed by Securities Appellate Tribunal, Mumbai on May 27,2019 in Appeal No.7 of 2016.
[7] (1997) 6 SCC 71

Investigation was conducted against 59 entities and it does not include appellant's name of the appellant and her broker.

- The illiquid stock options of BSE was a defective product. SEBI Circular dated June 2, 2011 bearing reference no. CIR/DNPD/5/2011 permitted stock exchanges to introduce Liquidity Enhancement Scheme (LES) to enhance liquidity of illiquid securities in their equity derivatives segment. Further, SEBI issued revised guidelines for Liquidity Enhancement Scheme (LES) in the equity derivatives segment vide Circular dated April 23, 2014 bearing reference no.CIR/MRD/DP/14/ 2014.
- Reversal trades were not recognized as unlawful/ illegal at the relevant time period. On March 14, 2016, Reversal Trade Prevention Check (RTPC) for the stock options segment of BSE came into existence and reversal trades were recognized as

illegal. All trades executed before the said mechanism, though were in the nature of reversal trades, were proper and were executed in the normal course of trading.

- Alleged objectionable trades of the appellant cannot be treated as abnormal and non-genuine. The trades in the illiquid stock options on BSE were done by broker in the ordinary course and appellant does not know the nitty-gritty of options market.
- No connection/collusion between the appellant and counter party entity is established. The trades were executed on the anonymous trading platform of BSE without any knowledge of counter-party and at price ranges that were allowed by the exchange and SEBI. The alleged trades i.e., trades executed on March 26, 2015 were in the nature of intra-day buy and sell trades which were permissible and cannot be equated or termed as artificial volume.

To support this submission, he has placed reliance on *Nishit M Shah HUF v. SEBI*[8], *Saroj & Co. Proprietor Sanjay Agarwal v. SEBI*[9].

- No action has been taken against the intermediaries/trading members. All deals were executed by broker. Reversal trades if any, were done by the broker. With these submissions, appellant prayed to set aside the impugned order.

7. Shri Manish Chhangani, learned Advocate for SEBI submitted that:

- Show cause notice was duly served through speed post with acknowledgement due and also digitally signed copy was emailed to the appellant. Hearing notice to appear on May 18, 2023 was also duly served by speed post and also through email. On May 18, 2023, appellant did not appear for hearing and through email sought extension of seven days for submission of reply. Accordingly, seven days

[8] Securities Appellate Tribunal in Appeal No.97 of 2019
[9] Appeal No.213 of 2011

were granted to submit her reply on or before May 25, 2023. Thereafter, on June 16, 2023, authorised representative of the appellant appeared in second opportunity of hearing and sought time till June 19, 2023 for making submissions and the same was granted, but no submissions were made by the appellant.

- Appellant did not avail the settlement scheme though he was duly informed about the SEBI Settlement Scheme 2024. SEBI provided another opportunity of hearing dated September 18, 2024, but the appellant did not appear for the hearing. Appellant was given three opportunities of hearing and on two occasions SEBI granted time to the appellant to make submissions on their request. But the same was not availed of by the appellant.
- Appellant has executed two non-genuine trades in one contract with the same counter party within a short time strongly indicates meeting of minds.

Appellant and counter party Mr. Vikas Jain had prior meeting of minds to execute the reversal trades at a pre-determined price. Appellant traded in illiquid stock options and created artificial volume of 11,000 units and as such appellant violated the SEBI (PFUTP) Regulations, 2003. The counter party Mr. Vikas Jain has settled under 2022 scheme. With these submissions, SEBI prayed to dismiss the appeal.

8. We have carefully considered the rival contentions and perused the records.

9. Undisputed facts of the case are, the appellant has executed buy and sell trades of same quantity within a short span of time with the same counter party in one contract. On March 26, 2015 appellant entered into buy trade at 13:21:32 (buy order of appellant was placed at 13:14:43 and counter party order was at 13:21:32) for 5500 units at rate of Rs.56.2 per unit with her counter party Mr. Vikas Jain (first leg of the transaction). Within

a short of span of 25 minutes i.e., at 13:43:45 appellant sold (Sell order of appellant was at 13:43:44 and counter party order was at 13:43:45) the same 5500 at the rate of Rs.128.2 per unit with the same counter party (Second leg of the transaction). The reversal trade transactions were executed within a gap of few seconds with the same counter party at same quantity.

10. The appellant executed trades with the same counter party with whom she had executed the first leg of transaction i.e., reversal trades of same quantity with the same counter party in the same contract, which is not a mere coincidence and clearly demonstrates *consensus ad idem* i.e., prior meeting of minds to execute reversal trades at pre-determined price. The appellant’s trades were conducted in illiquid stock options and created artificial trading volume of 11,000 units in a single contract within a short span of time at a higher price. The above undisputed transactions are sought to be justified firstly on the ground that they were not illegal prior to

March 14, 2016, secondly, the trading was done by the broker, thirdly on delay.

11. The facts recorded hereinabove disclose that appellant purchased 5500 shares from the counter party at Rs.56.2 per unit and sold the same to the very same counter party after 22 minutes. Admittedly, the counter party has availed SEBI's settlement scheme and settled the matter. It cannot be a mere coincidence that transactions of the same scrip of the same quantity take place between the very same entities.

12. It is important to note that gullible investors will be tempted to invest when there is an increase in the share price in a scrip and in this case the increase is a significant sum of about Rs.128.2 per share. The innocent investors will lose their hard earned money being misguided by such unscrupulous transactions.

13. In a matter of this nature, regulator is right in holding the appellant guilty of violation of PFUTP

Regulations and imposing the penalty. Hence, this appeal must fail.

14. In view of the above undisputed facts, the ground of delay in issuing notice urged by the appellant, is, in our opinion untenable because appellant's transactions seriously affect the securities market.

15. In the light of the above discussion, the following:

<u>ORDER</u>

1. Appeal is ***dismissed***.
2. Pending interlocutory application(s), if any, stand disposed of.
3. No costs.

Justice P.S. Dinesh Kumar
Presiding Officer

Ms. Meera Swarup
Technical Member

Dr. Dheeraj Bhatnagar
Technical Member

03.07.2025
RHN

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