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 Swarup, Technical Member
Dr. Dheeraj Bhatnagar, Technical Member

Appeal No.141 of 2025
[Along with Misc. Application Nos.169 and 170 of 2025]

Sandip Agarwal
P 4A, CIT Road,
Entally, Kolkata,
West Bengal -700 014 …..Appellant

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

Securities and Exchange Board of India
SEBI Bhavan, C-4A, G Block,
Bandra Kurla Complex,
Bandra (E), 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 75 days in filing this appeal is condoned.

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

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

4. Brief 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 into creation of artificial volume in stock options segment of BSE.

5. Appellant herein had indulged in execution of reversal trades in stock options segment which were non-genuine and created artificial trade volumes in stock options which were manipulative and deceptive in nature. A show cause notice dated August 8, 2022 was issued *inter alia* alleging that the appellant had executed four non-genuine trades in two stock options contract which

[4] Bombay Stock Exchange

resulted in artificial volume of total 4,40,000 units. The show cause notice was duly served. By way of the above show cause notice, appellant was also informed about SEBI Settlement Scheme, 2022, but the appellant did not avail the said scheme and did not submit his proposal to the show cause notice. Later, during the personal hearing, appellant through the authorised representative made oral submissions and filed written submissions. Subsequently, appellant was also informed about the SEBI Settlement Scheme, 2024, but the appellant did not avail the said scheme and the adjudication proceedings were resumed. Appellant was once again heard by the AO, SEBI and thereafter the impugned order has been passed.

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 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. Investigation was conducted against 59 entities and it does not include appellant's name and his 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

[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

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. One of the alleged trades i.e., trades executed on February 25, 2015 were in the nature of intra-day buy and sell trades which were permissible and cannot be equated or termed as artificial volume. Impugned trades were genuine and took place in the normal course of a trading session. In support of 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

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

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 was also duly served by speed post and also through email. Appellant through his authorised representative made oral and written submissions.
- Appellant was duly informed about the SEBI Settlement Scheme 2024. But the appellant did not avail the settlement scheme. Again, SEBI provided another opportunity of hearing, appellant through his authorised representative appeared and reiterated the submissions already made.
- Appellant executed four non-genuine trades in two contracts with the same counter party within a

short time strongly indicates meeting of minds. Appellant and counter party Rozelle Sales & Services Pvt. Ltd 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 4,40,000 units as such appellant violated the SEBI (PFUTP) Regulations, 2003. The counter party Rozelle Sales & Services Pvt Ltd 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 executed buy and sell trades within a short span of time with the same counter party in the same contract of same quantity. On February 25, 2015 appellant entered into sell trade at 11:12:04 (sell order of the appellant was placed at 11:12:02 and counter party order was at 11:12:04) for

1,60,000 units at rate of Rs.2.20 per unit with counter party Rozelle Sales & Services Pvt. Ltd (first leg of the transaction). Within a short of span of 35 minutes i.e., at 11:46:19 (counter party sell order was at 11:46:18 and buy order of the appellant was placed at 11:46:19 and) appellant bought the same quantity 1,60,000 at the rate of Rs.0.15 per unit from the same counter party (Second leg of the transaction). The reversal trade transactions were executed with the same counter party at same quantity.

10. The appellant had first sold 1,60,000 shares at an average price of Rs.2.20 to the counter party and on the same day and about half an hour later purchased the same shares of same quantity from the very same counter party at an average price of Rs.0.15 which cannot be a mere coincidence.

11. The trading pattern/behaviour of the appellant with his counter party clearly demonstrates prior meeting of minds. The appellant had executed trades with the same counter party with whom he 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 trades created artificial volume of 3,20,000 units in one contract within a short span of time. Another contract also followed the same *modus operandi* and created artificial volume of 1,20,000 units. Admittedly, the counter party has availed SEBI's settlement scheme and got settled the matter.

12. The innocent investors will fall into the trap of these kind of non-genuine trades which create artificial volumes and eventually lose their money.

13. A conspectus of the above discussion would lead us to conclude that the SEBI is right in holding the appellant liable for violation of SEBI (PFUTP) Regulations, 2003 and imposing the penalty.

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 view 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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