BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/MS/SM/2026-27/32668]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995, IN RESPECT OF:

Cube Trafin Private Limited
(PAN: AABCC0768M)

In the matter of Trading in Illiquid Stock Options at BSE

BACKGROUND OF THE CASE

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 of 2,91,744 trades comprising 81.40% of all the trades executed in stock options segment of BSE during the IP were allegedly non genuine trades. The aforesaid alleged non-genuine trades resulted into creation of artificial volume in stock options segment of BSE during the IP. It was observed that Cube Trafin Private Limited (PAN – AABCC0768M) (hereinafter referred to as the "**Noticee**") was one of the various entities, which 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, 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 Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”).

APPOINTMENT OF ADJUDICATING OFFICER

3. Erstwhile AOs were appointed vide communique dated August 18, 2021, November 12, 2021, December 07, 2023, January 12, 2024, April 04, 2025 and September 17, 2025. Thereafter, the undersigned was appointed as Adjudicating Officer in the matter, vide communique dated June 01, 2026, under section 19 read with Section 15-I(1) of the SEBI Act, 1992 (hereinafter referred to as “SEBI Act, 1992”) and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “Adjudication Rules”) to conduct adjudication proceedings in the manner specified under Rule 4 of Adjudication Rules read with Section 15-I(1) and (2) of SEBI Act, 1992, and if satisfied that penalty is liable, impose such penalty deemed fit in terms of Rule 5 of Adjudication Rules and Section 15HA of SEBI Act, 1992.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice dated August 11, 2022 (hereinafter referred to as “**SCN**”) was issued to the Noticee by the erstwhile AO u/r 4(1) of the SEBI Adjudication Rules to show-cause as to why an inquiry should not be initiated against it and why penalty, if any, should not be imposed u/s 15HA of the SEBI Act for the violations alleged to have been committed by the Noticee. The SCN was delivered through email of the Noticee.
5. It was inter alia alleged in the SCN that the Noticee had executed 5 non-genuine trades in 2 Stock Options contract which resulted in artificial volume of total 10,16,500 units.
6. Subsequently, a Post Show Cause Intimation (PSI) having reference Outward No. 44977/1/2022 dated August 23, 2022 was issued to the Noticee through SPAD. The said PSI inter alia contained information regarding SEBI ISO Settlement

Scheme, 2022. The SCN was undelivered at the address of the Noticee. Therefore, the said SCN was served through Market Infrastructure Institutes for SEBI on December 15, 2022.

7. Hearing Notice bearing reference no. EAD-6/AK/VV/10243/1/2023 and EAD-6/AK/AJ/30544/1/2023 dated March 13, 2023 and July 31, 2023 respectively were issued to the Noticee by erstwhile Adjudicating Officer. Though the letter was undelivered through SPAD, the Noticee responded through email. Subsequently, Post Show Cause Intimation dated March 06, 2024 was issued to the Noticee through SPAD. The said PSI inter alia contained information regarding SEBI ISO Settlement Scheme, 2024. However, the Noticee did not avail both the Settlement Scheme of 2022 and 2024.

8. Upon transfer of instant proceedings to the undersigned and in the interest of natural justice, an opportunity to file reply to the SCN and an opportunity of personal hearing in the matter was granted to the Noticee vide Hearing Notice dated June 15, 2026 and an email was also sent along with digitally signed Hearing Notice on the same day informing the Noticee of the scheduled personal hearing on June 25, 2026. Though the letter was undelivered through SPAD, the Authorised Representative (AR) of the Noticee responded through email. On the scheduled date of hearing viz., June 25, 2026, AR of the Noticee appeared for the hearing and sought SCN along with Annexures and time of two weeks from the date of receipt of SCN to submit its reply to the SCN. The request of the Noticee was acceded. Thereafter Noticee filed its reply to the SCN vide letter dated July 02, 2026.

9. The submissions made by the AR of the Noticee vide letter dated July 02, 2026 are summarized below:

"…

The present reply is submitted by Cube Trafin Private Limited ("the Company"/"Noticee") in response to the Show Cause Notice issued by the Securities and Exchange Board of India under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 in the captioned matter.
The Company respectfully submits that during the course of the hearing, its Authorised Representative requested copies of the Show Cause Notice along with the relied upon documents and annexures to enable the Company to effectively defend itself. Pursuant thereto, the documents were supplied by SEBI and the present reply is being submitted within the time granted by the Learned Adjudicating Officer:

1 The Company respectfully submits that this is its first detailed and comprehensive reply to the Show Cause Notice after receipt of the copies of the Show Cause Notice and the relied upon documents supplied by SEBI pursuant to the request made by the Authorised Representative during the personal hearing. Earlier, the Company was not in possession of the Show Cause Notice and the documents relied upon by SEBI and, therefore, was not in a position to furnish an effective and meaningful reply.
2 The Company has now carefully examined the Show Cause Notice, the Investigation Report and the

documents supplied by SEBI and is submitting the present reply in compliance with the opportunity granted by the Learned Adjudicating Officer. This reply is based on the records presently made available to the Company. The Company respectfully reserves its right to furnish further explanations, clarifications, documents and legal submissions, if considered necessary or if any additional material is relied upon or produced during the course of these proceedings.

3 *Without prejudice to the above, the Company submits that it is a corporate entity carrying on lawful business activities and has undertaken transactions in the securities market through a SEBI-registered stock broker in the ordinary course of its investment activities. The Company had no intention to indulge in any fraudulent, manipulative or deceptive practice. The trades were executed through the recognised exchange mechanism and were carried out with a bona fide expectation of earning legitimate investment returns.*

4 *The Company respectfully submits that mere matching of one or a few trades, even if they constitute buy and sell legs of the same transaction, cannot by itself establish fraud, manipulation or creation of artificial volume. Unless supported by cogent evidence establishing prior understanding, meeting of minds or collusion with the alleged counterparty, no adverse inference can legally be drawn merely because certain trades happened to match.*

5 *Without prejudice to the foregoing submissions, the Company respectfully submits that the transactions referred to in the Show Cause Notice were executed in exchange-traded stock option contracts listed on the Bombay Stock Exchange Limited. At the relevant point of time, there was no prohibition or restriction imposed by the Exchange or SEBI on trading in the said option contracts. The contracts were available for trading through the recognised exchange mechanism and the Company bona fide believed that trading therein was lawful and permissible. In the absence of any warning, restriction or prohibition issued by the Exchange or SEBI no adverse inference can be drawn merely because such contracts are subsequently described as "illiquid".*

6 *The Company respectfully submits that mere matching of one or more trades, or the execution of corresponding buy and sell transactions, cannot by itself establish that the trades were non-genuine or intended to create artificial volume, Unless supported by independent evidence demonstrating prior arrangement, collusion, fraudulent intent or meeting of minds with the alleged counterparty, the mere fact of matching trades cannot constitute a violation of the PFUTP Regulations. The allegations in the Show Cause Notice are based primarily on the pattern of trades and not on any direct evidence of manipulation by the Company.*

7 *The Company further submits that all transactions were executed in the ordinary course of its investment activities through a SEBI-registered stock broker on the anonymous electronic trading platform of the recognised stock exchange. The Company had no relationship, connection, agreement or understanding with any of the alleged counterparties referred to in the Show Cause Notice. The Show Cause Notice has also not produced any material establishing any nexus, communication or concerted action between the Company and the alleged counterparties. In the absence of such evidence, the allegation of non- genuine or synchronised trading is based only on assumptions and conjectures and deserves to be rejected.*

8 *The Company respectfully submits that there has been no allegation in the Show Cause Notice of any investor complaint, public loss or wrongful diversion of funds arising out of the impugned transactions. The transactions were executed through the recognised stock exchange mechanism and all settlement obligations, including pay-in and pay-out obligations, were duly honoured in accordance with the rules and regulations of the Exchange and the Clearing Corporation.*

9 *The Company further submits that all transactions were lawful trades executed on the platform of the recognised stock exchange through a duly registered intermediary. The Company neither derived any unlawful benefit nor acted with any fraudulent or manipulative intention. The mere execution of trades in option contracts which were freely available for trading on the Exchange cannot, by itself, justify an inference of fraud or market manipulation.*

10 *The Company respectfully submits that there was no prohibition or restriction on trading in the said allegedly illiquid scrips during the relevant period. Accordingly, the Company continued to trade in such scrips in the ordinary course of its business. The Company has been regularly trading in a wide range of scrips, and the scrips now described as "illiquid" were, from the Company's perspective, ordinary tradable securities in which it was entitled to undertake transactions. Further, all trades executed by the Company were duly settled through the Exchange's prescribed mechanism, supported by the requisite pay-in and pay- out of securities and funds, thereby demonstrating the bona fide and genuine nature of the transactions executed on the trading platform of the Exchange.*

11 *The Company further submit all the trades executed by it are well recognised, legal and permitted by BSE and carried out on the floor of exchange. There were no wrongful gains made by the company out of the alleged trades even for sake of assumptions. Therefore, no motive is established qua us for the presumptions of non-genuine trades by the company.*

12 *The Company submit that the impugned trades were executed on the floor of exchange through a registered share broker who has the requisite software as approved by the Exchange. The entire trading process is like blind mechanism as far as buying and/or selling of stocks by a clie.t through a broker is concerned. The company had authorized its broker to manage its funds by trading in stocks and it was not aware of the day-to- day trades as it was only the broker who had been trading on its behalf. It is impossible for the company to know who is/are the counter parties to its trades. To the best of its knowledge, even a broker is not aware of the counter party to any trade carried out. Neither the company execute trades through any terminal nor the company is aware of the mechanism by which a share broker trades in the market for its clients. Its pay-in pay-out obligations have been regular without any defaults. The company submit that the said trading system prevents a member who places any orders from identifying the counter-party member or client and thus ensures anonymity of trades. The system does not even display details of all pending orders; rather it only displays the 5 best pending orders. Therefore, at any given point of time, it is impossible for the company to even verify the party & counter party of these transactions. It further state that there was no alert from the broker or the Exchange which would prompt us to take any caution or create an alarm in us to estop trading. Under these circumstances, it is erroneous to come to a conclusion that the company had executed non-genuine trades which resulted in artificial volume.*

13 *In the aforesaid circumstances, the Company respectfully submits that the allegations contained in the Show Cause Notice are unsupported by any direct evidence establishing fraudulent intent, collusion or manipulation. The Company has acted bona fide at all times, has cooperated with the proceedings, and respectfully prays that the allegations be dropped and the present adjudication proceedings be disposed of without imposition of any monetary penalty.*

PARA --WISE REPLY TO SCN

1. *The contents of Paragraph 1 are noted. The Company respectfully denies that it has violated Regulations 3(a),3(b), 3(c), 3(d), 4(1) or 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 or any other provision of the SEBI Act, 1992. The Company submits that the allegations are unsupported by any direct evidence establishing fraud, manipulation, collusion or any meeting of minds with any alleged counterparty. The Company craves leave to make further submissions in the succeeding paragraphs.*
2. *The contents of Paragraph 2 are matters of record to the extent they pertain to the investigation conducted by SEBI. However, the Company respectfully submits that the mere fact that a market-wide investigation has been conducted does not, by itself, establish any liability on the part of an individual noticce. Any findings or conclusions against the Company must be based cm cogent evidence specifically attributable to the Company and cannot rest solely on general observations or conclusions contained in the Investigation Report.*
3. *The Company submits that merely because certain trades are described as reversal trades does not automatically establish that they were non-genuine or fraudulent. The Show Cause Notice proceeds on assumptions that reversal trades necessarily created artificial volume. However, no material has been produced to establish any prior arrangement, meeting of minds, collusion or communication between the Company and any alleged counterparty. The Company respectfully submits that all transactions were executed through the anonymous electronic trading mechanism of the recognised stock exchange through a SEBI-registered stock broker. Neither the Company nor, to the best of its knowledge, its broker had any control over or knowledge of the identity of the counterparty at the time of execution of trades.*
4. *The contents of Paragraph 4 relating to the appointment of the Learned Adjudicating Officer are matters of record and require no specific comments. The Company, however, respectfully submits that the adjudication proceedings are quasi- judicial in nature and the allegations are required to be established on the basis of cogent and reliable evidence. Mere inference drawn from trading patterns, without establishing fraudulent intent or collusion, is insufficient to attract the provisions of the PFUTP Regulations.*
5. *The Company notes that Annexure 3 and Annexure 4 contain the details of trades relied upon by SEBI. The Company respectfully submits that the figures contained in the annexures are required to be examined in the correct factual and legal context. Merely identifying reversal trades or matching trades cannot lead to the conclusion that such trades were non-genuine. The Company disputes the interpretation placed upon those trades in the Show Cause Notice. The Company further submits that after receiving the relied upon documents pursuant to its request made during the hearing, it is in the process of analysing the trade data contained in Annexure 3 and Annexure 4 and craves leave to make additional submissions, if necessary, with reference to the specific transactions relied upon by SEBI.*

6. *The Company submits that the Show Cause Notice does not establish the essential ingredients necessary for attracting Regulations 3 and 4 of the PFUTP Regulations. There is no evidence that the Company indulged in any fraudulent or unfair trade practice, created any false or misleading appearance of trading, manipulated the market, or acted in concert with any other entity. The Company respectfully submits that the allegations are based primarily upon inferences drawn from the pattern of trading and not upon any independent evidence demonstrating fraudulent intent or manipulation*

7. *Without prejudice, the Company respectfully submits that Section 15 HA would become applicable only upon establishment of fraudulent or unfair trade practices through legally admissible evidence. Since the allegations themselves are denied and have not been established, the question of imposition of penalty does not arise. 8 to para 11 informs about the SEBI Settlement Scheme, 2022.*

8. *The contents of Paragraphs 8 to 12 relate to the SEBI Settlement Scheme, 2022, which was introduced at the relevant point of time.*
   The Company respectfully submits that the present proceedings arise after the hearing before the Learned Adjudicating Officer, during which the Company requested copies of the Show Cause Notice and the relied upon documents in order to effectively defend itself. Pursuant thereto, SEBI supplied the documents and the Company is now submitting this detailed reply. The references to the Settlement Scheme do not affect the merits of the Company's defence, and the present reply is therefore being made strictly on merits and without prejudice to all rights and contentions available in law.

   The Company respectfully prays that the allegations contained in the Show Cause Notice be dropped and that the adjudication proceedings be disposed of without imposition of any penalty.

   Without prejudice to the foregoing submissions, and while the Company continues to deny the allegations contained in the Show Cause Notice on facts as well as in law, the Company respectfully submits that it has always acted in a bona fide manner and has extended full cooperation throughout the proceedings. The Company, through its Authorised Representative, participated in *the hearing, sought the relied upon documents to enable it to effectively present its defence, and has submitted the present detailed reply immediately upon receipt of such documents.*

The Company further submits that it has no intention to prolong the present proceedings or engage in avoidable litigation. While maintaining that no violation of the provisions of the SEBI Act or the PFUTP Regulations has been committed, the Company, in the interest of bringing quietus to the matter, avoiding prolonged litigation, saving judicial time and regulatory resources, and without admitting any liability whatsoever, respectfully requests the Learned Adjudicating Officer to take a fair, lenient and pragmatic view of the matter.

The Company therefore humbly prays that the Show Cause Notice may kindly be discharged and the proceedings against the Company be dropped. Alternatively, and without prejudice to its rights and contentions, if the Learned Adjudicating Officer is of the view that any action is warranted, the Company respectfully requests that the matter may kindly be disposed of by imposing the minimum penalty or such lenient view as may be permissible under law, considering the Company's bona fide conduct, cooperation throughout the proceedings, the nature and volume of the transactions, the absence of any investor complaint or demonstrated wrongful gain, and the Company's desire to bring the matter to a final and amicable conclusion.
…".

CONSIDERATION OF ISSUES AND FINDINGS

10. The charges levelled against the Noticee and the documents / material available on record have been carefully perused. The issues that arise for consideration in the present case are:

10.1. Whether the Noticee has violated provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations?

10.2. Does the violation, if any, attract monetary penalty u/s 15HA of the SEBI Act, 1992?

10.3. 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, 1992?

11. Before proceeding further, the relevant provisions of the PFUTP Regulations are mentioned as below:

PFUTP* Regulations*, 2003

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 recognized 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 recognized 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 recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

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 (a): Whether the Noticee has violated provisions of Regulations 3(a), (b), (c), (d) and Regulation 4(1) & 4(2)(a) of PFUTP Regulations?

12. Before proceeding to the merits of the case, it is noted that pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, Interim order was passed by SEBI on August 20, 2015 which was confirmed vide Orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation relating to stock options segment of BSE which was completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock option segment during the investigation period. The proceedings initiated vide the aforementioned Interim Order were disposed of vide Final Order dated April 05, 2018 also considering that appropriate action was initiated against the said 14,720 entities in a phased manner.

13. It is further noted that there are no timelines prescribed in the SEBI Act, for the purpose of identifying trades as non-genuine. In this regard, it is pertinent to note that, in the matter of **SEBI Vs Bhavesh Pabari** (2019) SCC Online SC 294, the Hon'ble Supreme Court of India has, inter alia, held that:

"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."

14. It is relevant at this juncture to deal with the transactions executed by the Noticee in the alleged non-genuine trades.
15. It is noted that allegation against the Noticee is that, while dealing in the stock option contract at BSE during the IP, it had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock option contract at BSE. Reversal trades are considered to be those trades in which an entity reverses it's 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.
16. Further, it is noted from the trade log of the Noticee that it had allegedly executed 5 non-genuine trades in 2 contracts and the above mentioned trades of the Noticee had resulted in the creation of artificial volume of 10,16,500 units in the said contract. Summary of non-genuine trades of the Noticee is as follows:

Contract Name	Avg. Buy Rate (Rs)	Total Buy Volume (No. of units)	Avg. Sell Rate (Rs)	Total Sell Volume (No. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non-Genuine trades of Noticee in the contract to Total trades in the Contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
INCM15FEB100.00CE	12.5	500000	7.5	500000	100	33.33	100	43.4

INFY15FEB2160.00CE	99	8250	165	8250	100	20	100	29.2

17. I note that the Noticee had allegedly executed non-genuine trades in said contracts, wherein the percentage of alleged non-genuine trades of the Noticee in stock options contract to total trades in the contracts ranged from 20% to 33.33% in the aforesaid contracts. Further, alleged artificial volume generated by Noticee in the contract amounted to 100% volume of total volume generated by it in the contracts. It is also noted that alleged artificial volume generated by the Noticee contributed 29.2% to 43.4% of the total volume from the market in the said contracts. The details of squaring up done by the Noticee in the contract 'INFY15FEB2160.00CE' is as given below:

Trade Date	Client Name	CP Client Name	Trade Time	Trade Rate (Rs.)	Traded Quantity	Buy/Sell by the Noticee
13/02/2015	CUBE TRAFIN PRIVATE LIMITED	J B OVERSEAS	13:32:48	99	8250	Buy
13/02/2015	J B OVERSEAS	CUBE TRAFIN PRIVATE LIMITED	13:32:53	165	8250	Sell

i. As can be seen from the table above, the trades executed by the Noticee in the contract was squared up within short time, with the same counterparty. Noticee on February 13, 2015 at 13:32:48 hrs (Order time of Noticee and the Counterparty was same as the trade time) entered into a buy trade with counterparty viz. J B OVERSEAS for 8250 units at the rate of Rs. 99 per unit in the contract 'INFY15FEB2160.00CE'. Thereafter, on the same day at 13:32:53 hrs, (Order time of the Noticee and the Counterparty was same as the trade time), Noticee entered into 1 sell trade for 8250 units with same counterparty viz. J B OVERSEAS at the average rate of Rs 165 per unit.

ii. I note that while dealing in the said contract during the IP, the Noticee executed reversal trade with same counterparty viz. J B OVERSEAS, on the same day, with significant price difference.

iii. Thus, the Noticee, through its dealing in the contract viz. 'INFY15FEB2160.00CE' during the I.P., executed trade which was 20% of the total trades from the market in the said contract during the I.P., and thereby, Noticee generated artificial volume of 16,500 units which was 29.2% of the volume traded in the said contract from the market during the I.P.

18. In the same way squaring up was done by the Noticee in another contract viz., INCM15FEB100.00CE

19. I note that the Noticee has inter alia submitted that the transactions referred to in the Show Cause Notice were executed in exchange-traded stock option contracts listed on the Bombay Stock Exchange Limited. At the relevant point of time, there was no prohibition or restriction imposed by the Exchange or SEBI on trading in the said option contracts. In the absence of any warning, restriction or prohibition issued by the Exchange or SEBI, no adverse inference can be drawn merely because such contracts are subsequently described as "illiquid.

20. In this regard, it is noted that stock exchanges merely provide a platform for carrying out the trades and the clearing corporation affiliated with exchange handles the confirmation, settlement and delivery of transactions, however, the obligation to ensure genuineness of trades as regards instant considerations lies squarely on the Noticee and the Noticee is bound to comply PFUTP Regulations, 2003. Thus, the contentions of the Noticee are not tenable. It is noted that instant adjudication proceedings levy the impugned allegations against Noticee, and that absence of any preventive mechanism cannot be a ground to absolve Noticee from obligation to ensure genuineness of trades executed on exchange platform. Therefore, Notieces's contention in this regard cannot be accepted.

21. I note that Noticee has inter alia submitted that mere matching of one or more trades, or the execution of corresponding buy and sell transactions, cannot by itself establish that the trades were non-genuine or intended to create artificial volume…merely because certain trades are described as reversal trades does not automatically establish that they were non-genuine or fraudulent. The

Show Cause Notice proceeds on assumptions that reversal trades necessarily created artificial volume. However, no material has been produced to establish any prior arrangement, meeting of minds, collusion or communication between the Company and any alleged counterparty...Neither the Company nor, to the best of its knowledge, its broker had any control over or knowledge of the identity of the counterparty at the time of execution of trades.

Noticee has further submitted that the Show Cause Notice does not establish the essential ingredients necessary for attracting Regulations 3 and 4 of the PFUTP Regulations. There is no evidence that the Company indulged in any fraudulent or unfair trade practice, created any false or misleading appearance of trading, manipulated the market, or acted in concert with any other entity. The allegations are based primarily upon inferences drawn from the pattern of trading and not upon any independent evidence demonstrating fraudulent intent or manipulation.

22. In this regard, firstly, I note that the non-genuineness of these transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within a short span of time, the Noticee reversed the position with his counterparties with significant price difference. The fact that the transactions in a particular contract were reversed with the same counterparty indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. I note that the Noticee executed reversal trades in more than one scrip within a short span of time, which defy market rationality when looked along with attending circumstances in toto. Therefore, Noticee's trades, irrespective of the quantum of such trades, were manipulative and intended to create misleading appearance of trading, so the contentions of Noticee in this regard are liable to be rejected. I note that the impugned stock option contracts were illiquid, as stated in the SCN, and also that Noticee's trades in the contracts alone created the total market volume generated during the IP.

23. I also note that it is not mere coincidence that the Noticee could match its trades with the same counterparty with whom it had undertaken first leg of the respective trades. The fact that the transactions in a particular contract were reversed

with the same counterparty for the same quantity of units, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. This is the outcome of meeting of minds elsewhere and it was a deliberate attempt to deal in such a manner. In this regard, I note that in matters dealing with violation of PFUTP Regulations, the reason as with respect to execution of non-genuine trades might not be immediately forthcoming. However, the correct test instead, is one of preponderance of probabilities and therefore at this juncture, it is pertinent to rely on the judgment of Hon'ble Supreme Court in SEBI v Kishore R Ajmera (AIR 2016 SC 1079)decided on February 23, 2016, wherein it was held that-

"...According to us, knowledge of who the 2ndparty / client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naïve to rest the final conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming...in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive..."

24. The Hon'ble Supreme Court further held in the same matter that–"*It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof, the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to*

reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."

25. The observations made in the aforesaid judgments of Hon'ble Supreme Court apply with full force to the facts and circumstances of the present case. Therefore, applying the ratio of the above judgments, it is conspicuous that the execution of trades by the Noticee in the illiquid options segment with such precision in terms of order placement, time, price, quantity etc. and also the fact that the transactions were reversed with the same counterparty clearly indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. The only reason for the wide variation in prices of the same contract, within short span of time was a clear indication that there was pre-determination in the prices by both the counterparty when executing the trades. Thus, the nature of trading, as brought out above, clearly indicates an element of prior meeting of minds and therefore, a collusion of the Noticee with its counterparty to carry out the trades at pre-determined prices.
26. Further, following is noted from the judgement of the Hon'ble SAT in the matter of Ketan Parekh vs SEBI (supra):
In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4 (a) of the Regulations.
27. It would be instrumental to also place reliance on the judgment of Hon'ble Supreme Court in the matter of SEBI v Rakhi Trading Private Limited (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018),in which the Hon'ble SC held that -"*Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the*

transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities.....".

28. Further, the Hon'ble SAT in its judgement dated September 14, 2020 in the matter of Global Earth Properties and Developers Pvt Ltd relied upon the Hon'ble Supreme Court judgement in the matter of SEBI v Rakhi Trading Private Limited (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018), and held that, *"It is not a mere coincidence that the Appellants could match the trades with the counter party with whom he had undertaken the first leg of respective trade. In our opinion, the trades were non-genuine trades and even though direct evidence is not available in the instant case but in the peculiar facts and circumstances of the present case there is an irresistible inference that can be drawn that there was meeting of minds between the Appellants and the counter parties, and collusion with a view to trade at a predetermined price."*

29. I note that Noticee has inter alia submitted that there has been no allegation in the Show Cause Notice of any investor complaint, public loss or wrongful diversion of funds arising out of the impugned transactions. There were no wrongful gains made by the company out of the alleged trades even for sake of assumptions. I note that the contention of the Noticee is bereft of any merit as the impugned reversal trades, which were carried out with prior meeting of minds as inferred from the case facts, affected the price discovery and execution of trades as per market mechanism on the stock options segment of BSE. In this regard, I further note the following from the judgement of the Hon'ble SC in the matter of SEBI vs Rakhi Trading Pvt Ltd (supra):

"……….According to SAT, only if there is market impact on account of sham transactions, could there be violation of the PFUTP Regulations. We find it extremely difficult to agree with the proposition. As already noted above, SAT has

missed the crucial factors affecting the market integrity, which may bedirect or indirect. The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed the price nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity and transparency of the stock market."

Therefore, I note that contentions of Noticee in this regard cannot be accepted.

30. Therefore, the trading behaviour of the Noticee confirms that such trades were not normal indicating that the trades executed by the Noticee were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in respective contracts. In view of the above, the violation of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, against the Noticee stands established.

Issue (b): Does the violation, if any, attract monetary penalty u/s 15HA of the SEBI Act, 1992?

31. Considering the findings that the Noticee has executed non-genuine trades resulting in the creation of artificial volume, thereby violating the provisions of Regulation 3(a), (b), (c) & (d) & Regulation 4(1) and 4(2)(a) of the PFUTP Regulations, it is a fit case for imposition of monetary penalty on Noticee u/s Section 15HA of SEBI Act which reads as under:

> ***Penalty for fraudulent and unfair trade practices.***
>
> ***15HA.*** *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty - five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

Issue (c): 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?

32. While determining the quantum of penalty u/s 15HA of SEBI Act, it is important to consider the factors as stipulated in Section 15J of the SEBI Act which reads as under:

> ***15J**. While adjudging quantum of penalty under [15-I or section 11 or section 11B, the Board or the adjudicating officer] shall have due regard to the following factors, namely:—*
> *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
> *(b) the amount of loss caused to an investor or group of investors as a result of the default;*
> *(c) the repetitive nature of the default*.

33. It is observed that the material available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticee and the losses, if any, suffered by the investors due to such violations on part of the said Noticee. However, the Noticee has entered into 5 non-genuine trades which demonstrates the violation of PFUTP Regulations.

ORDER

34. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in section 15J of the SEBI Act, and in exercise of power conferred u/s 15-I of the SEBI Act, r/w Rule 5 of the SEBI Adjudication Rules, following penalty u/s 15HA of the SEBI Act is imposed on the Noticee:

Name of the Noticee	**Violation provisions**	**Penalty**
Cube Trafin Private Limited (PAN: AABCC0768M)	Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations	Rs 5,00,000/- (Rupees Five Lakhs only)

35. I find the said penalty to be commensurate with the violation on the part of the Noticee.

36. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT > Orders > Orders of AO > PAYNOW

37. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings u/s 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.
38. In terms of the provisions of Rule 6 of the SEBI Adjudication Rules, a copy of this order is being sent to the Noticee viz. Cube Trafin Private Limited and also to SEBI.

Date: August 19, 2026 **MEDHA SONPAROTE**
Place: Mumbai **ADJUDICATING OFFICER**