BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/MS/BK/2026-27/32489]

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:

Jitendra Kumar Nahta HUF

(PAN: AAEHJ2046M)

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 Jitendra Kumar Nahta HUF (PAN – AAEHJ2046M) (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. SEBI appointed Mr. G Ramar, as Adjudicating Officer (AO) in the matter u/s 19 r/w 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) Rules, 1995 (hereinafter referred to as **"SEBI Adjudication Rules"**) to conduct adjudication proceedings in the manner specified under Rule 4 of SEBI Adjudication Rules r/w Section 15-I(1) and (2) of SEBI Act, and if liable, impose such penalty as deemed fit in terms of Rule 5 of SEBI Adjudication Rules r/w Section 15HA of SEBI Act. Pursuant to transfer of case, Shri. Shashi Kumar Valsakumar was appointed as Adjudicating Officer in the matter, vide Order dated August 10, 2023. Subsequently the case was transferred to Shri Sudeep Mishra vide order dated September 10, 2025. Pursuant to transfer of the case, undersigned was appointed as Adjudicating Officer in the matter, vide Order dated June 01, 2026.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice bearing reference no. EAD/EAD-4/GR/BM/35776/2022 dated August 04, 2022 (hereinafter referred to as "**SCN**") was issued to the Noticee by the 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.
5. The SCN (Part B) inter-alia contained information regarding SEBI ISO Settlement Scheme 2022.
6. It was inter alia alleged in the SCN that the Noticee had executed 6 non-genuine trades in 3 Stock Options contract which resulted in artificial volume of total 58,000 units.
7. The SCN was issued to the Noticee through SPAD with reference number EAD/EAD-4/GR/BM/35776/2022 dated August 04, 2022. The Noticee submitted its reply vide letter dated September 13, 2022.
8. A hearing notice bearing reference no. EAD-4/ADJ/GR/RK/OW/18648/2023 dated May 09, 2023 was issued to the Noticee. Subsequently, a Post Show Cause Intimation (PSI) dated March 06, 2022 was issued and served to the

Noticee through SPAD and email. 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.

9. Upon transfer of instant proceedings to the undersigned and in the interest of natural justice, an opportunity of personal hearing in the matter was granted to the Noticee vide letter dated June 08, 2026 and an email was also sent on the same day informing the Noticee of the scheduled personal hearing on June 15, 2026. Though the letter was undelivered through SPAD, the Authorised Representative (AR) of the Noticee responded through email dated June 15, 2026 and requested for an adjournment. The request for adjournment was acceded to and an opportunity of personal hearing was granted to the Noticee on June 30, 2026 at 10:30 A.M. which was duly attended by the AR of the Noticee who sought one weeks' time for making additional written submissions.

10. The submissions made by the AR of the Noticee vide letter dated September 13, 2022 and during the hearing are summarized below:

"…

9.1 That, the contents mentioned in para 1 of your notice is categorically denied being false and untrue. My client has done the trading according to the provisions established in this regards and within the ambit of the prevailing regulations and as such therefore, as such there is no violation of any kind is made under regulations 3(a), (b), (c) and 4(1), 4(2)(a) of SEBI (Prohibition of Fradulent and Unfair Trading Practices relating to Securities Markets) , Regulation 2003 (PFUTP Regulations) in the matter of trading in Illiquid Stock Options at Bomaby Stock Exchange (BSE).

9.2 That, as far as contention made in para 2 of the Show cause notice is concerned, this is a matter of record and my client has not reply the same. But my client reserves the right to challenge the procedural approach in conduction of the Investigation pertaining to the same.

9.3 That, with regards to the contention made in Para-3 of the show cause notice, it is to be replied that there may be some quite infrequent, random and insignificant instances of self trade while doing jobbing activities but those were purely accidental/ incidental in the ordinary course of business and not planned to be executed to manipulate trading in the scrip. Therefore, as such there is no *intentional trading resulted to any manipulation rather these trading is made on a policy of self trades which would assist SEBI from distinguishing intentional self-traders from un-intentional self-traders. The orders are placed at the individual terminal ID level but the orders of small quantities are placed and the average life cycle from the time of placing the orders to getting converted into a trade is less than considerable time.*

9.4 *That, as far as contention in Para -4 of your Show cause notice is concerned, it is a matter of record and as such my client has not done anything intentional, which amounts to determine the Penalty under section 15HA of the SEBI Act and my client denies that he has done anything in violation of the SEBI Act.*

9.5 *That, in reply to the contention made in Para 5 of your notice, it is categorically denied that my client has ever any intention of unfair and unlawful practices. All the reversal trades so observed. It is once again reiterated that all these transactions are not planned one and were never under any secret strategy. The random nature of timing, quantity, dealers and partial matching with other market participants substantiate this contention. It is quite evident that the orders are placed at the individual terminal ID level and orders of small quantities are placed. There is nothing non-genuineness reversal trading in stock options.*

9.6 *That, the contention made in para 6 of the Notice is again denied categorically. My client has never violated any of the provisions mentioned in this Para. The self traders cannot be treated as fictitious as the same are done on the Exchange approved terminals and in the normal course of business. Balance traders are not self traders as they are mistakenly matched on other individual terminal ID's which is very normal trading/Jobbing/arbitrage practice.*

9.7 *That, the contention made in Para -7 of your notice is also denied being false and my client has not done any act which is violative of SEBI Act and therefore, the Penalty under section 15HA cannot be imposed against him. My client has not A self trader can fit into the realm of regulations 4(2) of PFUTP Act regulations, only, if it involves intention. Intention herein would mean that at the time of entering in to a transaction i.e. at the time of placing and reversal of order a person had deliberately with an intention to match it with the counter order placed the order, however the person at the time of placing the order did not actually wanted to buy/sell the quantity order. Fraudulent Act as mentioned* *in section 3 of the Act reveals an act which is purely based upon the intention. Intention is the basic essence of the Act and in the present case, the transaction could be termed to be in violation of Regulation 4(2) of PFUTP Regulations, only if the following criteria are satisfied —*

i. *A person places an order for buying./selling without the intention of buying/selling of underlying shares (e.g. an order is placed and thereafter cancelled subsequently and the same done repeatedly)*
ii. *A person places an order for buying/selling and arranges to place an opposite order for same number of shares at the same price either by himself or by another person acting on his/her instructions repeatedly. (Instance of self/synchronized traders). (iii) In case of reversal trading.*

In all the above cases, the intention of either not performing the transaction or performing the transaction without the change of beneficial ownership is necessary.

9.8 *That, it is beyond the test of proof that the provided transactions were fraudulent. None of the ingredients of the said PFTUP Regulations are attracted in the present case essentially because:*

a. *The trades were executed on the floor of the exchange with due compliance with all the rules and regulations of the exchanges.*
b. *At no point of time was there any warning or any observation about the trades, which were executed by my client.*
c. *The observations regarding the stocks being illiquid is incorrect. Even assuming the stocks were illiquid, then any small quantity or volumes would look significant as there were no active traders in the stock.*
d. *The trades in question were in the normal course of business and there is nothing amiss in the trades executed by my client, the noticee.*
e. *For the transaction to be termed fraudulent, as per the definition of "fraud", there has to be an "inducement" and SEBI has not even alleged inducement.*
f. *None of the trades were deceptive in nature or had any impact on the investors or their investment decision which is a sine qua non of "fraud".*
g. *There is no nexus, directly or indirectly with the counter party broker or the clients.*

9.9 The SCN does not specify and consider facts matrix of Noticee's dealings in stock options segment of BSE. It does not state reasons, rational, cause of action, locus and invoking of jurisdiction after over three (3) years from the date of settled transactions. The SCN is therefore arbitrary.

9.10 All transactions have been carried out on the floor of stock exchange. In case of screen-based trading, the automated system itself matches orders on a price-time priority basis and hence it is not possible for anybody to have access over identity of counter party. Since counter party identity is not displayed; one can never have any choice with whom it wants to deal or not to deal. At no point of time Noticce was aware of counter party with whom her transactions got matched since all her transactions were executed through the normal screen-based trading system of stock exchange where matching is done by automated on-line trading module.

9.11 All my client's trades in option segment were within prudential norms of exchange and as per procedures and guidelines as prescribed by BSE. At the relevant time, none of Noticee's trades were questioned by the brokers who are SEBI registered intermediaries and frontline gatekeepers of stock exchange. Had Noticee been alerted by the broker or stock exchange, he would have taken prompt and immediate corrective measures, if any, at that point in time only.

Further, no cautionary warning, advisory, communication or alarm was raised by BSE at any point of time. There was nothing in the public domain that there is anything amiss in the matter. In fact, with a full proof and state of art surveillance system, BSE could have annulled the trades at the point in time only in case it considered that the trades were fraudulent. However, this was not the case, which means that the trades were genuine and fair.

9.12 That, Noticee is not connected to counter party of her transactions in option segment and neither does she have any relation with promoters/ directors/ key management person of underlying scrips in cash segment.

9.13 That, my client had no prior meeting of minds with counter party broking entities as well as their clients, nor any contemporaneous knowledge about any alleged wrong doing. He is not guilty of conduct which is contumacious or dishonest or acted in conscious disregard of law.

In the matter of Jagruti Securities (2008 SCC online SAT 184) and SP.' Stockbroker Pvt. Ltd. (2013 SCC Online SAT 67), it was held that such alleged trades cannot be treated as illegal per se unless there is some cogent connection between the counterparties or there is "mischievous meeting of minds amongst certain parties". Such element is completely absent in the present case.

9.14 That, Further, in Order dated May 18, 2012 passed by the Hon'ble Securities Appellate Tribunal (hereinafter referred to as 'SAT') in matter of Sanjay Agrawal vs SEBI, it was held that in order to establish an allegation of reversal trade between parties a cogent evidence or connection between the parties needs to be established. In the present case, no such connection is established in SCN.

My client acted as bonafide trader and have transacted in stock option segment in normal course of her business activity and his trading in the same was very much within her own financial and risk bearing capacity.

My client was not involved in any 'modus operandi' or manipulations while dealing in option segment of BSE. There is enough material on record to suggest that no further enquiry is required in the matter. Accordingly, Noticee requested that the SCN be dropped without imposing any monetary penalty.

That, My client has not violated any provision of SEBI PFUTP Regulation. My client has not directly entered into any Options trading but all the transactions are through SEBI authorized intermediary.

9.15 That, there is an inordinate delay in appointment of Adjudicating Officer in the present matter. The alleged transactions are entered in the year 2014-15 . The SCN has been issued after lapse of more than 7 and half years from the date of transactions. Therefore, the present proceedings are unsustainable in law and liable to be dropped.

Reliance has been placed on the following Judgments/ Decisions:

a. Mr. Rakesh Kathodia & Ors. Vs. SEBI in Appeal No. 7 of 2016 date of order 27.05.2019.

b. Mr. Sanjay Jethalal Soni, Mr. Krupa Sanjay Soni and J.M. Consultancy through its Proprietor Sanjay Jethalal Soni Vs. SEBI in Appeal No. 102 of 2019 date of Order 14.11.2019.

The specific details and Investigation Report, has not been provided in contravention of Principles of Natural Justice. Noticee -has filed R.T.!.

Application before the C.P.I.O. SEBI Mumbai. Due to this inordinate delay in appointing Adjudicating Officer the present proceedings are unsustainable in law and liable to be dropped on this account only. Reliance has been placed on the following Judgments/ Decisions:

a) Mr. Rakesh Kathodia & Ors. Vs. SEBI in Appeal No. 7 of 2016 date of order 27.05.2019

b) Mr. Sanjay Jethalal Soni, Mr. Krupa Sanjay Soni and J.M. Consultancy through its Proprietor

c) Sanjay Jethalal Soni Vs. SEBI in Appeal No. 102 of 2019 date of Order 14.11.2019.

…"

11. The Noticee vide e-mail dated July 05, 2026, made below mentioned additional submissions which are summarized as below:

"…

1. *That, the action being taken against my client is illegal and unlawful as being absolutely innocent.*
2. *That, there is an inordinate delay in initiation of action against my client in the matter of dealing in illiquid stock options (ISO) at BSE and further violations under PFUTP Regulations. The alleged related transactions are of the year 2014 and Show cause notice No. EAD/EAD-4/BM/35776/2022 under Rule 4(1) of the SEBI (Procedure for holding Inquiry and Imposing Penalties) Rules 1995 was issued almost 8 years later i.e. on 04.08.2022 and thereafter, intimation regarding Adjudication Proceedings was issued on 06.03.2024 i.e. almost 10 years of the alleged transactions and hearing could made on 29.06.2026 i.e. almost 12 years of the alleged transactions. It is a settled principle of law that even where no statutory limitation period is prescribed, regulatory powers must be exercised within a reasonable timeframe. The excessive delay of over a decade is completely unjustified, unexplained, and inherently unreasonable.*
3. *That, SEBI failed to consider that a 12-year delay causes immense prejudice to the my client making it virtually impossible to mount an effective defense. Expecting my client to preserve, track down, and produce detailed trade logs, communication records, or witness testimonies after more than a decade violates the fundamental principles of natural justice.*

4. *That, the SEBI erred in penalizing my client based on ancient transactions, ignoring that under relevant corporate and tax laws, entities are legally mandated to maintain financial and transactional books only for a maximum period of 8 years. By initiating action after 10 years, the Respondent is unlawfully demanding the production of records that the Appellant was under no statutory obligation to preserve.*
5. *That, SEBI failed to appreciate that the allegation pertains to a trivial volume of merely 3 isolated contracts. There is absolutely no evidence on record to show that these 3 contracts caused any large-scale market manipulation, systemic disruption, or widespread harm to public investors. A minor issue cannot justify a decade-long administrative lag.*
6. *That, the SEBI erred in failing to recognize that the core objective of the SEBI Act is to ensure market integrity and take timely, remedial measures. Dragging out proceedings over a span of 12 years for minor trades completely defeats the corrective intent of the law and converts a regulatory exercise into an arbitrary, punitive action.*
7. *That, the Impugned action is legally unsustainable as it directly contradicts established judicial precedents set by the Securities Appellate Tribunal (SAT) and the Supreme Court of India. Both judicial bodies have consistently quashed delayed enforcement actions on the ground that stale claims disturb settled market equities and amount to a gross abuse of the administrative process.*
8. *That, it is necessary to be mentioned here that the 3 contracts those have been allegedly made were transacted through Authorized Broker of SEBI - M/s Exclusive Securities Pvt.Ltd. and therefore, the authorized Broker is well expected to know about the actual violations of the regulations during such transactions and my client is therefore, innocent being the fact that all these transactions are unintentional and innocent.*
9. *That, just to constitute an offence, intention plays important role and there is no malafide intention on the part of my client while such involvement and that too done by authorized broker. There is no evidence on the part of Authorized broker, that before doing such contracts, any rules and regulations were disclosed by them to my client.*

10. *That, there is no evidence on record to show that there is any prior meeting of mind between my client and Authorized broker.*
11. *That, my client is now 75 years old person, a senior Citizen and is suffering from number of harsh diseases and is completely on bed and there is no source of income for him at present and the blame for said inordinate delay in conducting inquiry rests completely on SEBI.*
12. *That, my client already submitted Income Tax and other related tax for the amount received through these transactions and are the part of account book of my client.*
13. *That, even though, subject to the aforesaid grounds, my client prays for a linenat view over the matter and express his sincere willingness to settle the Issue for a minimum penalty of Rs. 1 lacs or 1.20 Lacs under Settlement Scheme.*

…"

CONSIDERATION OF ISSUES AND FINDINGS

11. 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:

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

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

 11.3 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?

12. 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?

13. 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.

14. 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."

15. It is relevant at this juncture to deal with the transactions executed by the Noticee in the alleged non-genuine trades.

16. 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.

17. Further, it is noted from the trade log of the Noticee that it had allegedly executed 6 non-genuine trades in 3 contracts and the above mentioned trades of the Noticee had resulted in the creation of artificial volume of 58,000 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
AMBC14JUN200.00CEW2	33	12000	42.8	12000	100	100	100	100
CANB14JUN420.00CEW2	52	9000	69	9000	100	100	100	100

MPSL14JUN300.00PEW2	38	8000	47.5	8000	100	100	100	100

18. I note that the Noticee had allegedly executed non-genuine trades in said contracts, wherein the alleged non-genuine trades of the Noticee in stock options contracts were 100% of the total trades in the contract. 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 was 100% of the total volume from the market in the said contract. The details of squaring up done by the Noticee in the contract 'AMBC14JUN200.00CEW2 is as given below:

Trade Date	Client Name	CP Client Name	Trade Time	Trade Rate (Rs.)	Traded Quantity	Buy/Sell by the Noticee
09/06/2014	JITENDRA KUMAR NAHTA HUF	SWASTIKA FINLEASE LIMITED	14:45:25	33	12000	Buy
09/06/2014	SWASTIKA FINLEASE LIMITED	JITENDRA KUMAR NAHTA HUF	14:46:36	42.9	12000	Sell

18.1 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 June 09, 2014 at 14:45:25 hrs (Order time of Noticee and the Counterparty was same as the trade time) entered into a buy trade with counterparty viz. SWASTIKA FINLEASE LIMITED for 12,000 units at the rate of Rs. 33 per unit in the contract 'AMBC14JUN200.00CEW2'. Thereafter, on the same day at 14:46:36 hrs, (Order time of the Noticee and the Counterparty was same as the trade time), Noticee entered into 1 sell trade for 12,000 units with same counterparty viz. SWASTIKA FINLEASE LIMITED at the average rate of Rs 42.9 per unit.

18.2 I note that while dealing in the said contract during the IP, the Noticee executed reversal trade with same counterparty viz. SWASTIKA FINLEASE LIMITED, on the same day, with significant price difference.

18.3 Thus, the Noticee, through its dealing in the contract viz. 'AMBC14JUN200.00CEW2' during the I.P., executed trade which was

100% of the total trades from the market in the said contract during the I.P., and thereby, Noticee generated artificial volume of 24,000 units which was 100% of the volume traded in the said contract from the market during the I.P.

19. Noticee submitted that trades were executed on the floor of the exchange with due compliance with all the rules and regulations of the exchanges, and are accidental/incidental in the ordinary course of business and not planned to be executed to manipulate trading in the scrip. Further, the notice has also submitted that there was no warning or any observation about the trades by the Exchange. 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. Secondly, since these trades were done in illiquid option contract, there was negligible trading in the said contract and the total artificial volume generated in the contract was result of the non-genuine transactions of the noticee alone which is evident from the observations made in the above paragraphs. Hence, there was no price discovery in the strictest terms. Thus, it is observed that Noticee had indulged in reversal trades with his counterparty in the stock options segment of BSE and the same were non-genuine trades.

20. Noticee also contended that none of the trades were deceptive in nature or had any impact on the investors or their investment decision. In this regard, I note that the Noticee executed reversal trades in various scrips 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.

21. Noticee has further contended that there was no prior meeting of minds with counter party broking entities or their clients and that in order to establish an allegation of reversal trade between parties, a cogent evidence or connection between the parties needs to be established. With regard to these contentions, I 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 and it was a deliberate attempt to deal in such a manner. In this regard, it is noted 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 2nd party / 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..."

22. 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."

23. The observations made in the aforesaid judgments of Hon'ble Supreme Court apply to the facts and circumstances of the present case. It is visible 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 with the same quantity 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 his counterparty to carry out the trades at pre-determined prices.

24. 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.

25. 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….."

26. 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.*"

27. In view of the observations of Hon'ble Supreme Court and SAT in the above judgments, it can be said that the noticee had prior meeting of minds to execute such non-genuine trades at a pre-determined price for the sole purpose to create artificial volume in the market. Thus, the contention of the noticee that there was no connection established between the noticee and the counter party has no merits.

28. Noticee has contended that the trades were not deceptive and had no impact on the investors or investment decisions. 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.

29. Noticee has also contended that BSE had not cautioned the Noticee, or raised alarm, or annulled the trades. Hence, the trades could not be considered fraudulent. Further, the noticee contended that *"the 3 contracts those have been allegedly made were transacted through Authorized Broker of SEBI - M/s Exclusive Securities Pvt.Ltd. and therefore, the authorized Broker is well expected to know about the actual violations of the regulations during such transactions and my client is therefore, innocent being the fact that all these transactions are unintentional and innocent."* In this regard, I note that instant adjudication proceedings levy the impugned allegations against Noticee, and that absence of any preventive mechanism and non-informing of any violation by the noticee's broker, cannot be a ground to absolve Noticee from his obligation to ensure genuineness of trades executed on exchange platform.

30. The notice has also contended that there is an inordinate delay in appointment of Adjudicating Officer and the SCN was issued after the lapse of more than 7 and half years from the date of transactions thereby causing prejudice to him. The noticee has relied upon some judgments/decisions inter alia including the judgment of SAT in Mr. Rakesh Kathotia v. SEBI, Sanjay Jethalal Soni v. SEBI, etc. In this regard, I note that delay itself may not be a ground that would vitiate the instant proceedings. It is required to examine whether delay has caused any prejudice to the Noticee. In this connection, Noticee has merely contended that

SCN is more than seven and a half years old. However, all the relevant and relied upon documents related to the allegations in the SCN, including investigation report, trade log and trade reversal summary, were provided to the Noticee along with the SCN dated August 04, 2022. Hence, in my view, Noticee had sufficient material to defend his case. In fact, the Noticee was able to put forth his defense in detail, as apparent from his submissions. Thus, I find that no prejudice has been caused to the noticee. In view of the aforesaid, the contention that there was inordinate delay in appointment of AO and issuance of the SCN, is untenable and devoid of any merit.

31. With regard to the contention that the noticee had no prior knowledge of investigation, I note that the same is devoid of merit as the Noticee was provided the trade details and the Investigation Report along with the SCN. Further, the contention that the Adjudicating Authority has already decided that the noticee has executed non-genuine trades, is unsustainable as the noticee was provided with the opportunity of hearing and to present its case by way of SCN.

32. Thus, 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 contract. 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?

33. 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, 1992?

34. 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.

35. 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 6 non-genuine trades which demonstrates the violation of PFUTP Regulations.

36. I have also considered the additional submissions made by the noticee regarding the Noticee's age, medical condition and financial circumstances. However, I am of the view that these submissions, if relevant, may only be considered as mitigating circumstances while determining the appropriate quantum of penalty and cannot by themselves absolve the Noticee of liability under the aforesaid regulatory provisions.

ORDER

37. 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, 1992 and in exercise of power conferred u/s 15-I of the SEBI Act, 1992 r/w Rule 5 of the SEBI Adjudication Rules, 1995, following penalty u/s 15HA of the SEBI Act, 1992 is imposed on the Noticee:

Name of the Noticee	Violation provisions	Penalty
Jitendra Kumar Nahta HUF AAEHJ2046M	Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations	Rs 5,00,000/- (Rupees Five Lakhs only)

The said penalty is commensurate with the lapse/omission on the part of the Noticee.

38. 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

In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in

39. 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, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

40. 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. Jitendra Kumar HUF and also to SEBI.

Medha Jeevan Sonparote

Digitally signed by Medha Jeevan Sonparote
Date: 2026.07.15 17:47:45 +05'30'

Date: July 15 , 2026 **MEDHA SONPAROTE**

Place: Mumbai **ADJUDICATING OFFICER**