

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. PM/NR/2020-21/9402**

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

In respect of:
**Morissons Traders and Developments Pvt., Ltd.,
PAN: AACCM2137M**

In the matter of *Dealings in Illiquid Stock Options at the BSE*

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter be referred to as, the "**SEBI**") conducted investigation into the trading activity in illiquid stock options on BSE Limited (hereinafter be referred to as, the "**BSE**") for the period April 01, 2014 to September 30, 2015 (hereinafter be referred to as, the "**Investigation Period**") after observing large scale reversal of trades in the Stock Options segment of the BSE.
2. The investigation revealed that during the Investigation Period, a total of 2,91,643 trades comprising 81.38% of all the trades executed in the BSE Stock Options Segment were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. It was observed that Morisson Traders and Developments Pvt., Ltd., (hereinafter be referred to as, the "**Noticee**") was one such client whose reversal trades involved squaring off open positions with a significant difference without any basis for such change in the contract price. The aforesaid reversal trades allegedly resulted into generation of artificial volumes, leading to allegations that the Noticee had violated the provisions of Regulation 3(a), (b), (c), (d) and Regulation 4(1), 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter be referred to as, the "**SEBI PFUTP Regulations**").

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI initiated adjudication proceedings and appointed the undersigned as Adjudicating Officer under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter be referred to as, the “**SEBI Act**”) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter be referred to as, the “**SEBI Adjudication Rules**”) *vide* order dated April 3, 2018 to inquire into and adjudge under Section 15HA of the SEBI Act, against the Noticee for the alleged violation of aforesaid provisions of SEBI (PFUTP) Regulations. The appointment of the AO was communicated *vide* order dated May 29, 2018.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice dated September 30, 2018 (hereinafter be referred to as, the “**SCN**”) was served upon the Noticee under Rule 4(1) of the SEBI Adjudication Rules to show cause as to why an inquiry should not be held and penalty be not imposed against it under Section 15HA of the SEBI Act for the alleged violation of the provisions of Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of the PFUTP Regulations.
5. The allegations levelled against the Noticee in the SCN are summarized as below:
 - a) That the Noticee was one of the entities which indulged in reversal trades which allegedly created false and misleading appearance of trading, generating artificial volumes in Stock Options segment of the BSE during the Investigation Period.
 - b) That the Noticee engaged in 88 instances in 44 unique contracts which led to generation of artificial volume in these unique contracts.
 - c) The trades entered by the Noticee were reversed on the same day with the same counterparties at a substantial price difference without any basis for significant change in the contract price, which indicates that these trades are artificial and are non-genuine in nature.
 - d) A summary of dealings of the Noticee in the 44 Stock Options contracts in which the Noticee executed non-genuine reversal trades during the Investigation Period are as under:

Table 1: Summary of trading of the Noticee in Illiquid Stock Options on BSE

Sl. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	% of Artificial trades of the Noticee in the contract to Total trades in the contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	ADPW15JUN50.00PEW2	18.10	24000	10.80	24000	100%	100%
2	ADPW15MAY70.00PE	29.75	40000	18.15	40000	50%	83%
3	ALLD15MAY45.00CEW3	26.30	36000	15.50	36000	100%	100%
4	AMBC15JUN260.00PEW2	42.65	5000	22.65	5000	100%	100%
5	AMTK15JUN90.00CEW2	58.85	4000	33.85	4000	20%	20%
6	ANBK15MAY105.00PEW3	26.85	36000	15.75	36000	50%	69%
7	APLT15JUN150.00CEW1	24.10	10000	38.60	10000	33%	22%
8	ARVI15JUN205.00CEW2	35.70	6000	19.05	6000	100%	100%
9	ICIC15MAY270.00CEW3	50.05	43750	27.20	43750	100%	100%
10	IDBI15MAY95.00PEW3	25.75	52000	16.10	52000	50%	68%
11	IDEA15JUN200.00PEW1	30.85	14000	16.60	14000	100%	100%
12	ITCL15JUN370.00PEW2	70.95	4000	39.70	4000	50%	44%
13	JPPW15JUN14.00PEW2	7.45	165000	4.45	165000	100%	100%
14	JPPW15JUN16.00PEW1	9.20	360000	5.20	360000	50%	96%
15	JPPW15JUN16.00PEW2	10.40	150000	5.75	150000	33%	83%
16	JPPW15MAY18.00PE	10.70	240000	6.40	240000	50%	73%
17	KARB15JUN105.00CEW3	22.75	10000	13.75	10000	50%	45%
18	LNTF15JUN20.00CEW2	40.95	4000	28.45	4000	100%	100%
19	LNTF15MAY105.00PEW2	42.25	32000	25.85	32000	50%	36%
20	LNTF15MAY105.00PEW3	38.85	40000	23.60	40000	100%	100%
21	LNTF15MAY110.00PEW3	45.00	8000	26.25	8000	100%	100%
22	NHPC15JUN28.00PEW2	9.20	90000	5.35	90000	100%	100%
23	NMDC15MAY105.00CEW2	27.25	14000	14.95	14000	100%	100%
24	NMDC15MAY150.00PEW3	19.80	10000	9.85	10000	50%	38%
25	ONGC15JUN260.00CEW2	45.75	7000	27.90	7000	100%	100%
26	PTCI15MAY105.00PE	38.60	12000	21.95	12000	100%	100%
27	SAIL15MAY50.00CEW3	18.60	12000	10.30	12000	100%	100%
28	SBIL15JUN220.00CEW2	35.45	8750	21.20	8750	100%	100%
29	SOIB15JUN12.00CEW2	11.15	99000	6.60	99000	100%	100%
30	SOIB15JUN38.00PEW2	15.75	162000	8.90	162000	100%	100%
31	SOIB15JUN42.00PEW1	19.00	72000	11.05	72000	100%	100%
32	TATP15JUN50.00CEW2	20.25	8000	14.00	8000	100%	100%
33	TATP15MAY50.00CEW3	24.05	32000	14.40	32000	50%	35%
34	TGBL15JUN170.00PEW1	32.55	20000	17.55	20000	100%	100%
35	TGBL15MAY180.00PE	33.90	6000	20.05	6000	100%	100%
36	TISC15JUN410.00PEW2	105.75	3000	64.10	3000	100%	100%
37	UCOB15JUN80.00PEW2	20.35	12000	12.05	12000	100%	100%
38	UCOB15JUN85.00PEW2	15.75	16000	28.25	16000	100%	100%

Sl. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	% of Artificial trades of the Noticee in the contract to Total trades in the contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
39	UCOB15MAY90.00PEW3	31.10	36000	18.60	36000	50%	50%
40	UNIT15MAY6.00CEW2	8.15	90000	4.75	90000	100%	100%
41	VOLT15JUN240.00CEW3	89.00	5000	56.25	5000	50%	56%
42	VOLT15JUN380.00PEW1	53.85	4000	30.10	4000	15%	4%
43	ZEEL15JUN260.00CEW2	72.85	3000	39.55	3000	100%	100%
44	ZEEL15JUN360.00PEW1	39.70	5000	19.70	5000	100%	100%

e) By indulging in execution of aforesaid non-genuine reversal trades, the Noticee has violated Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of the SEBI (PFUTP) Regulations, text of which is reproduced as under:

“SEBI (Prohibition of Fraudulent and Unfair Trading Practices Related to Securities Markets) 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 thereunder;*
- (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 or 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;

.....”

6. The Noticee vide letter dated January 15, 2019 submitted an application for settlement of the proceedings, in terms of the provisions of SEBI (Settlement Proceedings) Regulations, 2018. Accordingly, the instant proceedings were kept in abeyance. Thereafter, the Noticee vide letter dated September 24, 2020 submitted that vide letter dated September 20, 2020 it had withdrawn its application for settlement of the proceedings. Consequently, the instant proceedings have been revived. The Noticee vide the aforesaid letter dated September 24, 2020 submitted its reply to the charges alleged in the SCN, which are summarized hereunder:

- 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 from the regulators about the stock options & underlying scrips executed by us;*
- c) The observations regarding the stock options being illiquid is incorrect;*
- d) Even assuming the stocks were illiquid, then any small quantity or volumes would look significant as there are no active traders in the market;*
- e) The trades in question were in the normal course of business and there is nothing amiss in the trades executed by us;*
- f) 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 in the entire Show Cause Notice;*

- g) *None of the trades is deceptive in nature or has any impact on the investors or their investment decision, which is a sine qua non of "fraud".*
- h) *There is no nexus, directly or indirectly with the counter party and any of their brokers;*
- i) *The Show Cause Notice does not specify and consider facts matrix of our dealings in stock options segment of BSE. It does not state the reasons, rational, cause of action, locus and invoking of jurisdiction after over three (3) years from the dates of settled transactions. The Show Cause Notice is therefore arbitrary.*
- j) *The Show Cause Notice fails to appreciate that when SEBI itself has not discharged its obligations of quick investigation, seeking explanation of the parties at that time, declaring trades in stock options as illegal at the relevant time, subjecting to us to adjudication proceeding belatedly in unfair, unreasonable and absurd.*
- k) *We humbly submit that, upon reading of the Show Cause Notice, it appears that there are various documents and data that are referred to and relied upon by SEBI in the captioned proceedings as there is a disconnect in the charging provision and the allegation / observation mentioned in the Notice. In fact, serious allegation is made against us that we have committed "fraud" in securities market without even providing the investigation report or any cogent evidence in this regard.*
- l) *We submit that the total number of alleged non-genuine trades were 88 which is a meagre part of overall 2,91,643 trades in market (constituting a miniscule 0.030% of market volume of alleged non-genuine trades). Thus, it erroneous to allege that our trades created artificial volume on BSE.*
- m) *That the Noticee would like to place reliance on the Hon'ble SAT Orders in the matter of Jagruti Securities Ltd., Vs SEBI, SPJ Stock Brokers Ltd., Vs SEBI and Sanjay Agarwal Vs SEBI, as regards cogent connection amongst certain parties.*
- n) *We acted as bonafide trader and have transacted in stock option segment in normal course of our business activity and our trading in the same was very much within our own financial and risk bearing capacity.*
- o) *We submit that in any business activity in stock market, one can make either profit or loss. We humbly submit that at the relevant time we had no idea of any profit or loss in said transactions and we traded in option segment taking into account our 'risk and reward' parameters.*
- p) *We are not connected to counterparties of our transactions in option segment and neither do we have any relation with*

promoters/directors/key management person of underlying scrips in cash segment.

- q) *We believe there has been no grievance by any investor, broker, stock exchange or any other agency concerned with respect to our dealing in the option segment of BSE Ltd.*
 - r) *We have an impeccable record of dealing in stock market and no action has ever been taken against us in past in respect of dealing in securities market.*
7. After considering the facts and circumstances of the case, the undersigned granted an opportunity of personal hearing to the Noticee on October 8, 2020 vide Notice of Hearing dated September 25, 2020. In view of the prevailing circumstances owing to Covid-19 pandemic, the hearing was scheduled through video conferencing on Webex platform. On the scheduled date of hearing, the Authorized Representative of the Noticee appeared before me through video conference and requested to take into account the submissions made by the Noticee vide its letter dated September 24, 2020, as his oral submissions.

CONSIDERATION OF ISSUES AND FINDINGS

8. The issues that arise for consideration in the instant matter are:

Issue No. I Whether the trading in illiquid Stock Options done by the Noticee during the Investigation Period were in violation of Regulations 3(a), (b), (c), (d) and 4(1) & 4(2)(a) of the PFUTP Regulations?

Issue No. II If yes, whether the violation, on the part of the Noticee would attract monetary penalty under Section 15HA of the SEBI Act?

Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5 (2) of the SEBI Adjudication Rules?

Issue No. I **Whether the trading in illiquid Stock Options done by the Noticee during the Investigation Period were in violation of**

Regulations 3(a), (b), (c), (d) and 4(1) & 4(2)(a) of the SEBI (PFUTP) Regulations?

9. As stated in preceding paragraphs, the position /trades entered into by the Noticee were squared up within a short span. The striking feature of the trades of the Noticee was that all the positions/trades were squared with the same counterparty with whom Noticee had originally traded/created position. The squaring up of the position/trade was at the substantial variation of price from the original position/trade. Thus, it was alleged that the Noticee had indulged in reversal trades. The said allegation was supported with evidence from the trade log containing records of all trades and reversal trades carried out by the Noticee in the Stock Options segment of the BSE during the Investigation Period and was also provided to the Noticee along with the SCN. On perusal of the details of trades carried out by the Noticee, it is observed that the Noticee took positions and then squared it up in 88 instances in 44 unique option contracts during the Investigation Period.

10. To illustrate, on June 2, 2015, the Noticee sold 3,60,000 units of the contract JPPW15JUN16.00PEW1 at 13:41:05 to Arjan Dass & Sons Pvt., Ltd., at a price of ₹5.20. Thereafter, the Noticee reversed its position by purchasing 3,60,000 units from the same counterparty on the same day at 14:01:55 at a price of ₹9.20. Thus, the position of the Noticee was squared up at an average difference of ₹4.00. The entire volume of 7,20,000 units in the said option contract was arising out of the trades done by the Noticee.

11. Similarly, on June 9, 2015, the Noticee sold 99,000 units of the contract SOIB15JUN12.00CEW2 at 13:26:15 to R S Ispat at a price of ₹6.60. Thereafter, the Noticee reversed its position by purchasing 99,000 units from the same counterparty on the same day at 13:48:58 at a price of ₹11.15. Thus, the position of the Noticee was squared up at an average difference of Rs. 4.55. The entire volume of 1,98,000 units in the said option contract was arising out of the trades done by the Noticee.

12. A similar *modus operandi* is seen to be adopted by the Noticee in its trades in the other 42 unique option contracts. It is observed from the trading of the

Noticee that in all the trades of the Noticee the buy order and sell order has been entered in less than a second of each other. As stated earlier, there is a substantial variation in price in both the legs.

13. From the reply of the Noticee, I note that the Noticee has not disputed execution and subsequent reversal of trades as alleged in the SCN. However, the Noticee, in its reply, has contended that the transactions were carried out by it at an anonymous platform provided by the BSE. The Noticee has also contended that there is nothing in SCN to show that she has violated any law and that intraday reversal was legal. I have considered the aforementioned contentions of the Noticee. In this regard, it may be noted that the Noticee was given details of its trades in the BSE options segment and the details of the trades, which are alleged to be reversed and manipulative. The material provided to the Noticee is sufficient to level allegation of artificial volume creation on the Noticee. Further, I find it relevant to refer to the decision of the Hon'ble Supreme Court in the matter of **Securities and Exchange Board of India v. Kishore R. Ajmera** [(2016) 6 SCC 368: AIR 2016 SC 1079] wherein, the Supreme Court has held, "*...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 conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned....*"

14. The Hon'ble Supreme Court, has further held that, "*...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 gathered from various circumstances like that volume of trade effected; the period of persistence in trading in a particular scrip; the particulars of buy and sell orders, namely the volume thereof; the proximity of time between the two and such relevant factors...*". Placing reliance of the observation of the Hon'ble Supreme Court in the aforementioned matter, I cannot accept the submission of the Noticee that

transactions were genuine on account of them being carried out on an anonymous platform of the exchange wherein, the Noticee had no knowledge of the counterparty. The manner of placement of the orders in both legs signify that the orders were entered in a premeditated manner and were not genuine in any manner.

15. At this juncture, I also find it relevant to refer to the decision of the Supreme Court in the matter of **Securities and Exchange Board of India v. Rakhi Trading Private Limited** (Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 dated February 08, 2018) wherein, the Hon'ble Supreme Court while cumulatively analyzing the reversal transactions 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”* The Court further stated that *“.....quantity, time and significant variation of prices, without major variation in the underlying price of the securities clearly indicate that Respondent's trades are not genuine and hand only misleading appearance of trading in the securities market.....”*.
16. Applying the ratio of the Supreme Court in the matter of **Kishore R. Ajmera** (*supra*) and **Rakhi Trading** (*supra*), I am of the view that execution of trades in an illiquid market with such precision in order placement indicates a prior meeting of mind with a view to execute the reversal trades at a pre-determined price. The Noticee has failed in explaining the rationale for the trading as mentioned in Table 1 wherein it has taken a position at a particular price and squared it up at significant price difference without any substantial variation in the price of underlying. Since, the option contracts were done in illiquid contracts (as the strike price was far away from the market price of underlying), there was no trading in the said contract and hence no price discovery. The only reason for the wide variation in prices of the same contract, within minutes and some, even seconds, was pre-determination in the prices by both

counterparties 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 to carry out trades at pre-determined prices. It is not possible to comprehend the reason for which the Noticee would enter into an option contract with a strike price very far away from the current market price of the underlying except for the fact that it wanted to execute non-genuine trades.

17. Further, it is observed from Table 1 above that the Noticee, on an average contributed 82% of the volume in the 44 contracts, wherein the Noticee has contributed 50% or more volume in 36 contracts and more than 20% in another 7 contracts. The high contribution of the trading of Noticee in these contracts show that general public was not interested in such contracts where strike price was far from the market price of underlying. Thus, these contracts were easy to manipulate and were chosen by the Noticee to execute non-genuine trades.

18. I further note that the Supreme Court in the matter of **Rakhi Trading** (*supra*), has held that, “*Regulation 2(1)(c) defines fraud. Under Regulation 2(1)(c)(2) a suggestion as to a fact which is not true while he does not believe it to be true is fraud. Under Regulation 2(1)(c)(7), a deceptive behaviour of one depriving another of informed consent or full participation is fraud. And Under Regulation 2(1)(c)(8), a false statement without any reasonable ground for believing it to be true is also fraud. In a reverse dealing in securities, with predetermined arrangement to book loss or gain between pre-arranged parties, all these vices are attracted.*” I am of the considered view that the scheme, plan, device and artifice employed by the Noticee in this case of executing reversal trades in illiquid stock options contracts at irrational, unrealistic and unreasonable prices, tantamount to fraud on the securities market in as much as it involves non-genuine/ manipulative transactions in securities and misuse of the securities market. The non-genuine and deceptive transactions of the Noticee are, prima facie, covered under the definition of 'fraud' and the dealings of the Noticee as discussed herein above were “fraudulent”, as defined under regulation 2(1)(c) of the SEBI (PFUTP) Regulations, 2003 and prohibited under the provisions of Regulations 3(a), (b), (c) and (d) and 4(1) and 4(2)(a) SEBI (PFUTP) Regulations, thereof.

19. Considering the synchronized manner of placing buy and sell orders within seconds of each other, reversing of the trades within a short time with widely varying prices of the two legs of trade in the same contract without any basis for such wide variation, I find that the reversal trades executed by the Noticee were *non-genuine* in nature and created an impression of genuine trading volumes in respective contracts. I am of the view that by engaging in such trades, the Noticee has violated provisions of Regulation 4(2)(a) of the PFUTP Regulations, which states that dealing in securities will be deemed to be a fraudulent or unfair trade practice if it involves “*indulging in an act which creates false or misleading appearance of trading in the securities market*”.
20. I once again find it relevant to place reliance on the decision of the Supreme Court in ***Rakhi Trading*** (*supra*) wherein, the Supreme Court while decision upon a case involving execution of reversal trades in index options, observed, “*the traders thus having engaged in a fraudulent and unfair trade practice while dealing in securities are hence liable to be proceeded against for violation of Regulations 3(a), 4(1) and 4(2) (a) of the PFUTP Regulations.*”
21. The Noticee has placed reliance on the Orders of the Hon’ble SAT with regard to connection among parties and reversal trades. The orders relied on by the appellant are distinguishable in the facts of the present matter and in law since subsequent Judgements of the Hon’ble Supreme Court in the matter of Securities and Exchange Board of India vs. Kishore R. Ajmera (2016) 6 SCC 368 and SEBI vs. Rakhi Trading (P) Ltd., 2018 (13) SCC 753 etc., whereby it has been conclusively held that preponderance of probability is sufficient in confirming violations like market manipulation as direct evidence in such matters may not be forthcoming”. Therefore, the reliance placed by the Noticee on the judgments of the Hon’ble SAT does not help it in the instant proceedings.
22. In view of the aforesaid findings, I find that the Noticee, by engaging in such non-genuine transactions, created a misleading impression of trading in respective contracts while dealing in Stock Options contracts in a fraudulent manner I am of the considered view that the aforesaid act of the Noticee is in clear violation of Regulation 3(a), (b), (c), (d), 4(1) and 4(2) (a) of the SEBI (PFUTP) Regulations.

Issue No. II If yes, whether the violation, on the part of the Noticee would attract monetary penalty under Section 15HA of the SEBI Act?

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Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5 (2) of the Adjudication Rules?

23. Since violation of Regulation 3(a), (b), (c), (d), 4(1) and 4(2) (a) of the SEBI (PFUTP) Regulations by the Noticee is established, I am of the view that the same warrants imposition of monetary penalty upon the Noticee under Section 15HA of the SEBI Act, text of which is produced as under :

SEBI Act

“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.”

24. While determining the quantum of penalty under Section 15HA of the SEBI Act, the following factors stipulated in Section 15J of the SEBI Act, have to be given due regard:

- 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.

25. As established in the preceding paragraphs, the trades carried out by the Noticee were non-genuine in nature and created a misleading appearance of trading. As brought out earlier, such trades were carried out by the Noticee in illiquid stock options contracts where there was negligible participation by the public. Investigation has shown amount of profit / loss of the counterparties to

the trades as a result of such non-genuine trades. However, considering that the violation by the Noticee is creation of artificial trading volumes by trading between two counterparties and wider market is not involved in the trades, the trades are such that one of the counterparty books a profit while the other counterparty books a loss. Hence, it would be appropriate to consider the impact of these transactions between the two counterparties in totality. When the impact of artificial volumes created by the two counterparties is seen as a whole, it is not possible from the material available on record to quantify the amount of disproportionate gain or unfair advantage resulting from the artificial trades between the counterparties or the consequent loss caused to investors as a result of the default.

ORDER

26. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15I (2) of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a penalty of ₹10,00,000/- (Rupees Ten Lakhs only) upon the Noticee i.e., Morisson Traders and Developments Pvt., Ltd., under Section 15HA of the SEBI Act for violation of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the SEBI (PFUTP) Regulations.
27. The said penalty imposed on the Noticee, as mentioned above, is commensurate with the violation committed by the Noticee and acts as a deterrent factor for the Noticee and others in protecting the interest of investors.
28. The Noticee shall remit / pay the said amount of penalty within 45 days from the date of receipt of this Order, either by way of Demand Draft in favour of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, OR through online payment facility available on the SEBI website www.sebi.gov.in on the following path by clicking on the payment link.

ENFORCEMENT → Orders → Orders of AO → PAY NOW

29. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-II, SEBI, in the format as given in table below:

Case Name	
Name of Payee	
Date of payment	
Amount Paid	
Transaction No	
Bank Details in which payment is made	
Payment is made for	Penalty

30. Copies of this Adjudication Order are being sent to the Noticee and to SEBI in terms of Rule 6 of the SEBI Adjudication Rules.

Date: October 16, 2020

Place: Mumbai

**PRASANTA MAHAPATRA
ADJUDICATING OFFICER**