

BEFORE THE SECURITIES APPELLATE TRIBUNAL  
MUMBAI

**Date of Decision : 21.08.2019**

**Appeal No. 301 of 2019**

Basic Clothing Pvt. Ltd.  
K-55, Udyog Nagar,  
Peergarhi, New Delhi - 110041. .... Appellant

Versus

Securities and Exchange Board of India  
SEBI Bhavan, Plot No. C-4A, G Block,  
Bandra Kurla Complex, Bandra (East),  
Mumbai - 400 051. ... Respondent

Mr. Amit Gupta, Advocate for the Appellant.  
Mr. Abhiraj Arora, Advocate with Ms. Misbah Dada, Advocate i/b  
ELP for the Respondent.

CORAM : Justice Tarun Agarwala, Presiding Officer  
Dr. C. K. G. Nair, Member

Per : Justice Tarun Agarwala, Presiding Officer (Oral)

1. Against the order of the Adjudicating Officer (hereinafter referred to as, 'AO') imposing a penalty of Rs. 5,50,000/- for violation of Regulation 3(a), 4(1) and 4(2)(a) of the Securities and Exchange Board of India (Prohibition of Unfair and Fraudulent Trade Practices relating to Securities Market) Regulation, 2003

(hereinafter referred to as, 'PFUTP Regulations') the present appeal has been filed.

2. The facts leading to the filing of the appeal is, that Securities and Exchange Board of India (hereinafter referred to as, 'SEBI') observed large scale reversal of trade in Stock Options segment of BSE Ltd. (hereinafter referred to as, 'BSE') leading to creation of artificial volume. In the investigation, it was found that trades executed in Stock Options segment of BSE were non genuine trades creating artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in Stock Options segment of BSE. During the investigation period, it was also found that the trading activity was done in illiquid Stock Options.

3. The appellant, Basic Clothing Pvt. Ltd. was one of the various entities which indulged in execution of non genuine trades in Stock Options segment of BSE during the investigation period. A show cause notice was issued indicating that the appellant had indulged in reversal trades which were non genuine and creating false and misleading appearance of trading in terms of artificial volumes in Stock Options and, therefore, were manipulative and deceptive in nature, thus, violating the provision of Regulations 3 and 4 of the PFUTP Regulations.

4. The AO after considering the reply and after giving an opportunity of hearing held that the appellant had violated the provision of Regulation 3 and 4 of the PFUTP Regulations and accordingly imposed a monetary penalty of Rs. 5,50,000/-.

5. Before the Tribunal the learned counsel for the appellant contended that no trades were executed by the appellant and nor any authority was given to the stockbroker to execute any trades on behalf of the appellant and contended that at the time of submission of the reply before the AO a specific relief was prayed that the authority should summon the stockbroker and question him as to how he had executed the trades.

6. The submission of the learned counsel for the appellant appeared to be attractive in the first flush, but when we considered the stand taken by the appellant before the AO, we find that no such stand was ever taken by the appellant as raised before us. In fact, the stand taken by the appellant before the AO was that he was trapped by M/s. R. K. Stockholding Pvt. Ltd. who was their stockbroker and who gave a rosy picture of high volatility with high rate of return in securities market and succeeded to gain confidence of the appellant by opening a trading account after signing the account opening

booklet the trades were performed in the account of the appellant under supervision of the stockbroker. Thus, it is clear that the appellant was doing trades which amounted to violation of Regulations 3 and 4 of the PFUTP Regulations.

7. In the light of the aforesaid, we do not find any error in the order passed by the AO. The appeal fails and is accordingly dismissed.

Sd/-  
Justice Tarun Agarwala  
Presiding Officer

Sd/-  
Dr. C. K. G. Nair  
Member

21.08.2019  
Prepared & Compared by  
PTM