



भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

PRASANTA MAHAPATRA
ADJUDICATING OFFICER
Email: prasantam@sebi.gov.in

By Speed Post & Email

EAD-8/PM/NJMR/ISO-II/ ^{20638/1} /2021
August 24, 2021

Basundhara Marcom Pvt., Ltd.,
(PAN: AAECB7768B)
2A, Ganesh Chandra Avenue
Commerce House, 7th Floor, Room No. 10A
Kolkata – 700013.

Email ID: ddsclients07@gmail.com

Show Cause Notice under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in the matter of dealings in Illiquid Stock Options against Basundhara Marcom Pvt., Ltd., ("Noticee")

1. Securities and Exchange Board of India (hereinafter, referred to as "SEBI") has initiated Adjudication proceedings against Basundhara Marcom Pvt., Ltd., (hereinafter referred to as "Noticee") for alleged violation of the provisions of Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as "PFUTP Regulations, 2003"), in the matter of trading in illiquid stock options on the BSE Ltd., ("BSE").
2. Shri Amit Pradhan was appointed as Adjudicating Officer vide order dated April 20, 2021, under Section 19 read with Sub-section (1) of Section 15-I of the SEBI Act, 1992 and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "SEBI Adjudication Rules") to inquire into and adjudge the alleged violation committed by the Noticee, under Section 15 HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "SEBI Act"). Subsequently, the instant proceedings have been transferred to the undersigned vide Order dated June 18, 2021. A



सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.

2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.
Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



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copy of the communiqué dated June 18, 2021 appointing the undersigned as Adjudicating Officer is placed at **Annexure "A"**.

3. SEBI observed large scale reversal of trades in stock options segment of BSE. Subsequently, upon investigation of the trading done during the period from April 1, 2014 to September 30, 2015 (hereinafter referred to as "Investigation Period" / "I.P.") in the stock options traded on BSE, SEBI observed large scale reversal of trades by various entities including the Noticee. The reversal trades comprised of 81.38% (2,91,643 trades) of all the trades executed in BSE Stock Options Segment wherein the open positions were squared off with a significant price difference without any basis for such change in the contract price. It is alleged that the aforesaid reversal trades were non-genuine in nature and also resulted into generation of artificial volumes.
4. The Noticee is alleged to have engaged in 8 instances in 3 unique contracts wherein the position was taken and was reversed with the same counterparty on the same day, but at a substantial price difference. Details of all the reversal trades of the Noticee and summary of all the reversal trades in Stock Option Segment of BSE during investigation period are given in **Annexure "B"** and **Annexure "C"** respectively.
5. A summary of dealings of Noticee in 3 Stock Options contracts in which the Noticee allegedly executed non genuine reversal trades during the investigation period, is as follows: -

Summary of dealings of Noticee in contracts wherein the Noticee executed reversal trades

Sl. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	% of Non-genuine 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	ALLD14DEC46.00PEW2	0.9	341000	0.05	341000	75	98.41
2	IDFC14DEC165.00CEW2	1.5	472000	0.05	472000	75	99.16





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3	UNIT14DEC20.00CEW1	0.8	459000	0.05	459000	100	100
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Note: "Unit" refers to lot size in contract multiplied by number of contracts traded.

6. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in one contract viz., "UNIT14DEC20.00CEW1" during the I.P., as follows:

(a) On December 4, 2014, the Noticee bought 4,59,000 units of the aforesaid contract at 09:39:47 (Buy order placed at 09:39:46; Sell Orders placed at 09:39:47) from Motisons Commodities Pvt., Ltd., at an average price of ₹0.80.

(b) On the same day the Noticee reversed his position by selling 4,59,000 units to the same counterparty at 11:38:09 (Buy order placed at 11:38:08; Sell Order placed at 11:38:09) at an average price of ₹0.05.

(c) From the above, it is noted that while dealing in above said contract during the investigation period, the Noticee executed total 2 trades (1 buy trade and 1 sell trade). This constituted 100% of the total market volume in the contract, and thereby the Noticee allegedly generated artificial volume of 9,18,000 units.

7. In view of the foregoing, it is alleged that Noticee, by indulging in execution of non-genuine reversal of trades in Stock Options with same entities on the same day, created false and misleading appearance of trading in stock options and therefore allegedly violated Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a) of SEBI (PFUTP) Regulations, 2003.

8. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act, the provisions of which are reproduced hereunder:

Section 15HA of SEBI Act

"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





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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”.

9. You are, therefore, called upon to show cause as to why an inquiry should not be held against you in terms of Rule 4 of the SEBI (Procedure for holding Inquiry and Imposing Penalties) Rules, 1995 read with section 15I of the SEBI Act, and why penalty should not be imposed section 15HA of the SEBI Act.
10. Your reply, if any, should reach the undersigned or through email at prasantam@sebi.gov.in and rajunjm@sebi.gov.in within 14 days from the date of receipt of this Notice, failing which it shall be presumed that the allegations levelled in this notice have been accepted by you and that you have waived the Notice under Rule 4(3) of SEBI Adjudication Rules, and the matter would be further proceeded with on the basis of the evidence available on record.
11. Further, you are required to keep the undersigned informed about the change in your correspondence address, if any, till the conclusion of the proceedings. You are also required to submit a photocopy of your PAN card and contact details viz. Telephone numbers / Fax numbers / Email IDs and details of contact persons for records.

PRASANTA MAHAPATRA
ADJUDICATING OFFICER



Enclosures: Documents relied upon are as follows:

Annexure	Copy of relevant documents enclosed with this SCN
A	Communique dated June 18, 2021 appointing Adjudicating Officer
B	Integrated trade log of all reversal trades of Noticee in Stock Option segment of BSE during the period April 1, 2014 to September 30, 2015
C	Summary of all reversal trades