



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Registered Post A.D./Email

DEPUTY GENERAL MANAGER &
ADJUDICATING OFFICER

NEW NO. SEBI/HO/14D/102/P/OW/2021/21465/1

AO/SY/SCN/R/ 17821 /2021

August 04, 2021

Rajan Kumar Gupta [PAN: AJGPG0069G]
22, Rabindra Sarani, Bowbazar,
Po C R Avenue, Kolkata,
West Bengal- 700073

Subject: Adjudication Proceedings in respect of Rajan Kumar Gupta in the matter of dealings in Illiquid Stock Options at BSE: Show Cause Notice under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995

1. Securities and Exchange Board of India (hereinafter, referred to as "SEBI") has initiated adjudication proceedings in respect of Rajan Kumar Gupta (hereinafter, referred to as "Noticee"), bearing PAN – AJGPG0069G, for allegedly violating 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 Bombay Stock Exchange Ltd. ("BSE").
2. In this regard, SEBI, after being satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violations as mentioned above inter-alia in respect of Noticee, appointed undersigned as the Adjudicating Officer under section 19 read with section 15I(1) of the SEBI Act, 1992 (hereinafter, referred to as "SEBI Act") and Rule 3 of SEBI(Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter, referred to as "SEBI Adjudication Rules 1995") to conduct adjudication proceedings in the manner specified under rule 4 of SEBI Adjudication Rules, 1995 read with section 15I (1) and (2) of SEBI Act, and if satisfied that the Noticee is liable, to impose such penalty deemed fit in terms of Rule 5 of SEBI Adjudication Rules 1995 and Section 15HA of SEBI Act. A copy of the communiqué dated



सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

June 28, 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 the BSE leading to creation of artificial volume. Subsequently, SEBI conducted an investigation into the trading activity in illiquid Stock Options at BSE (hereinafter, referred to as "investigation") for the period between April 1, 2014 to September 30, 2015 (hereinafter referred to as "Investigation Period").
4. Reversal trades have been considered those trades in which an entity reverses its 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 normal course of trading, lack basic trading rationale and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were deceptive and manipulative. Artificial volume is considered to be the volume (no. of units) reversed in both legs of said reversal trades while keeping out the volume, if any, which is not reversed.
5. Pursuant to investigation, it was observed that during the investigation period, a total of 2,91,744 trades comprising 81.41% of all the trades executed in Stock Options Segment of BSE were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. The aforesaid reversal trades allegedly resulted into generation of artificial volumes.
6. The Noticee was one of the entities which were allegedly indulged in reversal trades creating false and misleading appearance of trading, generating artificial volumes in the Stock Options Segment of BSE during the investigation period. The Noticee is alleged to have engaged in reversal trades through 2 trades in 1 unique contract, which led to generation of alleged artificial volume of 3,00,000 units. These trades of the Noticee involved reversal with the same counterparty on the same day, but at different prices. Details of all the trades (which were also reversal trades in nature) of Noticee in Stock Options segment of BSE during the investigation period are given in Annexure B. An analysis of dealings of the Noticee in 1 Stock Options contract in which the said Noticee allegedly executed reversal trades during the investigation period is given in Annexure C.





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड**
**Securities and Exchange
Board of India**

7. The trades entered by the Noticee were reversed on the same day with same counterparty 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.
8. A summary of dealings of Noticee in 1 Stock Options contract in which the said Noticee allegedly executed reversal trades during the investigation period, is as follows: -

Summary of dealings in contracts wherein the Noticee executed reversal trades

S. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1.	RCOM15JAN70.00PEW4	0.05	1,50,000	2.05	1,50,000	100%	18.99%

Note: "Unit" refers to lot size in contract multiplied by number of contracts traded.

9. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in one contract viz. "RCOM15JAN70.00PEW4" during the investigation period, as follows: -
- (a) During the investigation period, 2 trades for 3,00,000 units were executed by the Noticee in the said contract on January 19, 2015.
- (b) While dealing in the said contract on January 19, 2015, at 14:07:57.42 hrs, the Noticee entered into a sell trade with counterparty Tarang Stock Broking Services Pvt Ltd for 1,50,000 units at ₹2.05 per unit. At 14:35:34.96 hrs, the Noticee entered into a buy trade with the same counterparty, for 1,50,000 units at ₹0.05 per unit.
- (c) The Noticee's two trades while dealing in the aforesaid contract during the investigation period allegedly generated artificial volume of 3,00,000 units, which made up 18.99 % of total market volume in the said contract during this period.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

10. 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 entity 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 PFUTP Regulations, 2003.

Aforementioned provisions read as follows:

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;*

11. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act. Noticee, is therefore, called upon to show cause as to why an inquiry be not held against him in terms of Rule 4 of the SEBI Adjudication Rules, 1995 read with section 15 I of the SEBI Act, and penalty be not imposed in terms of Rule 5 of the said Rules and the provisions of Section 15HA of SEBI Act. Aforementioned provisions read as follows:

Penalty for fraudulent and unfair trade practices.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

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].

Rule 5 of the SEBI Adjudication Rules, 1995

5. (1) If, upon consideration of the evidence produced before the adjudicating officer, the adjudicating officer is satisfied that the person has become liable to penalty under any of the sections specified in sub-section (1) of section 15-I, he may, by order in writing, impose such penalty as he thinks fit in accordance with the provisions of the relevant section or sections specified in section 15-I.

(2) While adjudging the quantum of penalty under section 15-I, 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.

(3) Every order made under sub-rule (1) shall specify the provisions of the Act in respect of which default has taken place and shall contain brief reasons for such decisions.

(4) Every such order shall be dated and signed by the adjudicating officer.

12. Reply, if any, from the Noticee shall reach the undersigned within 14 days from the date of receipt of this Show Cause Notice (SCN), failing which it shall be construed that Noticee has no reply to submit for their defence, and the matter shall be further proceeded with on the basis of the evidence available on record in terms of Rule 4 (7) of SEBI Adjudication Rules, 1995. Noticee in his reply to SCN may also indicate whether Noticee desires a personal hearing in the matter.

13. SCN issued to Noticee is sent through speed post AD to address of Noticee available on record and the scanned copy of the SCN is sent to E-mail Id of Noticee viz. guptarittik@gmail.com.

14. In addition to the physical reply, Noticee is advised to send soft copy of reply in word / pdf form via e-mail to sachiny@sebi.gov.in, rashmi@sebi.gov.in. Noticee is also advised to submit a photocopy of his PAN card, updated correspondence address and email ID numbers, fax numbers, if any, till the proceedings are complete.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

15. The Noticee may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018(hereinafter referred to as "Settlement Regulations"). If the Noticee wishes to opt for the settlement process, he may apply for the same in the manner given in the Settlement Regulations under intimation to the undersigned. Further, he may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.


SACHIN YADAV
ADJUDICATING OFFICER

Enclosures: Documents relied upon are as follows: -

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A	Communique dated June 28, 2021 appointing Adjudicating Officer	2
B	Integrated trade log of all trades (which were also reversal trades) of Noticee in Stock Option segment of BSE during the investigation period i.e., April 1, 2014 to September 30, 2015	4
C	Summary of dealings of Noticee in 1 Stock Options contract in which Noticee allegedly executed reversal trades during the investigation period	1



SECURITIES AND EXCHANGE BOARD OF INDIA
Order communicating appointment of Adjudicating Officer

1. Whereas, Securities and Exchange Board of India (SEBI) has conducted examination trading in option on individual stocks listed on Bombay Stock Exchange for possible violation of the provisions of the securities and Exchange Board of India Act, 1992 (hereinafter referred to as the 'SEBI Act') and various Rules and Regulations made there under.
2. Whereas, the Competent Authority is *prima facie* of the view that there are grounds to adjudicate upon the alleged violations of provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003 by certain entities.
3. The Competent Authority has, therefore, in exercise of the powers conferred upon her under Section 19 of the SEBI Act read with Section 15 I(1) of the SEBI Act and Rule 3 of securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ("hereinafter referred as the 'SEBI Rules') read with section 19 of the SEBI Act appointed certain Division Chiefs as Adjudicating Officers vide Order dated April 30, 2021 to enquire into and adjudge under Sections 15HA SEBI Act the alleged violations by the entities.
4. The list of the entities against whom adjudication is approved and the names of the respective Adjudicating Officers who are appointed to adjudicate against these entities is enclosed as Annexure.
5. The said proceedings of appointment are hereby being communicated to the Adjudicating Officers who shall conduct the Adjudication Proceedings in the manner specified under Rule 4 of the of the SEBI Rules read with sub-section (1) and (2) of Section 15 I of SEBI Act. The Adjudicating Officers shall enquire

into and adjudicate upon the alleged violation as stated above and if the Adjudicating Officers are satisfied that the entities have become liable to penalty, may impose penalty, as they think fit, in terms of Rule 5 of the SEBI Rules and provisions of Sections 15 HA of the SEBI Act.

Dated at Mumbai, this 28th day of June 2021.

Bhavana R.K

**BHAVANA RAVIKUMAR
GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA**

S. No.	Case ID	PAN Number	Entity Name	AO Name
423	210018469	AJGPG0069G	RAJAN KUMAR GUPTA	Sachin Yadav

BRN

Annexure - B

TRADE_DATE	RIPCODE	clnt_pan	clnt_name	cp_pan	cp_name	ORDER_NO	CP_ORDER_NO	TRADEID	ORDER_TIME
19/01/2015	868557	AAACT9338F	TARANG STOCK BROK	AJPG0069G	RAJAN KUMAR GUPTA	1421651286630002010	1421651286630002005	16891	14:07:5
19/01/2015	868557	AJPG0069G	RAJAN KUMAR GUPTA	AAACT9338F	TARANG STOCK BROK	1421651286630002012	1421651286630002011	15638	14:35:34.961023

LTP_RATE	P_PERCENTAGE	MADE_VALID	ORDER_R	ORDER_R	LMR	LM	ORDER_LTP	CP_ORDER_LTP	TRADED_QTY	RDER_Q	ORDER_Q	ORDER_AVLQTY
2.0	4000.0	10807500	2.05	2.05	2.05	2.05	2.05	74000.0	150000	790000	150000	790000
-2.0	-97.56	10507500	0.05	0.05	0.05	0.05	0.05	2.05	150000	150000	790000	150000

OLD_CLIENT	MODIFIED_CLI	MEMBER	MEMBER_N	OLD_CLIENT	MODIFIED_CLI	TERMINAL	USER_NAM	TERMINAL_ADD	TERMINAL	USER_NAM	TERMINAL_ADD	ORDER_TYP	ORDER_TYP
TTA STOCK	M0866T50	5155	LALIT KUMAR TULSHY	AN27	M0866T50	221	SWAPAN	[41 JAWAH	1	UTSAV	TUJ6 LYONS R/A	A	L
AR TULSHY	AN27	990	THE CALCUTTA STOCK	M0866T50		1	UTSAV	TUJ6 LYONS R/A	221	SWAPAN	[41 JAWAH/A	A	L

SERIES	MKT_TYPE	ISIN_NO	qty
EQD	N		150000
EQD	N		150000

Annexure-C

PAN	SCRIPNAME	Buy Quantity	Buy Value (in ₹)	Average Buy rate (in ₹)	Sell Quantity	Sell Value (in ₹)	Average Sell rate (in ₹)	Number of reversal trades executed by Entity in the Contract	Total number of trades executed by the Entity in the Contract	Total number of trades executed in the contract	Artificial volume generated by Entity in the Contract	Total volume generated by Entity in the Contract	Total volume In the Contract	% of reversal trades of Entity in the contract to Total trades in the Contract	% of reversal trades of Entity in the contract to Total trades in the Contract = (J/L)	% of Artificial Volume generated by Entity in the contract to Total Volume in the Contract = (M/N)	% of Artificial Volume generated by Entity in the contract to Total Volume in the Contract = (M/O)
AUGPD069G	RCOM15JAN70.IJP.EW4	150000	7500	0.05	150000	307500	2.05	2	2	10	300000	300000	1580000	100	20	100	18.98734