



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post

ADJUDICATING OFFICER

SEBI/HO/IMD/CIS/OW/ 10625 /2022/1

March 11, 2022

RAJ KUMAR NEMANI AND SONS HUF,

[PAN: AAHHR0158K]

12, Shiv Nath Shastri, Sarani,

Kolkata, West Bengal -700029

Email: siddnem@hotmail.com

Subject: Adjudication Proceedings in respect of Raj Kumar Nemani And Sons HUF 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) Rules, 1995

1. Securities and Exchange Board of India (hereinafter, referred to as "SEBI") has initiated adjudication proceedings in respect of Raj Kumar Nemani And Sons HUF (hereinafter, referred to as "Noticee"), bearing PAN – AAHHR0158K, 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. The undersigned was appointed as Adjudicating Officer vide order dated September 20, 2021, to enquire into and adjudge under Section 15 HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "SEBI Act"), the alleged violations by the Noticee. A copy of the communiqué dated September 27, 2021 appointing the undersigned as Adjudicating Officer is placed at Annexure A.
3. As part of ongoing surveillance, SEBI came across large scale reversal of trades in Stock Options segment of the BSE. 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").

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (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

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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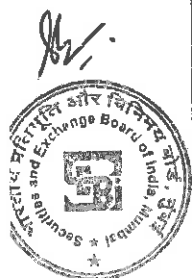
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4. Pursuant to investigation, it was observed that during the investigation period, a total of 2,91,744 trades comprising 81.40% of all the trades executed in BSE Stock Options Segment were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. The reversal trades involved squaring off transactions, but with significant difference in the sell value and buy value of the transactions. The aforesaid reversal trades allegedly resulted into generation of artificial volumes.
5. 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 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 272000 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**.
6. 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.
7. 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

Sr. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. units)	Avg. Sell Rate (₹)	Total Sell Volume (no. units)	% 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
1.	ALLD15MAR55.00PEW3	0.05	136000	2.25	136000	100	6.69

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





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8. The above mentioned reversal trades and volumes are illustrated through the dealings of Noticee in the one contract viz, "ALLD15MAR55.00PEW3" during the investigation period, as follows:-
- a) During the investigation period, 2 trades for 272000 units were executed by the Noticee in the said contract on 09/03/2015.
 - b) While dealing in the said contract on 09/03/2015, at 13:24:36 hrs, the Noticee entered into a sell trade with counterparty Laxmi Rolling And Strips Private Limited for 136000 units at ₹2.25 per unit. At 13:42:48 hrs, the Noticee entered into a buy trade with the same counterparty, for 136000 units at ₹0.05 per unit.
 - c) The Noticee's two trades while dealing in the above said contract during the investigation period allegedly generated artificial volume of 272000 units, which made up 6.69% of total market volume in the said contract during this period.
9. 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 PFUTP Regulations, 2003.
10. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act.
11. 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 15 I of the SEBI Act, and why penalty should not be imposed section 15HA of the SEBI Act.
12. Your reply, if any, should reach the undersigned or through email at sarikak@sebi.gov.in within 14 days from the date of receipt of this Notice, failing which it shall be presumed that you have no reply to submit and the matter would be further proceeded with on the basis of the evidence available on record in terms of sub-rule (7) of Rule (4) of the Adjudication Rules. You may also indicate whether you desire a personal hearing in the matter.



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13. 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 / e-mail IDs and details of contact persons for records.

Sarikha
11/03/2021

SARIKA KATARIA
ADJUDICATING OFFICER

Enclosures: Documents relied upon are as follows:-

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A	Communique dated September 27, 2021 appointing Adjudicating Officer	2
B	Integrated trade log of all trades of Noticee in Stock Option segment of BSE during the investigation period i.e, April 1, 2014 to September 30, 2015	1
C	Summary of dealings of Noticee in 1 Stock Options contract in which Noticee allegedly executed reversal trades during the investigation period	1

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Annexure 'A'

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

1. Whereas, Securities and Exchange Board of India (SEBI) has conducted examination into the trading in options 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 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, vide Order dated September 20, 2021, appointed certain Division Chiefs as Adjudicating Officers to enquire into and adjudge under Section 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.



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6. 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 for penalty, may impose penalty, as they think fit, in terms of Rule 5 of the SEBI Rules and provisions of Sections 15HA of the SEBI Act.

Dated at Mumbai, this 27th day September 2021.

Bhavana R.K.

BHAVANA RAVIKUMAR
GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA



S. No.	Case ID	Case Name	PAN Number	Entity Name	AO Name
1944	210010242	ISO at BSE-RAJ KUMAR NEMANI AND SONS HUF	AAHHR0158K	RAJ KUMAR NEMANI AND SONS HUF	Sarika Kataria

BSE



Annexure 'B'	
PAN	AAHHR0158K
TRADE_DATE	09/03/2015
SCRIPCODE	843406
CLNT_PAN	AAHHR0158K
CLNT_NAME	RAJ KUMAR NEMANI AND SONS HUF
CP_PAN	AAACL8886A
CP_NAME	LAXMI ROLLING AND STRIPS PRIVATE LIMITED
ORDER_NO	1425877419181005022
CP_ORDER_NO	1425877419181005020
TRADEID	14810
ORDER_TIME	13:42:48.924148
CP_ORDER_TIME	13:42:18.178445
TRADE_TIME	13:42:48.924148
TRADE_RATE	0.05
LTP_RATE	0.0
LTP_PERCENT	0.0
TRADE_VALUE	7486800.0
ORDER_RATE	0.05
CP_ORDER_RATE	0.05
ORDER_LTP	0.05
CP_ORDER_LTP	0.05
TRADED_QTY	136000
ORDER_QTY	136000
CP_ORDER_QTY	1104000
MEMBER_NAME	THE CALCUTTA STOCK EXCHANGE LTD.
CP_MEMBER_NAME	BEST BULL STOCK TRADING PVT.LTD.
ORDER_TYPE	L
CP_ORDER_TYPE	L
SCRIPNAME	ALLD15MAR55.00PEW3
EXPIRY	2015-03-19
STRIKEPRICE	5500.0



Annexure 'C'	
PAN	AAHHR0158K
SCRIPNAME	ALLD15MAR55.00PEW3
Average Buy rate (in ₹)	0.05
Buy Quantity	136000
Buy Value (in ₹)	6800
Average Sell rate (in ₹)	2.25
Sell Quantity	136000
Sell Value (in ₹)	306000
Number of reversal trades executed by Entity in the Contract	2
Total number of trades executed by the Entity in the Contract	2
Total number of trades executed in the contract	19
Artificial volume generated by Entity in the Contract	272000
Total volume generated by Entity in the Contract	272000
Total volume in the Contract	4064000
% of reversal trades of Entity in the contract to Entity's Total trades in the Contract	100
% of reversal trades of Entity in the contract to Total trades in the Contract = (I/K)	10.53
% of Artificial Volume generated by Entity in the contract to Entity's Total Volume in the Contract = (M/N)	100
% of Artificial Volume generated by Entity in the contract to Total Volume in the Contract = (L/M)	6.69

