



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

By Speed Post A.D./Email

DEPUTY GENERAL MANAGER &
ADJUDICATING OFFICER

SEBI/HO/IMD-II/DoF-4/MSB/OW/01308/1/2022
January 6, 2022

NINA NAG [PAN: ADXPN7336E]

3C1 JAWAHAR NAGAR COLONY
KANKE ROAD
RANCHI JHARKHAND -834008

Email:

Mobile: 9304813658

Notice under Rule 4(1) of Securities and Exchange Board of India (Procedure for Holding Inquiry and imposing Penalties by Adjudicating Officer) Rules, 1995 in the matter of trading in Illiquid Stock Options of BSE

1. Securities and Exchange Board of India (hereinafter, referred to as "SEBI") has initiated adjudication proceedings in respect of NINA NAG (hereinafter, referred to as "Noticee"), bearing PAN – ADXPN7336E 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 27, 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").



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4. Pursuant to investigation, it was observed that during the investigation period, a total of 2,91,744 trades comprising 81.41% 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 3 trades in 1 unique contract, which led to generation of alleged artificial volume of 2,48,000 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 of Noticee in Stock Options segment of BSE during the investigation period are given in Annexure B, and summary details of all the reversal trades of the Noticee in Stock Option Segment of BSE during investigation period are given in Annexure C.
6. The trades entered by the Noticee were reversed on the same day with 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.
7. A summary of dealings of Noticee in one Stock Options contracts 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 (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of 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.	UCOB15JUL40.00PEW3	0.05	124000	2.45	124000	100.00%	11.05%

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



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8. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in the one contract viz UCOB15JUL40.00PEW3 during the investigation period, as follows:
- (a) During the investigation period, 3 trades for 2,48,000 units were executed by the Noticee in the said contract on 03/07/2015.
- (b) While dealing in the said contract on 03/07/2015, at 12:53:56.340970 hrs the Noticee entered into two sell trades with counterparty J B OVERSEAS for 4,000 units at Rs.1 per unit and for 1,20,000 units at Rs.2.5 per unit. Again at 13:16:50.677109 hrs the Noticee entered into a buy trade with the same counterparty for 1,24,000 units at Rs.0.05 per unit.
- (c) The Noticee's three trades while dealing in the abovesaid contract during the investigation period allegedly generated artificial volume of 2,48,000 units, which made up 11.05% of total market volume (22,44,000 units) 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 Noticees 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 by Adjudicating Officer) Rules, 1995 read with section 15 I of the SEBI Act, and why penalty should not be imposed section 15HA of the SEBI Act.



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