By Speed Post A.D.

ACHAL SINGH
ADJUDICATING OFFICER
E-mail: achals@sebi.gov.in

SEBI/HO/CFD/DCR-2/P/OW/2022/9593/1
March 07, 2022

ALLNEW DISTRIBUTORS PVT LTD
PAN No.: AAKCA2105M
9 12 1.AI BAZAR STREET BLOCK A 2ND FLOOR
ROOM NO 63 KOLKATA WEST BENGAL- 700001
Email ID: allnew123@rediffmail.com
Mobile No.: 9681002210

Subject: Adjudication Proceedings in respect of ALLNEW DISTRIBUTORS PVT LTD 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 ALLNEW DISTRIBUTORS PVT LTD (hereinafter, referred to as **"Noticee"**), bearing PAN – AAKCA2105M, 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 19 read with Sub-section (1) of Section 15-I of the Securities and Exchange Board of India Act, 1992 (herein after referred to as the SEBI Act, 1992) and Rule 3 of SEBI(Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "Adjudication Rules, 1995") to inquire into and adjudge the alleged violation committed by Noticee under Section 15 HA of the SEBI Act. 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 01, 2014 to September 30, 2015 (hereinafter referred to as **"Investigation Period"**).

4. Pursuant to investigation, it was observed that during the investigation period, a total of 2,91,643 trades comprising 81.38% 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.

दूरभाष
Tel.: 2644 9650 / 4045 9650 EVRSI 2644 9000 / 4045 9000 Fax: 2644 9019 & 2644 9022 www.sebi.gov.in

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 in 1 unique contract, which led to generation of alleged artificial volume of 2,50,000 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 which are also of the nature of reversal trades are given in **Annexure B** and detailed summary of all the dealings in the contract "PFCL15APR280.00CE", in which Noticee allegedly executed non genuine 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 (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	PFCL15APR280.00CE	14	1,25,000	2	1,25,000	100%	23.85%

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

8. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in one contract viz, "PFCL15APR280.00CE" during the investigation period, as follows:-

(a) During the investigation period, 2 trades for 1,25,000 units each were executed by the Noticee in the said contract on March 24, 2015.

(b) While dealing in the said contract on March 24, 2015, at 11:48:03 hrs the Noticee entered into a sell trade with counterparty Shri Radha Raman Alloys Limited, for 1,25,000 units at Rs. 2 per unit. At 11:48:07 hrs the Noticee entered into a buy trade with the same counterparty for 1,25,000 units at Rs. 14 per unit.

(c) The Noticee's 2 trades while dealing in the above said contract during the investigation period allegedly generated artificial volume of 2,50,000 units, which is 23.85% of the 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, the provisions of which are reproduced hereunder:

Regulation 3 of SEBI (PFUTP) Regulations: - Prohibition of certain dealings in securities

3. 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 thereunder;
(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 thereunder.

Regulation 4 of SEBI (PFUTP) Regulations: - 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;

10. The aforesaid alleged violations, if established, make the Noticees liable for monetary penalty under section 15HA of the SEBI Act which reads as under:

Section 15HA of SEBI Act - Penalty for fraudulent and unfair trade practices

"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"

अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

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 Adjudication Rules, 1995 read with section 15 I of the SEBI Act, and why penalty should not be imposed under section 15HA of the SEBI Act.

12. Your reply, if any, should reach the undersigned or through email at achals@sebi.gov.in and abhijeets@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.

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.

07/12/2022

ACHAL SINGH
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	3
B	Integrated trade log of all trades of Noticee in Stock Option segment of BSE (which are also of nature of reversal trades) during the investigation period i.e, April 01, 2014 to September 30, 2015	2
C	Summary of all the dealings in the contract "PFCL15APR280.00CE" in which Noticee allegedly executed non genuine trades during the investigation period.	1