भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

***VIJAYANT KUMAR VERMA***
***GENERAL MANAGER***
*Email: vijayantkv@sebi.gov.in*

**SEBI/HO/EAD9/EAD/VKV/NK/2022/3602/1**

**January 28, 2022**

***By Speed Post with AD***

**SARITA DEVI AGARWAL**
**(PAN: ABBPA6796M)**
JUGSALAI RAJ STORE,
JASEDPORE, JAMSHEDPUR,
JHARKHAND -831006

**Subject: Notice under rule 4(1) of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 in the matter of dealings in Illiquid Stock Options on BSE**

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") has initiated adjudication proceedings in respect of *inter-alia* SARITA DEVI AGARWAL bearing PAN: ABBPA6796M (hereinafter referred to as "**Noticee**"/ "**you**") for carrying out non-genuine trades in illiquid stock options at Bombay Stock Exchange (hereinafter referred to as **"BSE"**), thereby, allegedly violating regulations 3(a), (b), (c), (d), 4(1) and 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**").

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 the undersigned as Adjudicating Officer under section 19 read with section 15-I(1) of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**") and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties


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

by Adjudicating Officer) Rules, 1995 (hereinafter, referred to as "**Adjudication Rules, 1995**") to conduct adjudication proceedings in the manner specified under rule 4 of Adjudication Rules, 1995 read with section 15-I (1) and (2) of SEBI Act, and if satisfied that penalty is liable, impose such penalty as deemed fit in terms of rule 5 of Adjudication Rules, 1995 and section 15HA of SEBI Act. A copy of communique dated April 26, 2021, conveying the appointment of Adjudicating Officer is enclosed as **Annexure A**.

3. SEBI observed large scale reversal of trades in Stock Options segment of BSE leading to creation of artificial volume. SEBI conducted an investigation into the trading activities of certain entities in illiquid Stock Options at BSE (hereinafter, referred to as "**Investigation**") for the period 01/04/2014 to 30/09/2015 (hereinafter referred to as **"Investigation Period" or "I.P."**).

4. Reversal trades are considered non genuine trades if they involve an entity reversing its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. Artificial volume is considered as the volume (no. of units) reversed in non-genuine trades, comprising both original volume and reversed volume while keeping out the volume which is not reversed.

5. Pursuant to investigation, it was observed that during the I.P., total 2,91,744 trades comprising substantial 81.40% of all the trades executed in Stock Options Segment of BSE were non genuine trades. The aforesaid non genuine trades resulted into creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in Stock Options segment of BSE during the I.P.

6. It is noted that said non genuine trades were not restricted to any specific contract or between any specific set of entities. It is noted that Noticee was one of the various entities who indulged in execution of non-genuine trades in Stock Options Segment of

BSE during the I.P. Following points deal with the dealings of the Noticee during I.P. and allegations against the Noticee for execution of non-genuine trades.

7. Non genuine trades and artificial volume are illustrated through the dealings of Noticee in the contract viz, "CANB15MAR400.00PE" during the I.P., mentioned as follows:

(a) During the I.P., total 4 trades for 400000 units were executed in the said contract wherein Noticee was party to the said 4 trades.

(b) While dealing in the said contract on 18/03/2015, Noticee at 14:55:22.26 hrs entered into 1 buy trade with counter party viz, LOKESH BHANWARLAL BHARADIA for 100000 units at rate of Rs. 2 per unit. Thereafter, on the same day, Noticee at 14:55:26.66 hrs entered into 1 sell trade with same counterparty for 100000 units at the rate of Rs. 6.5 per unit. Further, on same day i.e., on 18/03/2015, Noticee at 14:54:24.10 hrs entered into 1 buy trade with counter party viz, RASHI COMMERCIAL COMPANY for 100000 units at rate of Rs. 1 per unit. Thereafter, on the same day, Noticee at 14:54:29.36 hrs entered into 1 sell trade with same counterparty for 100000 units at the rate of Rs. 6.5 per unit Details of the same given as below:

| Date | Client name | Counter party name | Trade quantity | Trade time (in HH:MM:SS) | Trade rate (in Rs. Per unit) |
|---|---|---|---|---|---|
| 18/03/2015 | SARITA DEVI AGARWAL | LOKESH BHANWARLAL BHARADIA | 100000 | 14:55:22.26 | 2 |
| 18/03/2015 | SARITA DEVI AGARWAL | RASHI COMMERCIAL COMPANY | 100000 | 14:54:24.10 | 1 |
| 18/03/2015 | RASHI COMMERCIAL COMPANY | SARITA DEVI AGARWAL | 100000 | 14:54:29.36 | 6.5 |

| | | | | | |
|---|---|---|---|---|---|
| 18/03/2015 | LOKESH BHANWARLAL BHARADIA | SARITA DEVI AGARWAL | 100000 | 14:55:26.66 | 6.5 |

(c) From the above, it is noted that while dealing in the said contract during the I.P., Noticee executed total 4 reversal trades (2 buy trade + 2 sell trade) with same counterparties viz, LOKESH BHANWARLAL BHARADIA and RASHI COMMERCIAL COMPANY respectively on the same day.

(d) Thus, Noticee, through dealing in the contract viz, "CANB15MAR400.00PE" during the I.P., executed 4 non genuine trades which is 20% of the total trades from the market in the said contract during the I.P., and thereby, Noticee generated artificial volume of 400000 units which is 21.3% of the volume traded in the said contract from the market during the I.P.

8. As regard to all the dealings of Noticee in the Stock Options segment of BSE during the I.P., it is noted that the Noticee has traded in 1 unique contracts, from which the Noticee has allegedly executed 4 non genuine trades in 1 Stock Options contracts which resulted in artificial volume of total 400000 units.

9. Details of all the non-genuine trades of Noticee in Stock Option Segment of BSE during I.P. are enclosed as **Annexure B**. An analysis of dealings of the Noticee in 1 Stock Options contracts in which the said Noticee allegedly executed reversal trades during the I.P. is given in **Annexure C**.

10. Summary of dealings of the Noticee in 1 Stock Options contracts, in which the Noticee allegedly executed non genuine trades during the I.P., is as follows:

| S. No. | Contract Name | Avg. Buy | Total Buy Volume | Avg. Sell | Total Sell Volume | % of Non Genuine | % of Non Genuine | % of Artificial Volume | % of Artificial Volume |
|---|---|---|---|---|---|---|---|---|---|

| | | Rate (Rs) | (No. of units) | Rate (Rs) | (No. of units) | trades of Noticee in the contract to Noticee's Total trades in the Contract | trades of Noticee in the contract to Total trades in the Contract | generated by Noticee in the contract to Noticee's Total Volume in the Contract | generated by Noticee in the contract to Total Volume in the Contract |
|---|---|---|---|---|---|---|---|---|---|
| 1 | CANB15MAR400.00PE | 1.5 | 200000 | 6.5 | 200000 | 100 | 20 | 100 | 21.3 |

11. From the above table, following is noted as regard to dealings of the Noticee:

(a) The Noticee has executed non genuine trades in 1 contract, wherein all trades executed by Noticee in the above contract was non genuine trades.

(b) No. of non-genuine trades of the Noticee was significantly high i.e., 100% of total trades executed by the Noticee in the above contract. Moreover, the said non genuine trade executed by the Noticee contributed 20% to the total trades that have taken place in the contract.

(c) Substantial 100% of the volume generated by the Noticee in the above contract was artificial volume. Further, Percentage of artificial volume generated by the Noticee in the contract to the total volume in the contract was 21.3% in the above contract.

(d) Alleged non genuine trades executed by the Noticee in above contract had significant difference in buy rates and sell rates considering that the trades were reversed on same day.

12. In view of the foregoing, it is alleged that the Noticee indulged in execution of reversal of trades in Stock Options with same entities on the same day. Such trades are non-genuine in nature and have created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore are alleged to be manipulative and deceptive in nature. In view of the same, it is alleged that the Noticee has violated regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003. The text of the 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 [manipulative,] fraudulent or an unfair trade practice in securities [markets].*

*[Explanation.–For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.]*

*(2) Dealing in securities shall be deemed to be a [manipulative] fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*
*(a) [knowingly] indulging in an act which creates false or misleading appearance of trading in the securities market;*

13. The aforesaid alleged non-compliance, if proved, makes the Noticee liable for penalty under section 15HA of the SEBI Act. The text of the said provision is reproduced below:

***Penalty for fraudulent and unfair trade practices.***

*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].*

14. In view of the above, you are 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, if any, should not be imposed on you under the provisions of section 15HA of the SEBI Act.

15. Your reply, if any, should reach the undersigned at the address given below as well as through email at vijayantkv@sebi.gov.in and noorinkhan@sebi.gov.in (in MS Word/ MS Excel Format) 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, 1995. You may also indicate whether you desire a personal hearing in the matter.

**Securities and Exchange Board of India**
**SEBI Bhavan II, C7, 'G' Block,**
**Bandra Kurla Complex, Bandra (East)**
**Mumbai – 400 051**

16. 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.

V.K.Verma
**Vijayant Kumar Verma**
**Adjudicating Officer**

Enclosure(s):

| Annexure | Copy of relevant documents enclosed with this SCN |
|---|---|
| A | Communique dated 26/4/2021 appointing Adjudicating Officer |
| B | Integrated trade log of all non-genuine trades of Noticee in Stock Option segment of BSE during I.P. i.e, 01/04/2014 to 30/09/2015 |
| C | Summary of dealings of Noticee in 1 Stock Options contracts in which Noticee allegedly executed reversal trades during the I.P. |

Annexure A

# SECURITIES AND EXCHANGE BOARD OF INDIA

## Communication of the Order appointing Adjudicating Officer

1. Whereas the Securities and Exchange Board of India (SEBI) has examined trading in the scrip of Illiquid Stock Options at BSE 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 by the entities mentioned at Annexure A.

3. And whereas the Competent Authority had, in exercise of the powers conferred upon her under Section 15-I(1) of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred as **"the SEBI Rules"**) read with Section19 of the SEBI Act, appointed **Shri Suresh, B. Menon, Chief General Manager, Shri Amit Pradhan, Chief General Manager, Shri G. Ramar, Chief General Manager, Shri K. Saravanan, Chief General Manager, Ms. Maninder Cheema, Chief general Manager, Shri Prasanta Mahapatra, Chief General Manager, Shri Vijayant Kumar Verma, General Manager, Ms. Soma Majumder, General Manager** as Adjudicating Officers vide Order dated April 20, 2021, to enquire into and adjudge under Section 15HA of the SEBI Act for the alleged violations by the Noticees as mentioned at para 2 above. The list of the entitles against whom adjudication is approved and the names of the Adjudicating Officers who are appointed to adjudicate against respective entities are listed in Annexure A.

4. The said proceedings of appointment are hereby communicated to the **Adjudicating Officers** who shall conduct the Adjudication Proceedings in the manner specified under Rule 4 of the SEBI Rules read with sub-sections (1) and (2) of Section 15-I of the SEBI Act. The Adjudicating Officer 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 the provisions of Sections 15 HA of the SEBI Act.

Dated at Mumbai, this 26th day of **April 2021**.

**ROBIN JOSEPH BABY**
**DEPUTY GENERAL MANAGER**
**SECURITIES AND EXCHANGE BOARD OF INDIA**

Annexure B

| sno | 100651 | 100652 | 100653 | 100654 |
|---|---|---|---|---|
| TRADE_DATE | 18/03/2015 | 18/03/2015 | 18/03/2015 | 18/03/2015 |
| SCRIPCODE | 836014 | 836014 | 836014 | 836014 |
| clnt_pan | ABBPA6796M | ABBPA6796M | AAAFR1026K | ABRPB3812B |
| clnt_name | SARITA DEVI AGARWAL | SARITA DEVI AGARWAL | RASHI COMMERCIAL COMPANY | LOKESH BHANWARLAL BHARADIA |
| cp_pan | ABRPB3812B | AAAFR1026K | ABBPA6796M | ABBPA6796M |
| cp_name | LOKESH BHANWARLAL BHARADIA | RASHI COMMERCIAL COMPANY | SARITA DEVI AGARWAL | SARITA DEVI AGARWAL |
| ORDER_NO | 1426654061174003005 | 1426654061174003000 | 1426654061174003002 | 1426654061174003007 |
| CP_ORDER_NO | 1426654061174003004 | 1426654061174003001 | 1426654061174003003 | 1426654061174003006 |
| TRADEID | 17266 | 17980 | 18680 | 18727 |
| ORDER_TIME | 14:55:22.269216 | 14:54:24.065730 | 14:54:29.304040 | 14:55:26.507516 |
| CP_ORDER_TIME | 14:55:22.207232 | 14:54:24.103717 | 14:54:29.365995 | 14:55:26.469439 |
| TRADE_TIME | 14:55:22.269216 | 14:54:24.103717 | 14:54:29.365995 | 14:55:26.667433 |
| ORDER_LMTIME | 14:55:22.269216 | 14:54:24.065730 | 14:54:29.304040 | 14:55:26.667433 |
| CP_ORDER_LMTIME | 14:55:22.207232 | 14:54:24.103717 | 14:54:29.365995 | 14:55:26.469439 |
| TRADE_RATE | 2 | 1 | 6.5 | 6.5 |
| LTP_RATE | -4.4 | -1.0 | 5.5 | 0.0 |
| LTP_PERCENT | -68.75 | -50.0 | 550.0 | 0.0 |
| TRADE_VALUE | 40200000.0 | 40100000.0 | 40650000.0 | 40650000.0 |
| ORDER_RATE | 2.0 | 1.0 | 6.5 | 6.5 |
| CP_ORDER_RATE | 2.0 | 1.0 | 6.5 | 6.5 |
| ORDER_LMRATE | 2.0 | 1.0 | 6.5 | 6.5 |
| CP_ORDER_LMRATE | 2.0 | 1.0 | 6.5 | 6.5 |
| ORDER_LTP | 2.0 | 174000.0 | 1.0 | 2.0 |
| CP_ORDER_LTP | 6.5 | 1.0 | 6.5 | 2.0 |
| TRADED_QTY | 100000 | 100000 | 100000 | 100000 |
| ORDER_QTY | 100000 | 100000 | 100000 | 100000 |
| CP_ORDER_QTY | 100000 | 100000 | 100000 | 100000 |
| ORDER_AVLQTY | 100000 | 100000 | 100000 | 100000 |
| CP_ORDER_AVLQTY | 100000 | 100000 | 100000 | 100000 |
| ORDER_LMQTY | 100000 | 100000 | 100000 | 100000 |
| CP_ORDER_LMQTY | 100000 | 100000 | 100000 | 100000 |
| MEMBER_NO | 6587 | 6587 | 6551 | 6551 |
| MEMBER_NAME | CONCORD VINIMAY PVT. LTD. | CONCORD VINIMAY PVT. LTD. | GIRIRAJ STOCK BROKING PVT. LTD. | GIRIRAJ STOCK BROKING PVT. LTD. |
| OLD_CLIENT | | | | |
| MODIFIED_CLIENT | S117 | S117 | R185 | L032 |
| CP_MEMBER_NO | 6551 | 6551 | 6587 | 6587 |
| CP_MEMBER_NAME | GIRIRAJ STOCK BROKING PVT. LTD. | GIRIRAJ STOCK BROKING PVT. LTD. | CONCORD VINIMAY PVT. LTD. | CONCORD VINIMAY PVT. LTD. |
| CP_OLD_CLIENT | | | | |
| CP_MODIFIED_CLIENT | L032 | R185 | S117 | S117 |
| TERMINALID | 902 | 902 | 902 | 902 |
| USER_NAME | AMIT JAJODIA | AMIT JAJODIA | Vinay Jajodia | Vinay Jajodia |
| LOCATION_ADDRESS | 21 HEMANTA BASU SARANI CENTRE POINT ROOM NO 230 2ND FLOOR KOLKATA WEST BENGAL 700001 | 21 HEMANTA BASU SARANI CENTRE POINT ROOM NO 230 2ND FLOOR KOLKATA WEST BENGAL 700001 | 190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007 | 190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007 |
| CP_TEMINALID | 902 | 902 | 902 | 902 |
| CP_USER_NAME | Vinay Jajodia | Vinay Jajodia | AMIT JAJODIA | AMIT JAJODIA |
| CP_LOCATION_ADDRESS | 190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007 | 190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007 | 21 HEMANTA BASU SARANI CENTRE POINT ROOM NO 230 2ND FLOOR KOLKATA WEST BENGAL 700001 | 21 HEMANTA BASU SARANI CENTRE POINT ROOM NO 230 2ND FLOOR KOLKATA WEST BENGAL 700001 |
| ORDER_AUD | A | A | A | A |
| CP_ORDER_AUD | A | A | A | A |
| ORDER_TYPE | L | L | L | L |
| CP_ORDER_TYPE | L | L | L | L |
| LOCATIONID | 7000010001001012 | 7000010001001012 | 7000070001001012 | 7000070001001012 |
| CP_LOCATIONID | 7000070001001012 | 7000070001001012 | 7000010001001012 | 7000010001001012 |
| SCRIPNAME | CANB15MAR400.00PE | CANB15MAR400.00PE | CANB15MAR400.00PE | CANB15MAR400.00PE |
| EXPIRY | 2015-03-26 | 2015-03-26 | 2015-03-26 | 2015-03-26 |
| STRIKEPRICE | 40000.0 | 40000.0 | 40000.0 | 40000.0 |
| SERIES | EQD | EQD | EQD | EQD |
| MKT_TYPE | N | N | N | N |
| ISIN_NO | | | | |
| rqty | 100000 | 100000 | 100000 | 100000 |

Annexure C

| Index | 0 |
|---|---|
| clnt_pan | ABBPA6796M |
| scripname | CANB15MAR400.00PE |
| buy_quantity | 200000 |
| buy_value | 300000 |
| avg_buy_rate | 1.5 |
| sell_qty | 200000 |
| sell_value | 1300000 |
| avg_sell_rate | 6.5 |
| non_gen_trnx_entity_contrct | 4 |
| total_trd_entity_contrct | 4 |
| total_no_of_trades_of_the_cntrct | 20 |
| art_vol_gen_entity_in_the_cntrct | 400000 |
| total_vol_gen_by_entity_in_the_cntrct | 400000 |
| total_vol_in_the_contract | 1878000 |
| prcnt_of_non_gen_trds_entity_total_trds_in_cntrct_entity | 100 |
| prcnt_of_non_gen_trds_entity_total_trds_in_cntrct | 20 |
| prcnt_of_art_vol_gen_entity_cntrct_total_vol_gen_by_entity_in_cntrct | 100 |
| prcnt_of_art_vol_gen_entity_cntrct_total_vol_in_cntrct | 21.3 |