



By Speed Post A.D.

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

GENERAL MANAGER &
ADJUDICATING OFFICER

SEBI/HO/IID/AT/NT/2022/00130/1

January 03, 2022

BED PRAKASH GUPTA [PAN: ADVPG3256J]
1761, GT ROAD
HAORA CORPORATION, SALKIA, HOWRAH
WEST BENGAL-711106
Email: bkic1974@gmail.com

Subject: Adjudication Proceedings in respect of Bed Prakash 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) Rules, 1995

1. Securities and Exchange Board of India (hereinafter, referred to as “SEBI”) has initiated adjudication proceedings in respect of Bed Prakash Gupta (hereinafter, referred to as “Noticee”), bearing PAN - ADVPG3256J, 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



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

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30, 2015 (hereinafter referred to as "**Investigation Period**") and observed that majority of volume generated in BSE's stock option segment was artificial volume which was created by execution of reversal trades.

4. Reversal trades are considered non-genuine trades if it involves 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) so reversed in non-genuine trades, comprising both original volume and reversed volume.
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 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.
6. 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 2 such reversal trades in 1 unique contract, which led to generation of alleged artificial volume of 40,000 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 (which were all reversed) in Stock Options segment of BSE during the investigation period are given in **Annexure B**.
7. 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.
8. 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:





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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.	IRBI15MAY290.00PE	37	20,000	47.7	20,000	100%	14.81%

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

9. From the trades executed by the Noticee in the contract of "IRBI15MAY290.00PE", it is observed that:

(a) While dealing in the said contract on 22/05/2015, at 14:23:12.40 hrs. the Noticee entered into a buy trade with counterparty Saket Resources P. Ltd. for 20,000 units at Rs. 37 per unit, which was reversed by a sell trade at 14:58:33.23 hrs. with the same counterparty for 20,000 units at Rs. 47.7 per unit.

(b) The Noticee's two trades while dealing in the above said contract during the investigation period allegedly generated artificial volume of 40,000 units, which made up 14.81% of total market volume (2,70,000) in the said contract during this period.

10. In view of the foregoing, it is alleged that the 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.

11. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act.

12. 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.





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13. Your reply, if any, should reach the undersigned or through email at aparnat@sebi.gov.in and nishthat@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.
14. 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.

Aparna

**APARNA THYAGARAJAN
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 during the investigation period i.e., April 1, 2014 to September 30, 2015	1

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.

RPK

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.

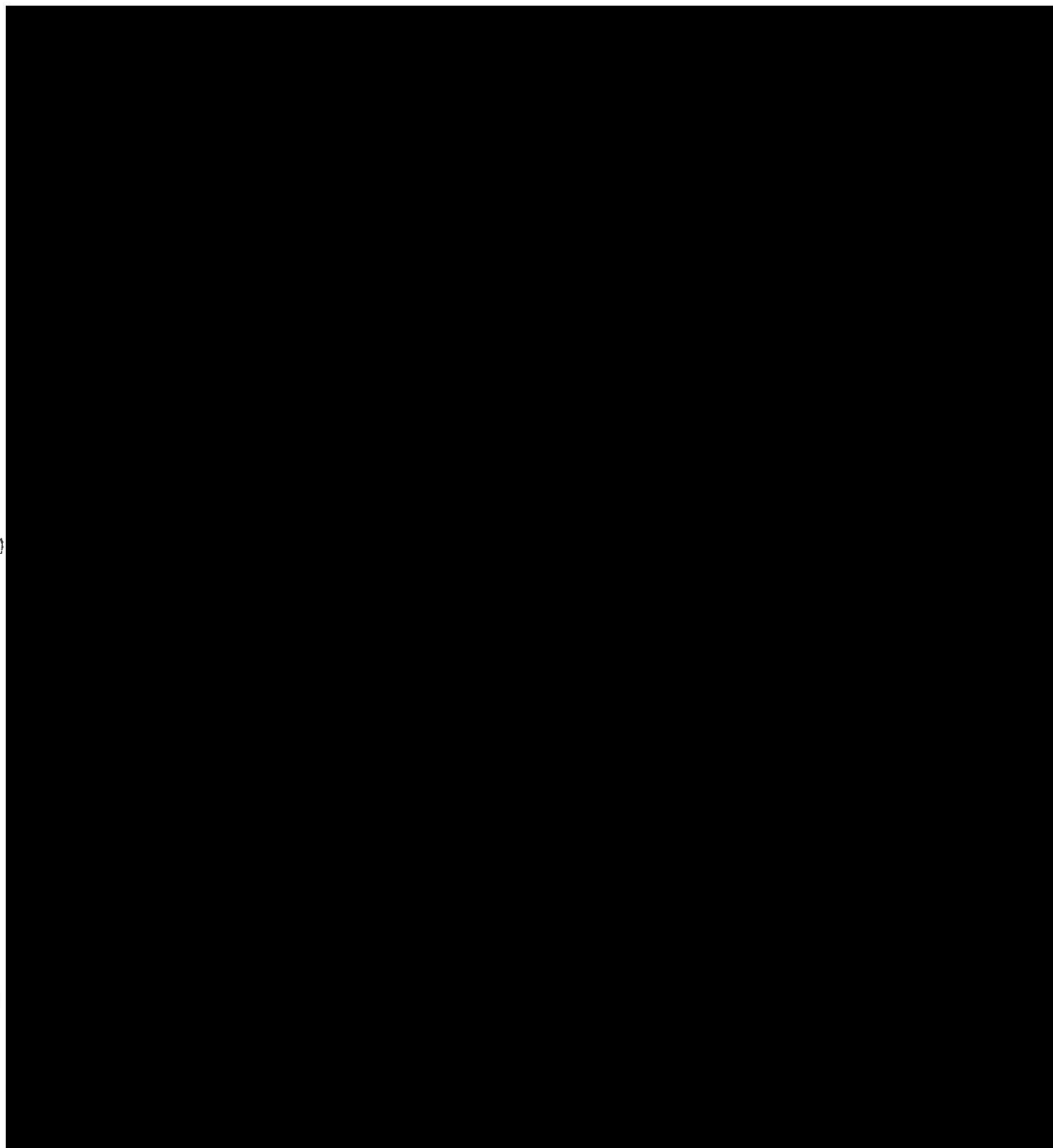
Bhavana . R.K

BHAVANA RAVIKUMAR

GENERAL MANAGER

SECURITIES AND EXCHANGE BOARD OF INDIA

Annexure to AO communique dated Sept. 27, 2021



395	210014492	ISO at BSE-BED	ADVPG3256J	BED PRAKASH	Aparna
		PRAKASH GUPTA		GUPTA	Thyagarajan



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Annexure B

TRADE_DATE	22/05/2015	22/05/2015
PANNO	ADVP3256J	AAHCS9059B
CLIENTNAME	BED PRAKASH GUPTA	SAKET RESOURCES P LTD
CP_PANNO	AAHCS9059B	ADVP3256J
CP_CLIENTNAME	SAKET RESOURCES P LTD	BED PRAKASH GUPTA
ORDER_NO	1432284587468000011	1432284587468000024
CP_ORDER_NO	1432284587468000012	1432284587468000023
TRADEID	16091	17470
TRADE_TIME	14:23:12.407595	14:58:33.231078
ORDER_LMTIME	14:23:11.704416	14:58:33.231078
CP_ORDER_LMTIME	14:23:12.407595	14:58:32.340527
TRADE_RATE	37	47.7
TRADE_VALUE	6540000	6754000
Premium Trade Value	740000	954000
ORDER_LMRATE	37	47.7
CP_ORDER_LMRATE	37	47.7
TRADED_QTY	20000	20000
ORDER_LMQTY	20000	20000
CP_ORDER_LMQTY	20000	20000
MEMBER_NAME	NS BROKING PVT. LTD.	ODYSSEY SECURITIES PVT. LTD
CP_MEMBER_NAME	ODYSSEY SECURITIES PVT. LTD	NS BROKING PVT. LTD.
TERMINALID	902	902
USER_NAME	PARMANAND YADAV	SANJAY BANSAL
CP_TERMINALID	902	902
CP_USER_NAME	SANJAY BANSAL	PARMANAND YADAV
LOCATIONID	7000550001001012	7000010001001012
CP_LOCATIONID	7000010001001012	7000550001001012
SCRIPNAME	IRBI15MAY290.00PE	IRBI15MAY290.00PE
EXPIRY DATE	2015-05-28	2015-05-28
STRIKEPRICE	290	290

