



भारतीय प्रतिभूति  
और विनिमय बोर्ड  
Securities and Exchange  
Board of India

PRASANTA MAHAPATRA  
ADJUDICATING OFFICER

Email: [prasantam@sebi.gov.in](mailto:prasantam@sebi.gov.in)

**By Speed Post/Email**

EAD-8/PM/GD /ISO-II/ 29751/1 /2021

October 25, 2021

Riju Rajpal HUF  
104302 A Sisamau Bara Chauraha  
Kanpur 208001 Uttar Pradesh  
PAN: AALHR9308B  
E-mail: [manojnaagvansh176@gmail.com](mailto:manojnaagvansh176@gmail.com)

**Subject: Show Cause Notice under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in the matter of dealings in Illiquid Stock Options against Riju Rajpal HUF**

1. Securities and Exchange Board of India (hereinafter, referred to as "SEBI") has initiated adjudication proceedings against Riju Rajpal HUF (hereinafter referred to as the "Noticee") for alleged violation of the provisions of regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as the "PFUTP Regulations, 2003"), in the matter of trading in illiquid stock options on the BSE Ltd (hereinafter, referred to as "BSE").
2. The undersigned has been appointed as the adjudicating officer *vide* order dated June 21, 2021, under section 19 read with sub-section (1) of section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "SEBI Act, 1992") and rule 3 of the SEBI (Procedure for Holding Inquiry and

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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](http://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](http://www.sebi.gov.in)





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Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**Adjudication Rules, 1995**") to inquire into and adjudge the alleged violation committed by the Noticee, under section 15HA of the SEBI Act, 1992. A copy of the communiqué dated July 27, 2021 appointing the undersigned as the adjudicating officer is hereby enclosed as **Annexure A**.

3. SEBI observed large scale reversal of trades in the stock options segment of BSE. Subsequently, upon investigation of the trading done during the period from April 1, 2014 to September 30, 2015 (hereinafter referred to as the "**Investigation Period**" / "**IP**") in the stock options traded on BSE, SEBI observed large scale reversal of trades by various entities including the Noticee. The reversal trades comprised of 81.40% (2,91,744 trades) of all the trades executed in BSE stock options segment wherein the open positions were squared off with a significant price difference without any basis for such change in the contract price. It is alleged that the aforesaid reversal trades were non-genuine in nature and resulted into generation of artificial volumes.
4. The Noticee is alleged to have engaged in 8 such instances in four (4) unique contracts wherein the position taken was reversed with the same counterparty on the same day, but at a substantial price difference. Details of all the reversal trades of the Noticee and summary of all the reversal trades in stock option segment of BSE during the IP are given in **Annexure B** and **Annexure C** respectively.
5. A summary of dealings of the Noticee in four (4) stock options contracts in which the Noticee allegedly executed non genuine reversal trades during the IP, is as follows:



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**Summary of dealings of Noticee in contracts wherein the Noticee executed  
reversal trades**

| Sl. no | Contract name            | Avg. buy rate (Rs.) | Total buy volume (no. of units) | Avg. sell rate (Rs.) | Total sell volume (no. of units) | % of Non-genuine trades of the Noticee in the contract to total trades in the contract | % of Artificial volume generated by Noticee in the contract to total volume in the contract |
|--------|--------------------------|---------------------|---------------------------------|----------------------|----------------------------------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| 1.     | LNTL15JUL1560.0<br>OPEW1 | 10                  | 10000                           | 18                   | 10000                            | 50                                                                                     | 50                                                                                          |
| 2.     | LNTL15JUL1770.0<br>OCEW2 | 17                  | 10000                           | 32                   | 10000                            | 100                                                                                    | 100                                                                                         |
| 3.     | LNTL15JUL1830.0<br>OCE   | 19                  | 10000                           | 38                   | 10000                            | 100                                                                                    | 100                                                                                         |
| 4.     | NHPC15JUN24.00<br>PEW3   | 4                   | 100000                          | 5                    | 100000                           | 16.67                                                                                  | 7.46                                                                                        |

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

6. The abovementioned reversal trades and volumes are illustrated through the dealings of the Noticee in one contract viz, "LNTL15JUL1770.00CEW2" during the IP, as follows:

(a) On June 12th, 2015, the Noticee sold 10000 units of the aforesaid contract at 14:33:32 (Buy order placed at 14:33:32; Sell Order placed at 14:33:31) from J.B.Overseas at a price of ₹32.



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(b) On the same day, the Noticee reversed his position by buying the following units from the same counterparty (i.e. J.B.Overseas,) 10000 units at 14:33:35 (Buy order placed at 14:33:35; Sell Order placed at 14:33:35) at a price of ₹17.

(c) From the above, it is noted that while dealing in aforesaid contract during the IP, the Noticee executed total 2 trades (1 buy trade and 1 sell trade). This constituted 100% of the total market volume in the contract, and thereby the Noticee allegedly generated artificial volume of 20000 units.

7. 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 regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) of the PFUTP Regulations, 2003.

8. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act, 1992, the provisions of which are reproduced hereunder:

**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".

9. 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, 1992 and why penalty should not be imposed under section 15HA of the SEBI Act, 1992.

10. Your reply, if any, should reach the undersigned through email at [prasantam@sebi.gov.in](mailto:prasantam@sebi.gov.in) and [gauravd@sebi.gov.in](mailto:gauravd@sebi.gov.in) within 14 days from the date of receipt of this Notice, failing which it shall be presumed that the allegations



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levelled in this notice have been accepted by you and that you have waived the notice under rule 4(3) of Adjudication Rules, 1995 and the matter would be further proceeded on the basis of the evidence available on record. You may also indicate whether you desire a personal hearing in the matter.

11. Further, you are required to keep the undersigned informed about 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 / email ids and details of contact persons for records.

**PRASANTA MAHAPATRA  
ADJUDICATING OFFICER**



**Enclosures:** Documents relied upon are as follows:

| Annexure | Copy of relevant documents enclosed with this SCN                                                                                                |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| A        | Communique dated July 27, 2021 appointing the Adjudicating Officer                                                                               |
| B        | Integrated trade log of all reversal trades of Noticee in the stock options segment of BSE during the period April 1, 2014 to September 30, 2015 |
| C        | Summary of all reversal trades                                                                                                                   |

