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

By Registered Post A.D./ Email

ADJUDICATING OFFICER

SEBI/HO/OW/2021/20325/1

August 23, 2021

PRAMOD KUMAR JAIN, [PAN: ACLPJ7469D]

106, Girish Ghosh Road,

Ward No-18, Bally,

Howrah, West Bengal,

India, 711204

Email: vl9748596210@gmail.com

Subject: Adjudication Proceedings In respect of Pramod Kumar Jain [PAN: ACLPJ7469D] 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 Pramod Kumar Jain (hereinafter, referred to as "Noticee"), bearing PAN – ACLPJ7469D, 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 July 02, 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 July 06, 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").



सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्सा कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.पी.आर. एच.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

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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.
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 through 2 trades in 1 unique contract, which led to generation of alleged artificial volume of 86,000 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 (which were also reversal trades in nature) of Noticee in Stock Options segment of BSE during the investigation period are given in Annexure B. An analysis of dealings of the Noticee in 1 Stock Options contract in which the said Noticee allegedly executed reversal 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 contract 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.	DABU15APR250.00CEW1	11.85	43,000	19.75	43,000	100	3.68

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 one contract viz, "DABU15APR250.00CEW1", during the investigation period, as follows:-
- (a) During the investigation period, 2 trades for 86,000 units 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 13:09:31 hrs the Noticee entered into a buy trade with counterparty ADARSH CREDIT CO OP SOCIETY LIMITED for 43,000 units at Rs 11.85 per unit. At 13:22:58 hrs the Noticee entered into a sell trade with the same counterparty, for 43,000 units at Rs 19.75 per unit.
 - (c) The Noticee's two trades while dealing in the abovesaid contract during the investigation period allegedly generated artificial volume of 86,000 units, which made up 3.66% of 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 entity 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 text of aforementioned provisions of law is being reproduced below:

"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;



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(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 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 Noticee liable for monetary penalty under section 15HA of the SEBI Act. The text of the said provisions 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."

11. The Noticee is, therefore, called upon to show cause as to why an inquiry should not be held against the Noticee 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, if any, should not be imposed under the section 15HA of the SEBI Act.
12. Reply, if any, from the Noticee, with respect to alleged violations, should be specifically addressed to Nitin Singh, Adjudicating Officer. The reply should reach at the address mentioned below as well as through email at nitlins@sebi.gov.in within 21 days from the date of receipt of this Show Cause





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Notice (SCN), failing which it shall be construed that Noticee has no reply to submit for his defence, and the matter shall be further proceeded with on the basis of the evidence available on record in terms of Rule 4 (7) of SEBI Adjudication Rules, 1995. Noticee in his reply to SCN may also indicate whether Noticee desires a personal hearing in the matter.

13. Noticee is also required to submit a photocopy of its PAN card and contact details viz. Telephone numbers / Fax numbers / e-mail IDs and details of contact persons for records. Further, Noticee is required to keep the undersigned informed about the change in its correspondence address, if any, till the conclusion of the proceedings.
14. SCN issued to Noticee is sent through speed post AD to the address of the Noticee available on record, and the scanned copy of the SCN is sent to contact E-mail Ids of Noticee viz. y9748596210@gmail.com
15. The Noticee may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If the Noticee wishes to opt for the settlement process, the Noticee may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned. Further, the Noticee may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.

NITIN 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 June 14, 2021 appointing Adjudicating Officer	2
B	Details of the reversal trades of Noticee in Stock Options segment of BSE during the investigation period i.e. April 1, 2014 to September 30, 2015	1
C	Summary of dealings of Noticee in 1 Stock Options contract in which Noticee allegedly executed reversal trades during the investigation period	1

