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Adjudicating Officer

SEBI/HO/EFD2/EFD2_SLD3/P/OW/2022/3900/1
January 31, 2022

KANCHAN VERMA (PAN- AAHPV1218Q)
159 65 MOTI MAHAL, KANPUR
UTTAR PRADESH INDIA
208001

E-mail: coolboy18295@gmail.com

Subject: Adjudication Proceedings in respect of KANCHAN VERMA in the matter of dealings in Ill-liquid 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 *inter-alia* in respect of KANCHAN VERMA [bearing PAN: AAHPV1218Q] (hereinafter referred to as "**Noticee**") for allegedly violating 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 relating to Securities Markets) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations 2003**"), for carrying out non-genuine trading in the illiquid stock options at BSE Limited ("**BSE**").

2. In this regard, SEBI has appointed the undersigned as the Adjudicating Officer vide Order dated September 20, 2021, under section 19 read with section 15I(1) of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**") and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "**SEBI Adjudication Rules 1995**") to conduct adjudication proceedings *inter-alia* in respect of the Noticee, in the manner specified under rule 4 of the SEBI Adjudication Rules, 1995 read with section 15I(1) and (2) of the SEBI Act and if satisfied that penalty is liable, to impose such penalty as deemed fit in terms of Rule 5 of the SEBI Adjudication Rules 1995 and Section 15HA of the SEBI Act. A copy of the communique dated September 27, 2021, appointing the undersigned as Adjudicating Officer is placed as **Annexure A.**

3. As part of ongoing surveillance, SEBI came across large scale reversal of trades in Stock Options segment of BSE. Thereafter, SEBI conducted an investigation into the trading activity in the illiquid Stock Options at BSE (hereinafter referred to as "**investigation**") for period of April 01, 2014 to September 30, 2015 (hereinafter referred to as "**Investigation Period**").

4. During the Investigation Period, a total 2,91,744 trades comprising substantial 81.40% of all the trades executed in Stock Options segment of BSE were found to be non-genuine being reversal of buy and sell positions by the clients and counterparties in a contract. The reversal trades involved squaring off transactions, with significant difference in sell and buy value of the transactions. Such non genuine trades resulted into creation of artificial volumes to the tune of 826.21 crore units or 54.68% of the total market volume in Stock Options segment of BSE during the Investigation Period.

5. Noticee was one of the entities who had indulged in reversal of trades, allegedly created false and misleading appearance of trading and generated artificial volumes in the Stock Options segment of BSE during the Investigation Period. Details of the alleged non genuine trades of the Noticee in Stock Option Segment of BSE during Investigation Period are provided in **Annexure B**.

6. A short summary of the dealings of the Noticee in the Stock Options contract in which Noticee allegedly executed non genuine trades during the Investigation Period, is as follows:

Table – Summary of dealings of Noticee wherein you executed non genuine reversal trades

Sl	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the Contract	Artificial volume generated by Noticee in the Contract (No. of Units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% 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	LNTL15JUN 1440.00PE	10	6000	32	6000	2	12000	100%	100%	100%	100%

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

7. The detail of the above said reversal trades of the Noticee are as follows:

(a) Total 2 trades for 12000 units were executed in the said contract by the Noticee on May15, 2015.

(b) While dealing in the said contract on May 15, 2015, Noticee at 14:55:50 hrs had entered into one sell trade for 6000 units at the rate of Rs. 32 per unit with counterparty viz, 'J.B.OVERSEAS'. Thereafter, on the same day, just within 6 seconds, at 14:55:56 hrs, Noticee reversed the above sell trade by entering into one buy trade for 6000 units with same counterparty at the rate of Rs.10 per unit.

(c) From the above, it is noted that while dealing in the said contract during the Investigation Period, Noticee had executed 2 trades (1 sell trade + 1 buy trades) with same counterparty viz, 'J.B.OVERSEAS' on the same day. Such trades were reversed in short interval with significant price difference in buy and sell rates.

(d) Thus, Noticee, through her dealing in the contract, allegedly executed the above said 2 non-genuine trades which was 100% of the total trades in the said contract during the Investigation Period, and thereby, allegedly generated artificial volume of 12000 units which was 100 % of the total volume traded in the said contract during the Investigation Period.

8. From the above table, following is noted as regards to dealings of Noticee in the said contract:

a) All the trades executed by the Noticee in above contract were non genuine.
b) Non-genuine trades of the Noticee have contributed substantially to the total number of trades from the market in the above contract, as up to 100% of the trades that happened in the above contract were due to non-genuine trades executed by the Noticee.
c) All the volume generated by the Noticee in above contract was artificial volume. Further, said artificial volume generated by the Noticee also contributed to significant, up to 100% of the total volume from the market in the above contract.
d) Alleged non genuine trades executed by the Noticee had significant difference in buy rates and sell rates considering that the trades were reversed in short period on the same day.

9. In view of the foregoing, it is alleged that the Noticee, by indulging in execution of non-genuine reversal trades in Stock Options with same entity on the same day, created false or misleading

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appearance of trading in stock options and, therefore, allegedly violated Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of the PFUTP Regulations 2003. The said provisions are reproduced hereunder:

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 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 aforementioned alleged violations, if established, make the Noticee liable for monetary penalty under Section 15HA of the SEBI Act, 1992, which read as under:

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

12. Your reply, if any, with respect to alleged violations, should reach the undersigned **within 14 days** from the date of receipt of this Show Cause Notice ('SCN'), failing which it shall be presumed that you have no reply to submit, and the matter shall be further proceeded with on the basis of the evidence available on record, in terms of Rule 4(7) of the SEBI Adjudication Rules 1995. You may also indicate in reply to the SCN, whether you desire a personal hearing in the matter.

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13. The SCN is being sent through speed post-AD at the address available on record and also at the e-mail ID of Noticee, viz, **coolboy18295@gmail.com**. For all correspondence in these proceedings, please quote the subject in your letter as mentioned in this notice and reference of this letter be mentioned in your correspondence. This office shall not be responsible for any late receipt of your correspondence if not addressed to this office specifically.

14. In addition to the physical reply, you are advised to send soft copy of reply in word/ pdf format via e-mail to *ashokkj@sebi.gov.in* and *nishithk@sebi.gov.in*. 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. email IDs/ phone numbers/ fax numbers/ details of contact persons, etc. for records and to have a clear line of communication, until the conclusion of these proceedings.

J. Ashok Kumar

J. Ashok Kumar
Adjudicating Officer

***Enclosure(s)*:**

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages (Paper size)
A	Communique dated 27/09/2021 appointing Adjudicating Officer	3 (A4 sheet)
B	Integrated trade-order log of all non-genuine trades of Noticee in Stock Option segment of BSE during the Investigation Period i.e, 01/04/2014 to 30/09/2015	1 (A3 sheet)

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.

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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

BHAVANA RAVIKUMAR
GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA



836	210010370	ISO at BSE-kanchan verma	AAHPV1218Q	kanchan verma	Ashok Kumar J.



Annexure - B

sno	187629	187630
TRADE_DATE	15/05/2015	15/05/2015
SCRIPCODE	824737	824737
clnt_pan	AAIFJ6651J	AAHPV1218Q
clnt_name	J.B.OVERSEAS	kanchan verma
cp_pan	AAHPV1218Q	AAIFJ6651J
cp_name	kanchan verma	J.B.OVERSEAS
ORDER_NO	1431681904655001001	1431681904655001002
CP_ORDER_NO	1431681904655001000	1431681904655001003
TRADEID	16337	16789
ORDER_TIME	14:55:50.905261	14:55:55.983486
CP_ORDER_TIME	14:55:49.280331	14:55:56.108536
TRADE_TIME	14:55:50.905261	14:55:56.108536
ORDER_LMTIME	14:55:50.905261	14:55:55.983486
CP_ORDER_LMTIME	14:55:49.280331	14:55:56.108536
TRADE_RATE	32	10
LTP_RATE		-22.0
LTP_PERCENT		-68.75
TRADE_VALUE	8832000.0	8700000.0
ORDER_RATE	32.0	10.0
CP_ORDER_RATE	32.0	10.0
ORDER_LMRATE	32.0	10.0
CP_ORDER_LMRATE	32.0	10.0
ORDER_LTP	32.0	32.0
CP_ORDER_LTP		10.0
TRADED_QTY	6000	6000
ORDER_QTY	6000	6000
CP_ORDER_QTY	6000	6000
ORDER_AVLQTY	6000	6000
CP_ORDER_AVLQTY	6000	6000
ORDER_LMQTY	6000	6000
CP_ORDER_LMQTY	6000	6000
MEMBER_NO	6513	4032
MEMBER_NAME	SUNSTAR SECURITIES	MAUZAMPURIA SECURITIES BROKING PVT LTD
OLD_CLIENT		
MODIFIED_CLIENT	RJ25	KNP0281
CP_MEMBER_NO	4032	6513
CP_MEMBER_NAME	MAUZAMPURIA SECURITIES BROKING PVT LTD	SUNSTAR SECURITIES
CP_OLD_CLIENT		
CP_MODIFIED_CLIENT	KNP0281	RJ25
TERMINALID	902	902
USER_NAME	sunil kumar malik	avdhesh kumar gupta
LOCATION_ADDRESS	56/33 site 4 sahibabad inmdustrial ghaziabad GHAZIABAD UTTAR PRADESH 201010	13/151 civil lines kanpur208001 KANPUR UTTAR PRADESH 208001
CP_TEMINALID	902	902
CP_USER_NAME	avdhesh kumar gupta	sunil kumar malik
CP_LOCATION_ADDRESS	13/151 civil lines kanpur208001 KANPUR UTTAR PRADESH 208001	56/33 site 4 sahibabad inmdustrial ghaziabad GHAZIABAD UTTAR PRADESH 201010
ORDER_AUD	A	A
CP_ORDER_AUD	A	A
ORDER_TYPE	L	L
CP_ORDER_TYPE	L	L
LOCATIONID	2010100001001012	2080010001002012
CP_LOCATIONID	2080010001002012	2010100001001012
SCRIPNAME	LNTL15JUN1440.00PE	LNTL15JUN1440.00PE
EXPIRY	2015-06-25	2015-06-25
STRIKEPRICE	144000.0	144000.0
SERIES	EQD	EQD
MKT_TYPE	N	N
ISIN_NO		
rqty	6000	6000

