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CHIEF GENERAL MANAGER AND ADJUDICATING OFFICER

ENQUIRIES AND ADJUDICATION DEPARTMENT - 2

SEBI/HO/EAD2/NH/RJ/2023/38085

September 13, 2023

AMBITION PLAZA LLP

PAN: ABEFA9702G

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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 (ISO) at BSE

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had initially conducted Adjudication Proceedings against Ambition Plaza Private Limited (hereinafter referred to as 'APPL') in the matter of dealings in Illiquid Stock Options at BSE. A show cause notice ref no. SEBI/HO/EAD1/24109/2021 dated September 15, 2021 was issued to APPL for the alleged violations of Regulations 3 (a), (b), (c), (d) and 4(1), 4 (2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations'). Thereafter an Adjudication Order ref no. ORDER/SBM/AK/2021-22/13999 dated October 28, 2021 (hereinafter referred to as 'Order dated October 28, 2021') was passed against APPL and disposed of the proceedings against it *inter-alia* stating the following in the said order:

"...

8. I have taken into consideration the facts and circumstances of the case and the material available on record. I have also perused the various filings made by the Noticee and also the filings by Ambition Plaza LLP with the MCA. I find that the Noticee was converted to Ambition Plaza LLP w.e.f



सेबी भवन, "जी" ब्लॉक बांद्रा-कुर्ली कॉम्प्लेक्स, मुंबई - ४०० ०५१

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March 17, 2016 pursuant to section 58 (1) of the Limited Liability Partnership Act, 2008 ("LLP Act, 2008"). In terms of Section 56 of the LLP Act, 2008 which governs the conversion of a Private Limited Company into a Limited Liability Partnership, more specifically, in terms of paragraph 6 (c) of the Third Schedule of the LLP Act, 2008 which provides that, on and from the date of issuance of certificate for conversion of the Private Limited Company to LLP, the company shall be deemed to be dissolved and removed from the records of the Registrar of the Companies. Hence, based on the above observations, it is evident that the Noticee i.e Ambition Plaza Private Limited was converted to Ambition Plaza LLP on March 17, 2016 and the Noticee as a company stood dissolved, w.e.f., March 17, 2016, and was not in existence as a legal entity when the instant adjudication proceedings were initiated against the Noticee vide SCN dated September 15, 2021.

9. In view of the above facts, I am inclined to dispose of the proceedings initiated against the Noticee viz. Ambition Plaza Private Limited vide SCN dated September 15, 2021.

ORDER

10. In view of the above observations/findings and in exercise of the powers conferred upon me under section 151 of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby dispose of the Adjudication Proceedings initiated against the Noticee viz. Ambition Plaza Private Limited vide SCN dated September 15, 2021.

..."

2. It is noted by SEBI that Section 58(4)(b) of the Limited Liability Partnership Act, 2008 provides as under:

"58. (4) Notwithstanding anything contained in any other law for the time being in force, on and from the date of registration specified in the certificate of registration issued under the Second Schedule, the Third Schedule or the Fourth Schedule, as the case may be.

...



*(b) all tangible (movable or immovable) and intangible property vested in the firm or the company, as the case may be, **all assets, interests, rights, privileges, liabilities, obligations** relating to the firm or the company, as the case may be, and the whole of the undertaking of the firm or the company, as the case may be, shall be transferred to and shall vest in the limited liability partnership without further assurance, act or deed;"*
(Emphasis supplied)

3. In this context, SEBI re-examined the violations alleged to have been committed by APPL and re-initiated Adjudicating Proceedings by appointing the undersigned as the Adjudicating Officer under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') read with SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') (Copy of communication appointing undersigned as Adjudicating Officer is placed at **Annexure 1**). The following is *inter-alia*, noted by SEBI, in this regard (Relevant extracts of the office note ref number 2022/31420 is enclosed as **Annexure 2**):

" ...

9.2. Entity converted to LLP:

a. It is observed that ... companies viz., ... Ambition Plaza Private Limited (PAN: AAICA1738N) are converted into Limited Liability Partnership (LLP) by virtue of which the company is deemed to be dissolved. Further, pursuant to conversion to LLP, the entities are issued an LLP identification number instead of CIN No.

b. It may be noted that while the company is converted to an LLP, the same does not dissolve the liabilities of the company which it had incurred when in existence.

" ... "

Brief of Allegations made in the investigation report

4. SEBI had conducted an investigation into large scale reversal of trades in Stock Options segment of the BSE during the period of April 01, 2014 to September 30, 2015 (Copy of relevant portion of Investigation Report is placed at **Annexure**



- 3). Pursuant to investigation, it was observed in the report that during the investigation period, there were trades executed in BSE Stock Options Segment involving reversal of buy and sell positions by clients and counterparties in the same contract (refer Paragraph 6 of Investigation Report/**Annexure 3**). The reversal trades involved squaring off trades (either buy or sell), with significant difference in the price.
5. In this context, it is observed that APPL is one among the entities which had indulged in reversal trades, and allegedly created false and misleading appearance of trading thereby generated artificial volumes in the Stock Options Segment of BSE during the investigation period. The trades entered in the unique contracts were reversed on the same day with same counterparties, at a price difference which had no underlying basis and without an intention of performing it or there being a change of ownership/rights in the contracts. These factors allegedly indicate that the said trades were artificial and non- genuine in nature.
6. The trading details of APPL including the trade dates, name of the counterparties, time, price and volume are available in columns **B, E/G, M, P** and **Z** respectively of the Reversal Trade Data placed at **Annexure 4**. Additionally, a summary of APPL reversal trades in the Stock Options contracts executed during the investigation period is placed at **Annexure 5**.
7. In view of the above, it is alleged that APPL herein, by indulging in execution of non-genuine reversal trades in Stock Options, created false and misleading appearance of trading in securities market during the investigation period and thereby, violated provisions of Regulation 3(a), (b),(c),(d), 4(1) and 4(2)(a) of PFUTP Regulations.
8. As noted earlier, in terms of Section 58(4)(b) of the Limited Liability Partnership Act, 2008, all the liabilities and obligations relating to the company shall be transferred to and shall vest in the limited liability partnership pursuant to conversion of the company into limited liability partnership.



9. It is noted that APPL has converted into Ambition Plaza LLP (PAN: ABEFA9702G) on March 17, 2016.

The copy of Certificate of Registration on Conversion dated March 17, 2016 is enclosed as **Annexure 6**.

10. Therefore, the violations alleged to have been committed by APPL, as mentioned in previous paragraphs if established, make Ambition Plaza LLP (PAN: ABEFA9702G) (hereinafter referred to as '**Noticee**'/ '**you**') which is the converted entity liable for monetary penalty under section 15HA of the SEBI Act, which reads as 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." (Emphasis supplied)

11. In the view of the observations made in the pre paragraphs, the Noticee being the converted entity, is therefore, called upon to show cause as to why an inquiry should not be held against it for the violations alleged to have been committed by APPL and why penalty, if any, should not be imposed on it under the provisions of Section 15HA of the SEBI Act.

12. The reply of the Noticee to the SCN, along with the supporting enclosures and documents if any, should reach the undersigned or through email at hariharan@sebi.gov.in and rishij@sebi.gov.in, in pdf and MS Word format within 15 (fifteen) 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.



13. You are further advised to furnish the following information through email at the earliest:

Sr. No.	Particulars
1.	Present Address for Communication
2.	Mobile Numbers
3.	Email IDs
4.	Scan Copy of PAN Card

14. You are also advised to keep the undersigned informed about the change in your correspondence address, if any, till the conclusion of the proceedings.

15. You may also note that a settlement mechanism is provided under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018. If you wish to avail the benefit of the settlement process, you may apply for the same in the manner provided in the said regulations after intimation to the undersigned.

16. Further, the material/documents available on record and relied upon in the instant matter, based on which the aforementioned allegations have been made against the Noticee, are mentioned below and enclosed as Annexures.

Annexure 1	Copy of the communication appointing the Adjudicating Officer.
Annexure 2	Copy of the relevant extracts of office note ref number 2022/31420..
Annexure 3	Relevant Extract of Investigation Report.
Annexure 4	Details of all the reversal trades of APPL.
Annexure 5	Summary of reversal trades of APPL.
Annexure 6	Copy of Certificate of Registration on Conversion dated March 17, 2016.



N HARIHARAN
ADJUDICATING OFFICER



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by HARIHARAN
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