By Speed Post A.D.

GENERAL MANAGER &
ADJUDICATING OFFICER

IMD/DOF3/P/OW/2022/1095 /1
January 06, 2022

GITA DEVI KANODIA [PAN: AFNPK9636A]
BISWANATH KANODI,
RABINDRA 2ND FL, CAL-7,
KOLKATA -700007
WEST BENGAL, INDIA

Subject: Adjudication Proceedings in respect of Gita Devi Kanodia 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 Gita Devi Kanodia (hereinafter, referred to as "Noticee"), bearing PAN – AFNPK9636A, 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 27, 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 30, 2015 (hereinafter referred to as **"Investigation Period"**).

4. 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.

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 trade through 2 (two) trades in 01 (one) 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 in Stock Options segment of BSE during the investigation period are given in **Annexure B**. An analysis of dealings of the Noticee in 01 (one) Stock Option 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 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.

7. A summary of dealings of Noticee in Stock Option contract in which the said Noticee allegedly executed reversal trades during the investigation period, is as follows:-

Summary of dealings in contracts wherein the Noticee executed reversal trade

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.	CESC15APR600.00PE	17.6	20000	27.6	20000	100%	5.73 %

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

8. The abovementioned reversal trade and volumes are illustrated through the dealings of Noticee in one contract viz, "PTCI15AUG65.00PEW1" during the investigation period, as follows:-

   (a) During the investigation period, 2 (two) trades for 20000 units each were executed by the Noticee in the said contract on 3/08/2015.

   (b) While dealing in the said contract on 31/03/2015, at 12:15:22.64 the Noticee entered into a sell trade with counterparty BLUESKY DEALERS PRIVATE LIMITED for 20000 units at Rs. 27.6 per unit. At 12:15:27.04 hrs, the Noticee entered into a buy trade/reversal trade with the same counterparty for 20000 units at Rs. 17.6 per unit.

   (c) 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 5.73% 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 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.

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

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 (Procedure for holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 read with section 15 I of the SEBI Act, and why penalty should not be imposed section 15HA of the SEBI Act.

12. Your reply, if any, should reach the undersigned or through email at saching@sebi.gov.in and bithinm@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.

13. 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.

Bithin Mahanta

BITHIN MAHANTA
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	Extract of 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
C	Summary of dealings of Noticee in 01 Stock Options contract in which Noticee allegedly executed reversal trades during the investigation period	1

Annexure - 4

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.

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.

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BHAVANA RAVIKUMAR
GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA

Annexure to AO appointment note - Sep 21

S. No.	Case ID	Case Name	PAN Number	Entity Name	AO Name
691	210015394	ISO at BSE-GITA DEVI KANODIA	AFNPK9636A	GITA DEVI KANODIA	Bithin Mahanta

Annexure - B

sno	143039	143042
TRADE_DATE	31/03/2015	31/03/2015
SCRIPCODE	866042	866042
clnt_pan	AFNPK9636A	AADCB6298B
clnt_name	GITA DEVI KANODIA	BLUESKY DEALERS PRIVATE LIMITED
cp_pan	AADCB6298B	AFNPK9636A
cp_name	BLUESKY DEALERS PRIVATE LIMITED	GITA DEVI KANODIA
ORDER_NO	1427782729186002006	1427782729186002005
CP_ORDER_NO	1427782729186002007	1427782729186002004
TRADEID	6286	7959
ORDER_TIME	12:15:27.044988	12:15:22.647697
CP_ORDER_TIME	12:15:27.047990	12:15:22.644760
TRADE_TIME	12:15:27.047990	12:15:22.647697
ORDER_LMTIME	12:15:27.044988	12:15:22.647697
CP_ORDER_LMTIME	12:15:27.047990	12:15:22.644760
TRADE_RATE	17.6	27.6
LTP_RATE	14.0	10.0
LTP_PERCENT	388.89	56.82
TRADE_VALUE	12352000.0	12552000.0
ORDER_RATE	17.6	27.6
CP_ORDER_RATE	17.6	27.6
ORDER_LMRATE	17.6	27.6
CP_ORDER_LMRATE	17.6	27.6
ORDER_LTP	27.6	27.6
CP_ORDER_LTP	17.6	17.6
TRADED_QTY	20000	20000
ORDER_QTY	20000	20000
CP_ORDER_QTY	20000	20000
ORDER_AVLQTY	20000	20000
CP_ORDER_AVLQTY	20000	20000
ORDER_LMQTY	20000	20000
CP_ORDER_LMQTY	20000	20000
MEMBER_NO	6587	6551
MEMBER_NAME	CONCORD VINIMAY PVT. LTD.	GIRIRAJ STOCK BROKING PVT. LTD.
OLD_CLIENT		
MODIFIED_CLIENT	G022	B107
CP_MEMBER_NO	6551	6587
CP_MEMBER_NAME	GIRIRAJ STOCK BROKING PVT. LTD.	CONCORD VINIMAY PVT. LTD.
CP_OLD_CLIENT		
CP_MODIFIED_CLIENT	B107	G022
TERMINALID	902	902
USER_NAME	AMIT JAJODIA	Vinay Jajodia



LOCATION_ADDRESS	21 HEMANTA BASU SARANI CENTRE POINT ROOM NO 230 2ND FLOOR KOLKATA WEST BENGAL 700001	190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007
CP_TEMINALID	902	902
CP_USER_NAME	Vinay Jajodia	AMIT JAJODIA
CP_LOCATION_ADDRESS	190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007	21 HEMANTA BASU SARANI CENTRE POINT ROOM NO 230 2ND FLOOR KOLKATA WEST BENGAL 700001
ORDER_AUD	A	A
CP_ORDER_AUD	A	A
ORDER_TYPE	L	L
CP_ORDER_TYPE	L	L
LOCATIONID	7000010001001012	7000070001001012
CP_LOCATIONID	7000070001001012	7000010001001012
SCRIPNAME	CESC15APR600.00PE	CESC15APR600.00PE
EXPIRY	2015-04-30	2015-04-30
STRIKEPRICE	60000.0	60000.0
SERIES	EQD	EQD
MKT_TYPE	N	N
ISIN_NO		
rqty	20000	20000



Annexure-C

PAN	AFNPK9636A
SCRIPNAME	CESC15APR600.00PE
Buy Quantity	20000
Buy Value (in ₹)	352000
Wt Avg Buy rate(in ₹)	17.6
Sell Quantity	20000
Sell Value (in ₹)	552000
Wt Avg Sell rate(in ₹)	27.6
Number of reversal trades executed by Entity in the Contract	2
Total number of trades executed by the Entity in the Contract	2
Total number of trades executed in the Contract	16
Artificial volume generated by Entity in the Contract	40000
Total volume generated by Entity in the Contract	40000
Total volume in the Contract	698000
% of reversal trades of Entity in the Contract to Entity's Total trades in the Contract	100
% of reversal trades of Entity in the Contract to Total trades in the Contract	12.5
% of Artificial Volume generated by Entity in the Contract to Entity's Total Volume in the Contract	100
% of Artificial Volume generated by Entity in the Contract to Total Volume in the Contract	5.73