



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

G Ramar
CHIEF GENERAL MANAGER
Email: ramarq@sebi.gov.in

EAD-4/ADJ/GR/KG/ OW/ 2006/3/1/2019

August 6, 2019

By hand Delivery/ SPAD/ E-mail

DJM Securities Private Limited
302/303 Shree Saidham CHS Limited
Vikrant circle, Tilak road,
Ghatkopar (East)
Mumbai- 400077

Email: jayeshmehta3001@gmail.com; djm_spl21@yahoo.com

Sub: Hearing Notice under Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in the matter of dealings in the illiquid stock options segment of BSE Ltd

1. Your attention is drawn to the Show Cause Notice (SCN) dated August 30, 2018 issued to you in the captioned matter by the erstwhile Adjudicating Officer (AO), Shri Satya Ranjan Prasad in the matter. The said SCN had returned undelivered from your address with the postal endorsement "left". A copy of the said SCN along with all annexure is enclosed.
2. This is to bring to your notice that the undersigned has been appointed as the Adjudicating Officer in the place of Shri Satya Ranjan Prasad in the present matter. Copy of communication of AO appointment dated May 22, 2019 is enclosed.
3. In the interest of natural justice and in order to conduct inquiry as per SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 you are hereby being granted an opportunity of personal hearing before the undersigned, as per the details hereunder –

Date : August 22, 2019
Day : Thursday
Time : 02:30 p.m.
Venue : SEBI Bhavan - II

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

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

Tel.: 2644 9950 / 4045 9950 (TVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



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4th Floor, C-7, G Block, Bandra Kurla Complex,
Bandra (E), Mumbai – 400051

4. If you wish to make written submissions, if any, in the matter, you may do so latest by **August 22, 2019** at the address printed at the bottom of the letter.
5. You or your duly authorized representative may appear on the cited date, time and venue and make necessary submissions along with supporting documents, if any. You are advised to confirm your attendance by letter/email at least 2 days prior to the hearing date.
6. Please note that if you fail to appear before the undersigned on the date, time and venue as aforesaid, then the matter would be decided on the basis of documents available on record.

G Ramar

Adjudicating Officer

Encl: As above.



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SATYA RANJAN PRASAD
ADJUDICATING OFFICER
Email: satyarp@sebi.gov.in

EAD-4/ADJ/SRP/HKS/OW/P/24299/1/2018

30.08.2018

By Speed Post / AD and E-mail

DJM Securities Private Limited
302/303 Shree Saidham CHS Limited
Vikrant Circle, Tilak Road
Ghatkopar (East) Mumbai – 400077
Email Id - djm_spl21@yahoo.com

Notice under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 read with Section 15-I of the Securities and Exchange Board of India Act, 1992 in respect of DJM Securities Private Limited in the matter of dealings in Illiquid Stock Options at Bombay Stock Exchange limited.

1. The Securities and Exchange Board of India (*hereinafter, referred to as "SEBI"*) initiated adjudication proceedings in respect of DJM Securities Private Limited bearing PAN: AACFD4626K (*hereinafter, referred to as "Noticee"*) for carrying out alleged non-genuine trades in illiquid stock options at Bombay Stock Exchange limited (*hereinafter, referred to as "BSE"*), thereby, violating the provisions of Regulation 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"*).
2. In this regard, initially, Shri Biju. S was appointed as the Adjudicating Officer (**AO**) by SEBI, under Section 19 read with Section 15-I (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 15-I (1) and (2) of the SEBI Act, and if satisfied that penalty is liable, to impose

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दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : 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



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such penalty deemed fit in terms of Rule 5 of the SEBI Adjudication Rules 1995 and Section 15HA of the SEBI Act. Subsequently, in the matter the undersigned has been appointed as the AO by SEBI, on July 06, 2018, in the place of Shri Biju. S. *(Copy of the SEBI's communiques for appointing the AO, in the aforesaid matter are enclosed as "Annexure A")*.

3. SEBI observed large scale reversal of trades in the Stock Options segment of BSE leading to creation of artificial volume. SEBI conducted investigation into the trading activity in illiquid Stock Options at BSE for the period from 01/04/2014 to 30/09/2015 *(hereinafter referred to as "Investigation Period")*.
4. Reversal trades have been considered those trades in which an entity reverse its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non-genuine trades as they are not executed in normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were deceptive and manipulative. Artificial volume is considered to be the volume (no. of units) reversed in both legs of said reversal trades while keeping out the volume, if any, which is not reversed.
5. Pursuant to investigation, it is observed that during the investigation period, total 2,91,643 trades comprising substantial 81.38% of all the trades executed in Stock Options Segment of BSE were non genuine trades. The aforesaid non genuine trades resulted into creation of artificial volume 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.
6. It is noted that said non genuine trades were not restricted to any specific contract or between any specific set of entities. It is noted that Noticee was one of the various entities which were indulged in execution of non-genuine trades in Stock



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Options Segment of BSE during the investigation period. Following points mention the dealings of Noticee in Stock Options segment of BSE during the investigation period, and allegations against Noticee for execution of non-genuine trades.

7. Non-genuine trades and artificial volume are illustrated through the dealings of the Noticee in the contract viz, "AJPL15JUL1200.00CEW4" during the investigation period, mentioned as follows:
- (a) During the investigation period, total 2 trades for 11000 units were executed in the said contract on 21/07/2015, wherein Noticee was party to all the said trades.
 - (b) While dealing in the said contract on 21/07/2015, Noticee at 11:44:03 hrs entered into 1 buy trade with counter party viz, LUPMEX VINCOM PRIVATE LIMITED for 5500 units at rate of Rs. 282 per unit. Thereafter, on the same day, at 12:02:18 hrs Noticee entered into 1 sell trade with same counterparty for total 5500 units at rate of Rs. 463.8 per unit.
 - (c) From the above, it is noted that while dealing in the said contract during the investigation period, Noticee executed total 2 reversal trades (1 buy trade + 1 sell trade) with same counterparty viz, LUPMEX VINCOM PRIVATE LIMITED on the same day and with significant price differential in buy and sell rate.
 - (d) Thus, Noticee, through its dealing in the contract viz, "AJPL15JUL1200.00CEW4" during the investigation period, executed 2 non genuine trades which is 100% of the total trades from the market in the said contract during the investigation period, and thereby, Noticee generated artificial volume of 11000 units which is 100% of the volume traded in the said contract from the market during the investigation period.



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8. Similarly, Noticee allegedly indulge in execution of non-genuine trades and generation of artificial volume in several other contracts during the investigation period. Noticee, during the investigation period traded in total 13 unique contracts, from which it allegedly executed 54 non genuine trades in said 13 contracts, resulting in artificial volume of total 21,81,000 units. Noticee, by executing non genuine trades during the investigation period made profit of Rs. 1,31,13,450/- approx.
9. Details of all the trades of Noticee in Stock Options segment of BSE during the investigation period are given in “**Annexure B**”, details of all the non-genuine trades of Noticee in Stock Option Segment of BSE during the investigation period are given in “**Annexure C**”, and the detailed summary of dealings of Noticee in 13 Stock Options contracts in which Noticee allegedly executed non genuine trades during the investigation period is given in “**Annexure D**”.
10. Summary of dealings of Noticee in 13 Stock Options contracts in which it allegedly executed non genuine trades during the investigation period, is as follows:

Table – Summary of dealings of Noticee in contracts wherein he executed non genuine 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 Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Entity 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	AJPL15JUL1200.00CEW4	282.00	5500	463.80	5500	100%	100%	100%	100%
2	ALBK15FEB120.00PE	8.20	132000	13.51	132000	100%	40%	100%	20%
3	BHEL15JUL290.00PEW2	18.55	70000	39.95	70000	100%	100%	100%	100%
4	CANB15JUL250.00CEW3	27.80	51000	47.00	51000	100%	100%	100%	100%
5	CESC15MAR640.00PEW1	25.00	111000	42.74	111000	100%	7%	100%	6%
6	COAL15FEB360.00CE	14.80	120000	29.44	120000	100%	33%	100%	48%
7	ENGI15JUL175.00CEW4	36.80	41000	61.15	41000	100%	100%	100%	100%



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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 Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Entity 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
8	EXID15JUL175.00PEW2	14.50	20000	22.00	20000	100%	100%	100%	100%
9	HAIL15MAR245.00CEW1	12.00	120000	24.25	120000	100%	100%	100%	100%
10	HAIL15MAR250.00CEW1	9.00	102000	19.91	102000	100%	62%	100%	41%
11	JSWE15AUG70.00CEW2	3.82	164000	8.70	164000	100%	60%	100%	32%
12	KARB15AUG135.00CEW3	4.00	78000	7.20	78000	100%	20%	100%	27%
13	SYND15AUG95.00CEW2	4.30	76000	9.95	76000	100%	18%	100%	48%

11. From the above table, following is noted as regards to dealings of Noticee in said 13 contracts:

- In all the above 13 contracts, all the trades executed by Noticee were allegedly non genuine trades.
- No. of non-genuine trades of Noticee has significantly contributed to the total no. of trades from the market in the above contracts, as a substantial 6% to 100% of the trades happened in the aforementioned contracts were due to alleged non-genuine trades executed by the Noticee.
- A substantial 100% of volume generated by the Noticee in all the above said 13 contracts was artificial volume, and further artificial volume generated by the Noticee also contributed to significant 6% to 100% of the total volume from the market in said 13 contracts.
- Alleged non-genuine trades executed by Noticee in above contracts had significant differential in buy rates and sell rates considering that the trades were reversed on same day.



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12. In view of the foregoing, it is alleged that the Noticee, indulged in execution of reversal of trades in Stock Options segment of BSE with same entities on the same day. Such trades are non-genuine in nature and have created false and misleading appearance of trading in terms of artificial volumes in the stock options segment and therefore alleged to be manipulative, deceptive in nature. Thus, Noticee, allegedly violated the provisions of Regulation 3 (a), (b), (c), (d), and 4(1), 4(2) (a) of the PFUTP Regulations, 2003.
13. Provisions of the aforesaid alleged violations committed by the Noticee are *inter-alia* read as under:-

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;



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14. The aforesaid alleged contravention of the provisions of Regulation 3 (a), (b), (c), (d), and 4(1), 4(2) (a) of the PFUTP Regulations, 2003 make the Noticee liable for monetary penalty under Section 15HA of SEBI Act, 1992. Provisions of Section 15HA of SEBI Act, 1992 *inter-alia* read as under:

88[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 89[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].

88 Inserted by the SEBI (Amendment) Act, 2002, w.e.f.29-10-2002.

89 Substituted for the words —twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher // by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014

15. With respect to above alleged violations, Noticee, is therefore, called upon to show cause as to why an inquiry should not be held against it in terms of Rule 4 of the SEBI Adjudication Rules, 1995 read with section 15-I of the SEBI Act, and penalty should not be imposed in terms of Rule 5 of the said Rules and the provisions of Section 15HA of SEBI Act.
16. Noticee's reply, if any, should reach the undersigned, at the address given below as well as through email at "satyarp@sebi.gov.in", within 14 - days from the date of the receipt of this Notice, failing which it shall be presumed that Noticee has no reply to submit and the matter would be further proceeded with on the basis of the materials available on record in terms of Rule 4 (7) of SEBI Adjudication Rules, 1995.

**Securities and Exchange Board of India
SEBI Bhavan, C4-A, 'G' Block,
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17. The Noticee is advised to provide copy of its PAN and email-id and also to keep the undersigned informed about the change in its correspondence address, if any, till the proceedings are complete.


Satya Ranjan Prasad
Adjudicating Officer

Enclosures:

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A	Copy of SEBI communiques appointing Adjudicating Officer	5
B	Integrated trade log of all trades of the Noticee in Stock Option segment of BSE during the investigation period.	Excel files copied in a CD
C	Integrated trade log of all non-genuine trades of the Noticee in Stock Option segment of BSE during the investigation.	
D	Detailed summary of dealings of the Noticee in Stock Options contracts in which Noticee allegedly executed non genuine trades during the investigation period.	

SECURITIES AND EXCHANGE BOARD OF INDIA
Communication of Order appointing Adjudicating Officer

1. Whereas in exercise of the powers conferred upon the Competent Authority under Section 19 of the SEBI Act, 1992, read with Section 15 I of the SEBI Act, 1992, Section 19 H of Depositories Act, 1996, Section 23 I of SCRA Act, 1956, Rule 3 of Depositories (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005, Rule 3 of Securities Contract (Regulation) (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005 and Rule 3 of the SEBI (Procedure for Holding Inquiry and imposing Penalties by Adjudicating Officer) Rules, 1995, Shri S Biju, Chief General Manager was appointed Adjudicating Officer vide various orders issued earlier (hereinafter referred as "Original Orders") in respect of entities mentioned in the Annexure.
2. Whereas vide Order no. 42/2018 dated June 25, 2018, Shri S Biju, Chief General Manager has been transferred from EAD to EFD.
3. Now in terms of the powers conferred by SEBI (Delegation of Powers) Order, 2015 read with SEBI Act, 1992, Depositories Act, 1996, SCRA Act, 1956 and the respective rules made thereunder, the Executive Director vide an order dated July 06, 2018 has transferred the Adjudication proceedings in respect of entities enumerated in the said Annexure to Shri Satya Ranjan Prasad, Chief General Manager and appointed him as Adjudicating Officer.
4. Except for the change of Adjudicating Officer, all other terms and conditions of the original Orders shall remain unchanged and shall be in full force and effect. The Adjudicating Officer shall proceed in accordance with the terms of reference made in the Original Orders read with this Order.
5. The said proceedings of appointment are hereby communicated to the Adjudicating Officer to conduct the Adjudication Proceedings in the manner specified under SEBI Act, 1992, Depositories Act, 1996, SCRA Act, 1956 and the respective rules made thereunder. The Adjudicating Officer shall inquire into and adjudicate the alleged violations and if satisfied that the entities have become liable to penalty, may impose such penalty, as the Adjudicating Officer thinks fit, in terms of SEBI Act, 1992, Depositories Act, 1996, SCRA Act, 1956 and the respective rules made thereunder.

Dated at Mumbai, on this 6th day of July, 2018


SAMRAT DUTTA
DEPUTY GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA