

ADJUDICATING OFFICER

By Speed Post A.D./ Email

SEBI/WRO/SCN/RB/OW/ /1/2022

April 16, 2022

Sheela Saha [PAN: AKSPS3220N]

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INDORE,

MADHYA PRADESH – 452016

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Show Cause Notice under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in respect of Sheela Saha in the matter of dealings in Illiquid Stock Options at BSE

1. Securities and Exchange Board of India (hereinafter, referred to as “SEBI”) has initiated adjudication proceedings in respect of Sheela Saha (hereinafter, referred to as “Noticee/by Name/you”), for allegedly violating Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as “PFUTP Regulations”), in the matter of trading in illiquid stock options on the BSE Limited (“BSE”).
2. The undersigned was appointed as Adjudicating Officer vide order dated September 20, 2021, to enquire into and adjudge under Section 15HA 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

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"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 trades through 2 trades in 1 unique contract, which led to generation of alleged artificial volume of 2,500 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 contracts wherein the Noticee executed reversal trades

S. No.	Contract Name	Avg. Buy Rate (in Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (in 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.	LUPL15APR2010.00PEW1	49.00	1,250	118.00	1,250	100.00	33.33

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

8. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in the one contract viz, "LUPL15APR2010.00PEW1" during the investigation period, as follows:-

- (a) During the investigation period, 2 trades for 2,500 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 10:14:16.20 hrs, the Noticee entered into a sell trade with counterparty Excellence Finance Private Limited for 1,250 units at ₹ 118.00 per unit. At 11:29:41.91 hrs, the Noticee entered into a buy trade with the same counterparty, for 1,250 units at ₹ 49.00 per unit.
 - (c) The Noticee's two trades while dealing in the abovesaid contract during the investigation period allegedly generated artificial volume of 2,500 units, which made up 33.33% 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.
10. The aforesaid alleged violations, if established, make the Noticee 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) 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, should reach the undersigned or through email at manishg@sebi.gov.in and rishib@sebi.gov.in within 21 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.

RISHI BARUA

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	Integrated trade log of all reversal trades of Noticee in Stock Option segment of BSE during the investigation period i.e, April 1, 2014 to September 30, 2015	2
C	Summary of dealings of Noticee in 1 Stock Options contract in which Noticee allegedly executed reversal trades during the investigation period	1