

9



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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 2,91,643 trades comprising 81.38% 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 two such reversal trades in one unique contract, which led to generation of alleged artificial volume of 44,000 units. These trades of the Noticee involved reversal with the same counterparty on the same day, but at different prices. Details of all trades of the Noticee in Stock Options segment of BSE during the investigation period, all of which were also reversal trades in nature, are given in **Annexure B**. An analysis of dealings of the Noticee in one Stock Option contract in which the 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 the Stock Options contract in which the Noticee allegedly executed reversal trades during the investigation period, is as follows:





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Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

8

Summary of dealings in contracts wherein the Noticee executed reversal 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 Artificial Volume generated by Noticee in the contract to Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1.	CENT15JUL560.00PE	14.00	22,000	7.00	22,000	100%	100%

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 one contract, viz., "CENT15JUL560.00PE" during the investigation period, as follows:

(a) During the investigation period, 2 trades for 44,000 units were executed by the Noticee in the said contract on 28/05/2015.

(b) While dealing in the said contract on 28/05/2015, at 13:54:52.915466 hrs the Noticee entered into a buy trade with counterparty Rajiv Kumar Agarwal HUF for 22,000 units at Rs. 14 per unit. At 13:54:59.712057 hrs the Noticee entered into a sell trade with the same counterparty, for 22,000 units at Rs. 7 per unit.

(c) The Noticee's two trades while dealing in the aforesaid contract during the investigation period allegedly generated artificial volume of 44,000 units, which made up 100% 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 Noticee liable for monetary penalty under section 15HA of the SEBI Act

7



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
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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 15I 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 sudeepm@sebi.gov.in and swarupm@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. The Noticee may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If the Noticee wishes to opt for the settlement process, they may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned. Further, they may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.
14. Further, you are required to keep the undersigned informed about the change in your address for correspondence, 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 / email IDs and details of contact persons, for records.

Sudeep Mishra

SUDEEP MISHRA
ADJUDICATING OFFICER



Enclosures: Documents relied upon are as follows:

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A	Communique dated June 28, 2021 appointing Adjudicating Officer	2
B	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	3
C	Summary of dealings of Noticee in one Stock Options contract in which Noticee allegedly executed reversal trades during the investigation period	1