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भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D. and scanned copy though email

DEPUTY GENERAL MANAGER &
ADJUDICATING OFFICER

SEBI/HO/CFID/CFID_4/P/OW/2021/ 21110/1...
August 26, 2021

1. **PARASMANI TRADELINK PRIVATE LIMITED**
13F, Ramtanu Bose Lane, 1st Floor
Kolkata West Bengal 700006
Email: asonkar1985@gmail.com
Contact: 8274969378
2. **PARASMANI TRADELINK PRIVATE LIMITED**
35, Chittaranjan Avenue Basement
Kolkata West Bengal 700012

Subject: Adjudication Proceedings in respect of PARASMANI TRADELINK PRIVATE LIMITED (PAN: AAACP7154K) 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 **PARASMANI TRADELINK PRIVATE LIMITED** (hereinafter, referred to as "noticee"), bearing PAN-AAACP7154K, for allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) 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 July 02, 2021, to inquire 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 July 06, 2021 appointing the undersigned as Adjudicating Officer is placed at **Annexure A**.

As part of ongoing surveillance, SEBI came across large scale reversal of trades in Stock Options segment of the BSE. Subsequently, SEBI conducted an examination into the trading activity in illiquid Stock Options at BSE (hereinafter,

सेबी भवन, प्लॉट नं. सी 4-ए, "जी" ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, बान्द्रा (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 (IVRS), 2644 9000 / 4045 9000 Fax: 2644 9019 to 2644 9022 Web : www.sebi.gov.in





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referred to as "examination") for the period between April 1, 2014 to September 30, 2015 (hereinafter referred to as "Examination Period").

4. Pursuant to examination, it was observed that during the examination 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 examination period. The noticee is alleged to have engaged in reversal trades through 02 (two) trades in 01 (one) unique contract, which led to generation of alleged artificial volume of 2,00,000 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 examination 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 examination period is given in **Annexure C**.

6. The trades entered by the noticee were reversed on the same day, with orders placed for both buy as well as sell, within a short span ranging from a few seconds to a few minutes 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 01 (one) Stock Option contract in which the said noticee allegedly executed reversal trades during the examination period, is as follows: -

Summary of dealings in contract wherein the noticee executed reversal trade

Particulars	Trade (Sell)	Reversal Trade (Buy)
Contract Name	CARN15MAR220.00CEW3	
Trade Date	12/03/2015	
Noticee's Name (PAN)	PARASMANI TRADELINK PRIVATE LIMITED (AAECP7154K)	
Counter party's Name (PAN)	SANJOG STEELS PRIVATE LIMITED (AAJCS7778K)	





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Traded Rate (Rs.)	7.8	15.9
Total Traded Volume (no. of units)	1,00,000	3,00,000
Trade Value (Rs.)	2,27,80,000	7,07,70,000
Premium Trade Value (Rs.)	7,80,000	47,70,000
Noticee's Total Volume in the Contract	6,00,000	
Artificial Volume generated by noticee in the contract (no. of units)	2,00,000	
Total Volume in the Contract during the examination period (no. of units)	22,00,000	
Total Volume in the Contract on the day of noticee's trade. (no. of units)	22,00,000	
% of Artificial Volume generated by noticee in the contract to noticee's Total Volume in the Contract	33.33%	
% of Artificial Volume generated by noticee in the contract to Total Volume in the Contract during the examination period	9.09%	
% of Artificial Volume generated by noticee in the contract to Total Volume in the Contract on the day of noticee's trade.	9.09%	

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, "CARN15MAR220.00CEW3" during the examination period, as follows: -

(a) During the examination period, 02 (two) trades for 4,00,000 units were executed by the noticee in the said contract on 12/03/2015 with the same counterparty viz., SANJOG STEELS PRIVATE LIMITED.

(b) It is observed that the noticee placed a limit order of Rs. 7.8/- per unit to sell 3,00,000 units at 14:18:58.244170 hrs on March 12, 2015, out of which 1,00,000 units got matched with the limit order entered by SANJOG STEELS PRIVATE LIMITED at 14:17:03.022755 to buy at exactly the same price.

(c) Similarly, while reversing the trades on the same day, it is also observed that the noticee placed a limit order of Rs. 15.9/- per unit to buy 3,00,000 units at 15:09:28.292926 hrs, just after the limit order entered by SANJOG STEELS PRIVATE LIMITED at 15:09:27.884758 to sell the same number of units at exactly the same price.



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- (d) The noticee's two trades while dealing in the above said contract during the examination period allegedly generated artificial volume of 2,00,000 units, which made up 9.09 % of total market volume in the said contract during the examination period and also 9.09% of total market volume in the said contract on 12/03/2015.
- (e) The above reversal of trades are considered non-genuine and generates artificial volumes created false and misleading appearance as it involves the noticee reversing its buy or sell positions in a contract with the same counter party during the same day within a short span ranging from a few seconds to a few minutes.
9. In view of the foregoing, it is alleged that the noticee, by indulging in execution of artificial and non-genuine reversal trades in Stock Options with same entity 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. The text of the provisions 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.*



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(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;"

10. The aforesaid alleged violations, if established, make the noticee liable for monetary penalty under section 15HA of the SEBI Act. The text of the said provision reads as under:

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.*

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 under section 15HA of the SEBI Act.

12. Your reply, if any, should reach the undersigned or through email at deepeshmu@sebi.gov.in and mohammads@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, he/she may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned. Further, he/she 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 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.





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Telephone numbers / Fax numbers / e-mail IDs and details of contact persons for records.

DEEPESH M. U.
ADJUDICATING OFFICER

Enclosures: Documents relied upon are as follows: -

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A	Communique dated July 06, 2021 appointing Adjudicating Officer	3
B	Extract of integrated trade log of all trades of noticee in Stock Option segment of BSE during the examination 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 examination period	1

