भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Vijayant Kumar Verma
General Manager & Adjudicating Officer

By SPAD / Email

SEBI/HO/EAD9/EAD/VKV/AK/25078 /2021
Date: September 21, 2021

Shiv Kumar Agarwal
(PAN- ACIPA7971N)
Lala Lajpat Rai Road, Ashrampara Siliguri,
Darjeeling, West Bengal -734401
Email: shiw.btn2020@gmail.Com

Subject: Show Cause Notice under rule 4(1) of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in the matter of dealings in ill-liquid Stock Options at BSE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") has initiated adjudication proceedings in respect of **Shiv Kumar Agarwal** (hereinafter referred to as "**Noticee**"/ "**you**") bearing PAN: **ACIPA7971N)** for carrying out non-genuine trades in illiquid stock options at Bombay Stock Exchange (hereinafter referred to as **"BSE"**), thereby, allegedly violating regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

2. In this regard, SEBI, after being satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violations as mentioned above *inter-alia* in respect of the Noticee, appointed the undersigned as Adjudicating Officer under section 19 read with section 15-I(1) of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**") and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter, referred to as "**Adjudication Rules**") to conduct adjudication proceedings in the manner

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.), 26449000 / 40459000 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), 26449000 / 40459000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in

specified under rule 4 of Adjudication Rules, 1995 read with section 15-I (1) and (2) of SEBI Act, and if satisfied that the Noticee has become liable to penalty, impose such penalty as deemed fit in terms of rule 5 of Adjudication Rules, 1995 and section 15HA of SEBI Act. A copy of communique dated July 27, 2021, conveying the appointment of Adjudicating Officer is enclosed as **Annexure A**.

3. SEBI observed large scale reversal of trades in Stock Options segment of BSE leading to creation of artificial volume. SEBI conducted an investigation into the trading activities of certain entities in illiquid Stock Options at BSE (hereinafter, referred to as "**Investigation**") for the period 01/04/2014 to 30/09/2015 (hereinafter referred to as **"Investigation Period" or "I.P."**).

4. Reversal trades are considered non genuine trades if they involve an entity reversing its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. Artificial volume is considered as the volume (no. of units) reversed in non-genuine trades, comprising both original volume and reversed volume while keeping out the volume which is not reversed.

5. Pursuant to investigation, it was observed that during the I.P., total 2,91,744 trades comprising substantial 81.40% of all the trades executed in Stock Options Segment of BSE were non genuine trades.

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 who indulged in execution of non-genuine trades in Stock Options Segment of BSE during the I.P. Following points deal with the dealings of the Noticee during I.P. and allegations against the 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*, "FEDB15AUG65.00PEW2" during the I.P., mentioned as follows:

a) 2 trades for 1,52,000 units were executed in the said contract wherein Noticee was party to both the trades.

b) While dealing in the said contract on 07/08/2015, the Noticee entered into a sell trade with counter party *viz,* Kedear Commercial Private Limited for 76000 units at rate of Rs 2.5 per unit, which executed at 13:15:04:09. Thereafter, on the same day, Noticee entered into a buy trade with same counterparty for 76000 units at the rate of Rs 0.1 per unit which executed at 15:07:27.27 hrs. Details of the same given as below:-

Date	Client Name (buying)	Client Name (selling)	Trade quantity	Trade Time	Trade Rate(Rs)
07/08/2015	Kedear Commercial Private Limited	Shiv Kumar Agarwal	76000	13:15:04.09	2.5
07/08/2015	Shiv Kumar Agarwal	Kedear Commercial Private Limited	76000	15:07:27.27	0.1

c) From the above, it is noted that while dealing in the said contract during the I.P., Noticee executed total 2 reversal trade (1 buy trade + 1 sell trade) with same counterparty *viz,* Kedear Commercial Private Limited on the same day.

d) Thus, the Noticee, through dealing in the contract *viz,* "FEDB15AUG65.00PEW2" during the I.P., executed 2 non genuine trades which is 10.53% of the total trades from the market in the said contract during the I.P., and thereby, the Noticee generated artificial volume of 1,52,000 units which is 9.69% of the volume traded in the said contract from the market during the I.P.

8. As regard to all the dealings of the Noticee in the Stock Options segment of BSE during the I.P., it is noted that the Noticee has allegedly executed 4 non genuine trades in 2 Stock Options contracts which resulted in artificial volume of total 3,04,000 units.

9. Details of all the non-genuine trades of Noticee in Stock Option Segment of BSE during I.P. are enclosed as **Annexure B**. An analysis of dealings of the

Noticee in 2 Stock Options contract in which the said Noticee allegedly executed reversal trades during the I.P. is given in **Annexure C**.

10. Summary of dealings of the Noticee in a Stock Option contract, in which the Noticee allegedly executed non genuine trades during the I.P., is as follows:

S. No.	Contract Name	Avg. Buy Rate (Rs)	Total Buy Volume (No. of units)	Avg. Sell Rate (Rs)	Total Sell Volume (No. of units)	No. of alleged non genuine trades of Noticee in the Contract	Alleged Artificial volume generated by Noticee in the Contract (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 Noticee 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	FEDB15AUG 65.00PEW2	0.1	76000	2.5	76000	2	152000	100	10.53	100	9.69
2	RCOM15AU G65.00PEW2	0.1	76000	2.5	76000	2	152000	40	7.69	52.78	8.88

11. From the above table, following is noted as regard to dealings of the Noticee:

a) Substantial 100% trades executed by the Noticee in above contracts were non genuine trades.

b) No. of non-genuine trades of the Noticee was significantly high i.e. 100% of total trades executed by the Noticee in the above contracts. Moreover, the said non genuine trade executed by the Noticee contributed 7.69% to 10.53% of the total trades that have taken place in the above contracts.

c) Substantial 50.78% to 100% of the volume generated by the Noticee in each of the above contracts, was artificial volume. Further, said artificial volume generated by the Noticee also contributed 8.88% to 9.69% of the total volume from the market in above contracts.

d) Alleged non genuine trades executed by the Noticee had significant differential in sell rates and buy rates considering that the trades were reversed on same day.

12. In view of the foregoing, it is alleged that the Noticee indulged in execution of reversal of trades in Stock Options with same entities on the same day. Such trades are non-genuine in nature and have created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore are alleged to be manipulative and deceptive in nature. In view of the same, it is alleged that the Noticee has violated regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003. The text of the aforementioned provisions read as follows:

PFUTP Regulations

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 [1][manipulative,] fraudulent or an unfair trade practice in securities [2][markets].

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[1] Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 01, 2019.

[2] Ibid.

[3][Explanation.–For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.]

(2) Dealing in securities shall be deemed to be a [manipulative][4] fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

(a) [knowingly][5] indulging in an act which creates false or misleading appearance of trading in the securities market;

13. The aforesaid alleged non-compliance, if proved, makes the Noticee liable for penalty under section 15HA of the SEBI Act. The text of the said provision is reproduced below:

SEBI Act 1992

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.

14. In view of the above, you are called upon to show cause as to why an inquiry should not be held against you in terms of rule 4 of the Adjudication Rules, 1995 read with section 15-I of the SEBI Act and why penalty, if any, should not be imposed on you under the provisions of section 15HA of the SEBI Act.

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[3] Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020 w.e.f. October19, 2020.
[4] Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020 w.e.f. October19, 2020.
[5] Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 01, 2019.

15. Your reply, if any, should reach the undersigned or through email at vijayantkv@sebi.gov.in and aloks@sebi.gov.in in 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, 1995. You may also indicate that whether you desire to have a personal hearing in the matter.

16. 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.

V. K. Verma

Vijayant Kumar Verma
ADJUDICATING OFFICER

Enclosure(s):

Annexure	Copy of relevant documents enclosed with this SCN
A	Communique dated July 27, 2021 appointing Adjudicating Officer
B	Integrated trade log of all non-genuine trades of Noticee in Stock Option segment of BSE during I.P. i.e, 01/04/2014 to 30/09/2015
C	Summary of dealings of Noticee in 2 Stock Options contracts in which Noticee allegedly executed reversal trades during the I.P.

Annexure A

SECURITIES AND EXCHANGE BOARD OF INDIA

Communication of the Order appointing Adjudicating Officer

1. Whereas, Securities and Exchange Board of India (SEBI) has examined trading in the scrip of Illiquid Stock Options at BSE 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 Regulations 3 (a), (b), (c), (d), and Regulations 4 (1), 4 (2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, by the entities mentioned at **Annexure A.**

3. The Competent Authority has, therefore, in exercise of the powers conferred upon her under Section 19 of the SEBI Act, 1992 ("SEBI Act") read with Section 15-I(1) of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ("hereinafter referred as the 'SEBI Rules') read with Section 19 of the SEBI Act appointed **Shri Suresh B. Menon, Chief General Manager, Shri G. Ramar, Chief General Manager, Ms. Manlnder Cheema, Chief General Manager, Shri Prasanta Mahapatra, Chief General Manager, Shri Vijayant Kumar Verma, General Manager and Ms. Soma Majumder, General Manager** as Adjudicating Officers vide Order dated June 21, 2021 to enquire into and adjudge under Sections 15HA SEBI Act, 1992 for alleged violations by the Noticees as mentioned at Para 2 above. The list of the entities against whom adjudication is approved and the names of the Adjudicating Officers who are appointed to adjudicate against respective entities are listed in Annexure A.

4. The said proceedings of appointment are hereby 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. 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 to penalty, may impose penalty, as they think fit, in terms of Rule 5 of the SEBI Rules and provisions of Sections 15 HA of the SEBI Act.

Dated at Mumbai, this 27th day of **July 2021.**

ROBIN JOSEPH BABY
DEPUTY GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA

Annexure B

sno	301956	301963	301988	301994
TRADE_DATE	07/08/2015	07/08/2015	07/08/2015	07/08/2015
SCRIPCODE	857936	857936	860689	860689
clnt_pan	AABCK1513C	ACIPA7971N	AAECS0708A	ACIPA7971N
clnt_name	KEDEAR COMMERCIAL PRIVATE LIMITED	SHIV KUMAR AGARWAL	SAFFIRE EXPORTS & AGENCY PVT LTD	SHIV KUMAR AGARWAL
cp_pan	ACIPA7971N	AABCK1513C	ACIPA7971N	AAECS0708A
cp_name	SHIV KUMAR AGARWAL	KEDEAR COMMERCIAL PRIVATE LIMITED	SHIV KUMAR AGARWAL	SAFFIRE EXPORTS & AGENCY PVT LTD
ORDER_NO	1438929926426001008	1438929926426001015	1438928412820000010	1438928412820000222
CP_ORDER_NO	1438929926426001005	1438929926426001040	1438928412820000005	1438928412820000227
TRADEID	26763	29413	20330	24905
ORDER_TIME	14:30:04.261735	15:01:43.036393	13:06:54.009778	14:02:33.089320
CP_ORDER_TIME	13:15:04.099524	15:07:27.274256	11:51:34.379603	14:04:55.534282
TRADE_TIME	14:30:04.261735	15:07:27.274256	13:06:54.009778	14:04:55.534282
ORDER_LMTIME	14:30:04.261735	15:01:43.036393	13:06:54.009778	14:02:33.089320
CP_ORDER_LMTIME	13:15:04.099524	15:07:27.274256	11:51:34.379603	14:04:55.534282
TRADE_RATE	2.5	0.1	2.5	0.1
LTP_RATE	0.0	0.0	0.05	0.0
LTP_PERCENT	0.0	0.0	2.04	0.0
TRADE_VALUE	5130000.0	4947600.0	5130000.0	4947600.0
ORDER_RATE	2.5	0.1	2.5	0.1
CP_ORDER_RATE	2.5	0.1	2.5	0.1
ORDER_LMRATE	2.5	0.1	2.5	0.1
CP_ORDER_LMRATE	2.5	0.1	2.5	0.1
ORDER_LTP	2.5	2.5	2.5	2.5
CP_ORDER_LTP	80000.0	0.1		0.1
TRADED_QTY	76000	76000	76000	76000
ORDER_QTY	400000	76000	400000	76000
CP_ORDER_QTY	80000	400000	80000	400000
ORDER_AVLQTY	400000	76000	400000	76000
CP_ORDER_AVLQTY	80000	400000	80000	400000
ORDER_LMQTY	400000	76000	400000	76000
CP_ORDER_LMQTY	80000	400000	80000	400000
MEMBER_NO	4034	6141	990	6141
MEMBER_NAME	BAHUBALI FOREX PVT LTD	V.G.CAPITAL MARKET PVT.LTD.	THE CALCUTTA STOCK EXCHANGE LTD.	V.G.CAPITAL MARKET PVT.LTD.
OLD_CLIENT				
MODIFIED_CLIENT	BF1229	KS98	M0681S234	KS98
CP_MEMBER_NO	6141	4034	6141	990
CP_MEMBER_NAME	V.G.CAPITAL MARKET PVT.LTD.	BAHUBALI FOREX PVT LTD	V.G.CAPITAL MARKET PVT.LTD.	THE CALCUTTA STOCK EXCHANGE LTD.
CP_OLD_CLIENT				
CP_MODIFIED_CLIENT	KS98	BF1229	KS98	M0681S234
TERMINALID	902	1	221	1
USER_NAME	MANISH DALMIA	YASHWANT KUMAR GOYAL	PAWAN KUMAR KAYAN	YASHWANT KUMAR GOYAL
LOCATION_ADDRESS	156 COTTON STREET KOLKATA WEST BENGAL 700007	9 LAL BAZAR,BLOCK-A,1ST FLOOR KOLKATA WEST BENGAL 700001	MARTIN BURN HOUSE, 1 R N MUKHERJEE ROAD KOLKATA WEST BENGAL 700001	9 LAL BAZAR,BLOCK-A,1ST FLOOR KOLKATA WEST BENGAL 700001
CP_TEMINALID	1	902	1	221
CP_USER_NAME	YASHWANT KUMAR GOYAL	MANISH DALMIA	YASHWANT KUMAR GOYAL	PAWAN KUMAR KAYAN
CP_LOCATION_ADDRESS	9 LAL BAZAR,BLOCK-A,1ST FLOOR KOLKATA WEST BENGAL 700001	156 COTTON STREET KOLKATA WEST BENGAL 700007	9 LAL BAZAR,BLOCK-A,1ST FLOOR KOLKATA WEST BENGAL 700001	MARTIN BURN HOUSE, 1 R N MUKHERJEE ROAD KOLKATA WEST BENGAL 700001
ORDER_AUD	A	A	A	A
CP_ORDER_AUD	A	A	A	A
ORDER_TYPE	L	L	L	L
CP_ORDER_TYPE	L	L	L	L
LOCATIONID	7000070001002012	7000010001001099	7000010681001001	7000010001001099
CP_LOCATIONID	7000010001001099	7000070001002012	7000010001001099	7000010681001001
SCRIPNAME	FEDB15AUG65.00PEW2	FEDB15AUG65.00PEW2	RCOM15AUG65.00PEW2	RCOM15AUG65.00PEW2
EXPIRY	2015-08-13	2015-08-13	2015-08-13	2015-08-13
STRIKEPRICE	6500.0	6500.0	6500.0	6500.0
SERIES	EQD	EQD	EQD	EQD
MKT_TYPE	N	N	N	N
ISIN_NO				
rqty	76000	76000	76000	76000

Annexure C

clnt_pan	ACIPA7971N	ACIPA7971N
scripname	FEDB15AUG65.00PEW2	RCOM15AUG65.00PEW2
buy_quantity	76000	76000
buy_value	7600	7600
avg_buy_rate	0.1	0.1
sell_qty	76000	76000
sell_value	190000	190000
avg_sell_rate	2.5	2.5
non_gen_trnx_entity_contrct	2	2
total_trd_entity_contrct	2	5
total_no_of_trades_of_the_cntrct	19	26
art_vol_gen_entity_in_the_cntrct	152000	152000
total_vol_gen_by_entity_in_the_cntrct	152000	288000
total_vol_in_the_contract	1568000	1712000
prcnt_of_non_gen_trds_entity_total_trds_in_cntrct_entity	100	40
prcnt_of_non_gen_trds_entity_total_trds_in_cntrct	10.53	7.69
prcnt_of_art_vol_gen_entity_cntrct_total_vol_gen_by_entity_in_cntrct	100	52.78
prcnt_of_art_vol_gen_entity_cntrct_total_vol_in_cntrct	9.69	8.88