भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D.

DEPUTY GENERAL MANAGER &
ADJUDICATING OFFICER

SEBI/HO/CFID/CFID-1/PN/VL/2021/26471/1
September 30, 2021

SACHIN JAIN HUF
D-209 Ground Floor, Ashok Vihar
Delhi – 110054
Contact no.: 011-23311040

Subject: Adjudication Proceedings in respect of Sachin Jain HUF (PAN: AAPHS8294D) 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 **Sachin Jain HUF** (hereinafter, referred to as "**Noticee**"), bearing PAN – AAPHS8294D, for allegedly violating Regulations 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**"), 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**.

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 2,91,744 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 02 (two) trades in 01 (one) unique contract, which led to generation of alleged artificial volume of 20,000 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 investigation 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 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 01 (one) Stock Option contract in which the said Noticee allegedly executed reversal trades during the investigation period, is as follows:-

Summary of dealings in contract wherein the Noticee executed reversal trade

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 Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1.	MARU15MAY3900.00CE	36	10,000	99	10,000	100%	11.27%

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, "MARU15MAY3900.00CE" during the investigation period, as follows:-

   (a) During the investigation period, 02 (two) trades for 20,000 units were executed by the Noticee in the said contract on 30/03/2015.

   (b) While dealing in the said contract on 30/03/2015, at 13:56:01.252437 hrs the Noticee entered into a buy trade with counterparty DOYEN COMMERCIAL PRIVATE LIMITED for 10,000 units at Rs. 36 per unit. At 13:55:55.369026 hrs the Noticee entered into a sell trade/reversal trade with the same counterparty, for 10,000 units at Rs. 99 per unit.

   (c) The Noticee's two trades while dealing in the above said contract during the investigation period allegedly generated artificial volume of 20,000 units, which made up 11.27% 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 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.

10. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act.

    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 prachin@sebi.gov.in and veenal@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. 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. Telephone numbers / Fax numbers / e-mail IDs and details of contact persons for records.

Nadkar

PRACHI NADKAR
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 investigation 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 investigation period	1

Annexure A

SECURITIES AND EXCHANGE BOARD OF INDIA

Order communicating appointment of Adjudicating Officer

1. Whereas, Securities and Exchange Board of India (**SEBI**) has conducted examination trading in option on individual stocks listed on Bombay Stock Exchange 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 provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003 by certain entities.

3. The Competent Authority has, therefore, in exercise of the powers conferred upon her under Section 19 of the SEBI Act read with Section 15 I(1) of the SEBI Act and Rule 3 of securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ("hereinafter referred as the '**SEBI Rules**') read with section 19 of the SEBI Act appointed certain Division Chiefs as Adjudicating Officers vide Order dated July 02, 2021 to enquire into and adjudge under Sections 15HA SEBI Act the alleged violations by the entities.

4. The list of the entities against whom adjudication is approved and the names of the respective Adjudicating Officers who are appointed to adjudicate against these entities is enclosed as **Annexure.**

5. The said proceedings of appointment are hereby being 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 6th day of July 2021.



Bhavana. R.K

BHAVANA RAVIKUMAR

GENERAL MANAGER

SECURITIES AND EXCHANGE BOARD OF INDIA

S. No.	Case ID	Case Name	PAN Number	Entity Name	AO Name
1818	210011961	ISO at BSE-SACHIN JAIN HUF	AAPHS8294D	SACHIN JAIN HUF	Prachi Amit Nadkar



Annexure B

TRADE_DATE	30/03/2015	30/03/2015
SCRIPCODE	823741	823741
clnt_pan	AAPHS8294D	AADCD3546N
clnt_name	SACHIN JAIN HUF	DOYEN COMMERCIAL PRIVATE LIMITED
cp_pan	AADCD3546N	AAPHS8294D
cp_name	DOYEN COMMERCIAL PRIVATE LIMITED	SACHIN JAIN HUF
ORDER_NO	1427692851035013003	1427692851035013001
CP_ORDER_NO	1427692851035013002	1427692851035013000
TRADEID	9631	10643
ORDER_TIME	13:56:01.252437	13:55:55.369026
CP_ORDER_TIME	13:56:01.169439	13:55:54.652017
TRADE_TIME	13:56:01.252437	13:55:55.369026
TRADE_RATE	36	99
LTP_RATE	26.0	63.0
LTP_PERCENT	260.0	175.0
TRADE_VALUE	39360000.0	39990000.0
ORDER_RATE	36.0	99.0
CP_ORDER_RATE	36.0	99.0
ORDER_LTP	36.0	99.0
CP_ORDER_LTP	99.0	20000.0
TRADED_QTY	10000	10000
ORDER_QTY	10000	10000
CP_ORDER_QTY	10000	10000
MEMBER_NAME	SUNSTAR SECURITIES	PLG SECURITIES PVT. LTD.
CP_MEMBER_NAME	PLG SECURITIES PVT. LTD.	SUNSTAR SECURITIES
ORDER_TYPE	L	L
CP_ORDER_TYPE	L	L
SCRIPNAME	MARU15MAY3900.00CE	MARU15MAY3900.00CE
EXPIRY	2015-05-28	2015-05-28
STRIKEPRICE	390000.0	390000.0



Annexure C

PAN	AAPHS8294D
SCRIPNAME	MARU15MAY3900.00CE
Wt Avg Buy Rate (in Rs.)	36
Buy Quantity	10000
Buy Value (in Rs.)	360000
Wt Avg Sell Rate (in Rs.)	99
Sell Quantity	10000
Sell Value (in Rs.)	990000
Number of reversal trades executed by Entity in the Contract	2
Total number of trades executed by the Entity in the Contract	2
Total number of trades executed in the Contract	601
Artificial volume generated by the Entity in the Contract	20000
Total volume generated by the Entity in the Contract	20000
Total Volume in the Contract	177500
% of reversal trades of Entity in the Contract to Entity's Total trades in the Contract	100
% of reversal trades of Entity in the Contract to Total trades in the Contract	0.33
% of Artificial Volume generated by Entity in the Contract to Entity's Total Volume in the Contract	100
% of Artificial Volume generated by Entity in the Contract to Total Volume in the Contract	11.27

