



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D./Email

ADJUDICATING OFFICER

SEBI/HO/EAD/EAD9/P/OW/2022/0000048053/1

Date: 09/09/2022

Shiv Dayal Gupta - HUF

PAN: AAIHS6468Q

2A, Shakespeare Sarani,
Kolkata - 700071 (West Bengal)

Email Address: rashikasareeskol@yahoo.com

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

PART - A

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI'), vide *communiqué* dated July 27, 2021 had appointed, undersigned as Adjudicating Officer, to inquire into and adjudge under Rule 5 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') and under 15HA of the SEBI Act for the alleged violation of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**') for executing reversal trades (*which are considered to be 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*) and creating artificial volume while trading in illiquid stock options at BSE during April 01, 2014 to September 30, 2015 (hereinafter referred to as '**investigation period/relevant period**') by Shiv Dayal Gupta having PAN no. AAIHS6468Q (hereinafter referred to as '**Noticee**'). Accordingly, a show cause notice bearing reference no. SEBI/HO/EAD9/EAD/VKV/AK/25074/2021 dated September 21, 2021 (hereinafter referred to as '**previous SCN**') was issued to the Noticee, wherein, Mr. Hari Narayan Gupta vide his letter dated October 13, 2022 informed that Mr. Shiv Dayal Gupta has expired on January 20, 2017 and provided a death certificate dated January 18, 2018, issued by the

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.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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Kolkata Municipal Corporation under Registration No. HG013/2017/000103(Old Regn. No:- 1029). Accordingly, on considering the aforesaid fact of demise of Mr. Shiv Dayal Gupta, vide adjudication order - Order/VV/AS/2021-22/13724 dated October 20, 2021, undersigned has disposed of the adjudication proceedings w.r.t. Shiv Dayal Gupta (PAN no. AAIHS6468Q) without going into the merits of the case.

2. Thereafter, the concerned operational department of SEBI has reviewed the 94 cases related to trading in Illiquid Stock Options at Bombay Stock Exchange Ltd. ("BSE"), wherein, NIL penalty has been imposed by the respective Adjudicating Officer in the adjudication proceedings initiated w.r.t. respective entity(ies). It has been observed that, the Noticee, Shiv Dayal Gupta (PAN no. AAIHS6468Q) was one of the aforesaid 94 entities. Concerned department has observed that, PAN no. AAIHS6468Q belongs to an HUF, instead of an individual Late Shiv Dayal Gupta. It is further observed that an HUF does not dissolve with the death of Karta of HUF, until and unless documented and partitioned in accordance with the applicable law.
3. Considering the above facts and circumstances, SEBI has remanded back the aforesaid matter to undersigned, vide *communique* dated August 18, 2022, to inquire and adjudicate upon the violation of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) by the HUF Noticee, Shiv Dayal Gupta (PAN no. AAIHS6468Q), under Rule 5 of the Adjudication Rules and under Section 15HA of the SEBI Act, in the matter of trading in illiquid stock options at BSE.

Background:

4. SEBI had conducted an investigation into large scale reversal of trades in Stock Options segment of the BSE during the period of April 01, 2014 to September 30, 2015 (Copy of relevant portion of Investigation Report is placed at **Annexure 1**).
5. Pursuant to investigation, it was observed that during the investigation period, there were trades executed in BSE Stock Options Segment involving reversal of buy and sell positions by clients and counterparties in the same contract (refer Paragraph 6 of Investigation





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Report/**Annexure 1**). The reversal trades involved squaring off trades (either buy or sell), with significant difference in the price. You are one among the entities who indulged in reversal trades, which allegedly created false and misleading appearance of trading thereby generated artificial volumes in the Stock Options Segment of BSE during the investigation period. The trades entered in the unique contracts were reversed on the same day with same counterparties, at a price difference which had no underlying basis and without an intention of performing it or there being a change of ownership/rights in the contracts. These factors indicate that these trades were allegedly artificial and non- genuine in nature.

6. All the entities identified by the investigation including you, indulged in reversal trades. Your trade details including the trade dates, name of the counterparties, time, price and volume are available in columns **B, E/G, M, P** and **Z** respectively of the Reversal Trade Data placed at **Annexure 3**. Additionally, a summary of your reversal trades in the Stock Options contracts executed during the investigation period is placed at **Annexure 4**.
7. In view of the above, it is alleged that the Noticee herein, by indulging in execution of non-genuine reversal trades in Stock Options, created false and misleading appearance of trading in securities market and thereby, violated provisions of Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations.
8. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act, which reads as below:

“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.***

(Emphasis Supplied)

PART - B

9. Meanwhile, SEBI has framed the SEBI Settlement Scheme, 2022 pursuant to the Order dated May 13, 2022 passed by the Hon'ble Securities Appellate Tribunal (**Annexure 5**), wherein the following directions were issued to SEBI:





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*“17. We are, thus, of the opinion that SEBI should reconsider and seriously give a thought in coming out with a fresh scheme under Clause 26 of the Settlement Regulations, 2018. Such scheme can be a onetime scheme for this class of person. **The terms of settlement should be attractive so that it could attract the noticees / entities to come forward and settle the matter which will ameliorate the harassment of penalty proceedings to the noticees and at the same time would help to clear the backlog of these pending matters before various AOs.**”*
(Emphasis Supplied)

10. In compliance with the above directions of the Hon’ble Securities Appellate Tribunal, SEBI has introduced a onetime settlement scheme called the SEBI Settlement Scheme, 2022, in terms of Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of Illiquid Stock Options. The said scheme proposes payment of Settlement Amount as per the details given below:

S No	Number of Contracts*	Settlement Amount (Rs.)
1	1-5	1,00,000/-
2	6-50	2,00,000/-
3	51 and above	5,00,000/- base amount + 10,000 per contract

** You may refer to the relevant Annexure/ table of the SCN which contains a summary of the contracts you entered to determine the applicable slab for settlement.*

11. The period of the SEBI Settlement Scheme, 2022 will commence on August 22, 2022 and will close on November 21, 2022, so as to provide an opportunity for settlement to the entities who have executed reversal trades in the stock options segment of BSE during the period April 01, 2014 to September 30, 2015, against whom enforcement proceedings have been initiated and are pending. In case you wish to avail the benefit of the said Scheme, you may access the details of the said Scheme, which would be available on the website of SEBI i.e. www.sebi.gov.in during the said period.
12. Necessary application for settlement may be filed within the validity period of the scheme and payment of the settlement amount shall be made online. Additionally, for any





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clarification in regard to settlement scheme, you may refer to the FAQs at SEBI website or send email to scheme2022@sebi.gov.in .

13. In case you do not wish to avail of the facility under the SEBI Settlement Scheme, 2022, the adjudication proceedings in respect of the allegations contained in Part A of the SCN shall resume. Accordingly, an inquiry shall be held against you in terms of Adjudication Rules read with section 15-I of the SEBI Act, and penalty, if any, shall be imposed under section 15HA of the SEBI Act. In such case, you are called upon to file your reply within 30 days of receipt of this Show Cause Notice.

V.K. Verma

VIJAYANT KUMAR VERMA
ADJUDICATING OFFICER



Enclosures:

Annexure 1	Relevant Extract of Investigation Report.
Annexure 2	Copy of the communication appointing the Adjudicating Officer.
Annexure 3	Details of all the reversal trades of the Noticee.
Annexure 4	Summary of reversal trades of the Noticee.
Annexure 5	Copy of SAT judgment dated May 13, 2022.
Annexure 6	Previous Show Cause Notice - SEBI/HO/EAD9/EAD/VKV/AK/25074/2021 dated September 21, 2021.
Annexure 7	Adjudication Order – Order/VV/AS/2021-22/13724 dated October 20, 2021.
