



भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

By Registered Post A.D./ Email

ADJUDICATING OFFICER

SEBI/HO/ISD2/SP/PB/2022/ 18076/1
March 31, 2022

RAJNIKANT NATHALAL KANANNI (HUF) [AAPHR2695H],
752E WARD SHAHUPURI,
KOLHAPUR, MAHARASHTRA INDIA
Email:atul.thakkar3421@gmail.com
Cont: 9420006550

Subject: Adjudication Proceedings in respect of RAJNIKANT NATHALAL KANANNI (HUF) [PAN: AAPHR2695H] 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) Rules, 1995

1. Securities and Exchange Board of India (hereinafter, referred to as "SEBI") has initiated adjudication proceedings in respect of **RAJNIKANT NATHALAL KANANNI (HUF)** (hereinafter, referred to as "Noticee"), bearing PAN – **AAPHR2695H**, 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 September 20, 2021, to enquire 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 September 27, 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**").

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

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051. : Page 1 of 5
Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

4. Pursuant to investigation, it was observed that during the investigation period, a total of 2,91,744 trades comprising 81.40% 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 2 trades in 1 unique contract, which led to generation of alleged artificial volume of 27,500 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 (which were also reversal trades in nature) 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 1 Stock Options 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 1 Stock Options contract in which the said Noticee allegedly executed reversal trades during the investigation period, is as follows:-

Summary of dealings in the contract 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 Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	GRSM15APR3650.00C E	72.00	13750	92.00	13750	100	11.13

Note: "Unit" refers to lot size in contract multiplied by number of contracts traded.



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

8. The above mentioned reversal trades and volumes are illustrated through the dealings of Noticee in one contract viz, "GRSM15APR3650.00CE", during the investigation period, as follows:-
- (a) During the investigation period, 2 trades for 27,500 units were executed by the Noticee in the said contract on March 25, 2015.
 - (b) While dealing in the said contract on March 25, 2015, at 13:49:58 hrs the Noticee entered into a buy trade with counterparty KASVI DISTRIBUTORS PRIVATE LIMITED for 13,750 units at Rs 72.00 per unit. At 13:50:01 hrs the Noticee entered into a sell trade with the same counterparty for 13,750 units at Rs 92.00 per unit.
 - (c) The Noticee's two trades, while dealing in the above said contract during the investigation period, allegedly generated artificial volume of 27,500 units, which made up 11.13% of total market volume in the said contract, on the aforesaid date.
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. The text of aforementioned provisions of law is being reproduced below:

"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;*





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

(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.

(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 provisions is reproduced 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.”

11. The Noticee is, therefore, called upon to show cause as to why an inquiry should not be held against the Noticee in terms of Rule 4 of the SEBI (Procedure for holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 read with section 15 I of the SEBI Act, and why penalty, if any, should not be imposed under the section 15HA of the SEBI Act.
12. Reply, if any, from the Noticee, with respect to alleged violations, should **be specifically addressed to Siva Govindo Patra, Adjudicating Officer**. The reply should reach at the address mentioned below as well as through email at sgpatra@sebi.gov.in within 21 days from the date of receipt of this Show





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

Cause Notice (SCN), failing which it shall be construed that Noticee has no reply to submit for his defence, and the matter shall be further proceeded with on the basis of the evidence available on record in terms of Rule 4 (7) of SEBI Adjudication Rules, 1995. Noticee in his reply to SCN may also indicate whether Noticee desires a personal hearing in the matter.

13. Noticee is also required to submit a photocopy of its PAN card and contact details viz. Telephone numbers / Fax numbers / e-mail IDs and details of contact persons for records. Further, Noticee is required to keep the undersigned informed about the change in its correspondence address, if any, till the conclusion of the proceedings.
14. SCN issued to Noticee is sent through registered post AD to the address of the Noticee available on record, and the scanned copy of the SCN is sent to contact E-mail Id of Noticee viz. atul.thakkar3421@gmail.com.

SIVA GOVINDO PATRA
ADJUDICATING OFFICER

Enclosures: Documents relied upon are as follows:-

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A	Communique dated Sep 27, 2021 appointing Adjudicating Officer	3
B	Details of the reversal trades of Noticee in Stock Options segment of BSE during the investigation period i.e. April 1, 2014 to September 30, 2015	1
C	Summary of dealings of Noticee in 1 Stock Options contract in which Noticee allegedly executed reversal trades during the investigation period	1



SECURITIES AND EXCHANGE BOARD OF INDIA**Order communicating appointment of Adjudicating Officer**

1. Whereas, Securities and Exchange Board of India (SEBI) has conducted examination into the trading in options 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 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, vide Order dated September 20, 2021, appointed certain Division Chiefs as Adjudicating Officers to enquire into and adjudge under Section 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.

- 1
6. 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 for penalty, may impose penalty, as they think fit, in terms of Rule 5 of the SEBI Rules and provisions of Sections 15HA of the SEBI Act.

Dated at Mumbai, this 27th day September 2021.

Bhavana Ravikumar

BHAVANA RAVIKUMAR

GENERAL MANAGER

SECURITIES AND EXCHANGE BOARD OF INDIA



2021	210011920	ISO at BSE- RAJNIKANT NATHALAL KANANNI (HUF)	AAPHR2695H	RAJNIKANT NATHALAL KANANNI (HUF)	Siva Go Patra
------	-----------	---	------------	--	------------------

3

CA



Annexure B		
TRADE_DATE	25/03/2015	25/03/2015
SCRIPCODE	842173	842173
clnt_pan	AAECK3317R	AAPHR2695H
clnt_name	KASVI DISTRIBUTORS PRIVATE LIMITED	RAJNIKANT NATHALAL KANANNI (HUF)
cp_pan	AAPHR2695H	AAECK3317R
cp_name	RAJNIKANT NATHALAL KANANNI (HUF)	KASVI DISTRIBUTORS PRIVATE LIMITED
ORDER_NO	1427258161786012015	1427258161786012012
CP_ORDER_NO	1427258161786012014	1427258161786012013
TRADEID	61745	61774
ORDER_TIME	13:50:01.820301	13:49:58.099148
CP_ORDER_TIME	13:50:01.799436	13:49:58.120171
TRADE_TIME	13:50:01.820301	13:49:58.120171
TRADE_RATE	92	72
TRADE_VALUE	51452500.0	51177500.0
ORDER_RATE	92.0	72.0
CP_ORDER_RATE	92.0	72.0
TRADED_QTY	13750	13750
ORDER_QTY	13750	13750
CP_ORDER_QTY	13750	13750
MEMBER_NAME	CONCORD VINIMAY PVT. LTD.	GIRIRAJ STOCK BROKING PVT. LTD.
CP_MEMBER_NAME	GIRIRAJ STOCK BROKING PVT. LTD.	CONCORD VINIMAY PVT. LTD.
LOCATION_ADDRESS	21 HEMANTA BASU SARANI CENTRE POINT ROOM NO 230 2ND FLOOR KOLKATA WEST BENGAL 700001	190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007
CP_LOCATION_ADDRESS	190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007	21 HEMANTA BASU SARANI CENTRE POINT ROOM NO 230 2ND FLOOR KOLKATA WEST BENGAL 700001
ORDER_TYPE	L	L
CP_ORDER_TYPE	L	L
LOCATIONID	7000010001001012	7000070001001012
CP_LOCATIONID	7000070001001012	7000010001001012
SCRIPNAME	GRSM15APR3650.00CE	GRSM15APR3650.00CE
EXPIRY	2015-04-30	2015-04-30
STRIKEPRICE	365000.0	365000.0



Annexure-C

PAN	SCRIPNAME	WT Avg Buy rate (in ₹)	Buy Quantity	Buy Value (in ₹)	WT Avg Sell rate (in ₹)	Sell Quantity	Sell Value (in ₹)	Number of reversal trades executed by Entity in the Contract	Total number of trades executed by the Entity in the Contract	Total number of trades executed in the Contract	Artificial volume generated by Entity in the Contract	Total volume generated by Entity in the Contract	Total volume in the Contract	% of reversal trades of Entity in the Contract to Entity's Total trades in the Contract	% of reversal trades of Entity in the Contract to Total trades in the Contract	% of Artificial Volume generated by Entity in the Contract to Entity's Total Volume in the Contract	% of Artificial Volume generated by Entity in the Contract to Total Volume in the Contract
AAECK317R	GRSM15APR3650.00CE	72	13750	990000	92	13750	1265000	2	2	24	27500	27500	247000	100.00	8.33	100.00	11.13

✓

