भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Registered Post A.D./ Email

DEPUTY GENERAL MANAGER &
ADJUDICATING OFFICER

SEBI/HO/IVD/ID17/BSR/AS/2022/13638/1
March 30, 2022

S K AGARWAL AND SONS HUF [PAN: AAJHS6712E]
MAIN ROAD CHAS,
NEAR KEDIA BHAWAN, CHAS BAZAR
BOKARO, JHARKHAND - 827013

Subject: Adjudication Proceedings in respect of S K Agarwal and Sons HUF 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 S K AGARWAL AND SONS HUF (hereinafter, referred to as "**Noticee**"), bearing PAN – AAJHS6712E, 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. (hereinafter, referred to as "**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**.

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.
Tel.. 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in

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 81.40% 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 32000 units. These trades of the Noticee involved reversal with the same counterparty on the same day, but at different prices. Details of trades of Noticee in Stock Options segment of BSE during the investigation period which were also reversal trades in nature are given in **Annexure B**. Summary of dealings of 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 contracts wherein the Noticee executed reversal trades

S. No.	Contract Name	Avg. Buy Rate (in Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (in 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.	OBNK15MAR210.00CE	15.15	16000	28.95	16000	100.00%	6.45%

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

8. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in the one contract viz, "OBNK15MAR210.00CE" during the investigation period, as follows:-

(a) During the investigation period, 2 trades for 32000 units were executed by the Noticee in the said contract on Mar 18, 2015.

(b) While dealing in the said contract on Mar 18, 2015, at 10:09:11 hrs, the Noticee entered into a buy trade with counterparty Adarsh Credit Co op Society Limited for 16000 units at Rs.15.15 per unit. At 10:35:07 hrs, the Noticee entered into a sell trade with the same counterparty, for 16000 units at Rs.28.95 per unit.

(c) The Noticee`s two trades while dealing in the abovesaid contract during the investigation period allegedly generated artificial volume of 32000 units,

which made up 6.45% 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 entities 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.

11. The Noticee is, therefore, called upon to show cause as to why an inquiry should not be held against him in the manner specified under Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**SEBI Rules**") read with sub-section (1) and (2) of Section 15 I of the SEBI Act, and penalty should not be imposed in terms of Rule 5 of the SEBI Rules and provisions of Section 15HA of the SEBI Act.

12. The written submissions of the Noticee, if any, should reach the undersigned, at the address given below. as well as through email at bsrao@sebi.gov.in and abhineets@sebi.gov.in, within 21 days from the date of receipt of this Notice, failing which it shall be construed that the Noticee has no reply to submit and the matter would be further proceeded with on the basis of the evidence available on record.

Securities and Exchange Board of India
SEBI Bhavan II, Plot no.-C-7, 'G' Block
Bandra Kurla Complex, Bandra (East)
Mumbai- 400 051

13. If the Noticee is desirous of a personal hearing, it shall be indicated in the reply accordingly.

14. The Noticee is also advised to keep SEBI informed about the change in the correspondence addresses, if any, and provide updated email-id and phone numbers, till the proceedings are complete. Noticee is also advised to submit a

photocopy of her Income Tax Permanent Account Number Card (PAN card), Aadhar card, bank account details, demat account details, mutual fund investment details, etc. along with details of other movable and immovable assets for our record.

B. SHYAM RAO
ADJUDICATING OFFICER

Enclosures:

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A	Communique dated September 27, 2021 appointing Adjudicating Officer	3
B	Integrated trade log of all trades of Noticee in Stock Option segment of BSE (which are also of nature of reversal trade) during the investigation period i.e, April 1, 2014 to September 30, 2015	2
C	Summary of dealings of Noticee in 1 Stock Options contracts in which Noticee allegedly executed reversal trades during the investigation period.	1



Annexure-A' 6

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.

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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 R

BHAVANA RAVIKUMAR
GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA



BR

S. No.	Case ID	Case Name	PAN Number	Entity Name	AO Name
2249	210010836	ISO at BSE-S K AGARWAL AND SONS HUF	AAJHS6712E	S K AGARWAL AND SONS HUF	B. Shyam Rao

Annexure B (2)

sno	100105	100120
TRADE_DATE	18/03/2015	18/03/2015
SCRIPCODE	828818	828818
clnt_pan	AAJHS6712E	AAAJA0296J
clnt_name	S K AGARWAL AND SONS HUF	ADARSH CREDIT CO OP SOCIETY LIMITED
cp_pan	AAAJA0296J	AAJHS6712E
cp_name	ADARSH CREDIT CO OP SOCIETY LIMITED	S K AGARWAL AND SONS HUF
ORDER_NO	1426653256356000013	1426653256356000024
CP_ORDER_NO	1426653256356000018	1426653256356000023
TRADEID	3025	4436
ORDER_TIME	10:07:35.570608	10:35:07.340148
CP_ORDER_TIME	10:09:11.027172	10:35:07.042876
TRADE_TIME	10:09:11.027172	10:35:07.340148
ORDER_LMTIME	10:07:35.570608	10:35:07.340148
CP_ORDER_LMTIME	10:09:11.027172	10:35:07.042876
TRADE_RATE	15.15	28.95
LTP_RATE	0.0	13.8
LTP_PERCENT	0.0	91.09
TRADE_VALUE	3602400.0	3823200.0
ORDER_RATE	15.15	28.95
CP_ORDER_RATE	15.15	28.95
ORDER_LMRATE	15.15	28.95
CP_ORDER_LMRATE	15.15	28.95
ORDER_LTP		28.95
CP_ORDER_LTP	15.2	29.0
TRADED_QTY	16000	16000
ORDER_QTY	16000	16000
CP_ORDER_QTY	244000	16000
ORDER_AVLQTY	16000	16000
CP_ORDER_AVLQTY	244000	16000
ORDER_LMQTY	16000	16000
CP_ORDER_LMQTY	244000	16000
MEMBER_NO	6566	6493
MEMBER_NAME	KAYAN SECURITIES PVT. LTD.	ARYAV SECURITIES PVT. LTD.
OLD_CLIENT		
MODIFIED_CLIENT	MA388	A442
CP_MEMBER_NO	6493	6566
CP_MEMBER_NAME	ARYAV SECURITIES PVT. LTD.	KAYAN SECURITIES PVT. LTD.
CP_OLD_CLIENT		
CP_MODIFIED_CLIENT	A442	MA388
TERMINALID	902	202
USER_NAME	HARSHVARDHAN KAYAN	NIDHI JHUNJHUNWALA
LOCATION_ADDRESS	1 R.N. MUKHERJEE ROAD, MARTIN BURN BUILDING, ROOM NO 319. KOLKATA WEST BENGAL 700001	UNIT 104, 1ST FLOOR. MERLIN CHAMBERS. 18, BRITISH INDIA STREET KOLKATA WEST BENGAL 700069
CP_TERMINALID	202	902
CP_USER_NAME	NIDHI JHUNJHUNWALA	HARSHVARDHAN KAYAN

(2)

CP_LOCATION_ADDRESS	UNIT 104, 1ST FLOOR. MERLIN CHAMBERS. 18, BRITISH INDIA STREET KOLKATA WEST BENGAL 700069	1 R.N. MUKHERJEE ROAD, MARTIN BURN BUILDING, ROOM NO 319. KOLKATA WEST BENGAL 700001
ORDER_AUD	A	A
CP_ORDER_AUD	A	A
ORDER_TYPE	L	L
CP_ORDER_TYPE	L	L
LOCATIONID	7000010001001012	7000690001001019
CP_LOCATIONID	7000690001001019	7000010001001012
SCRIPNAME	OBNK15MAR210.00CE	OBNK15MAR210.00CE
EXPIRY	2015-03-26	2015-03-26
STRIKEPRICE	21000.0	21000.0
SERIES	EQD	EQD
MKT_TYPE	N	N
ISIN_NO		
rqty	16000	16000

Annexure-C (1)

Index	0
clnt_pan	AAJHS6712E
scripname	OBNK15MAR210.00CE
buy_quantity	16000
buy_value	242400
avg_buy_rate	15.15
sell_qty	16000
sell_value	463200
avg_sell_rate	28.95
non_gen_trnx_entity_contrct	2
total_trd_entity_contrct	2
total_no_of_trades_of_the_cntrct	37
art_vol_gen_entity_in_the_cntrct	32000
total_vol_gen_by_entity_in_the_cntrct	32000
total_vol_in_the_contract	496000
prcnt_of_non_gen_trds_entity_total_trds_in_cntrct_entity	100
prcnt_of_non_gen_trds_entity_total_trds_in_cntrct	5.41
prcnt_of_art_vol_gen_entity_cntrct_total_vol_gen_by_entity_in_cntrct	100
prcnt_of_art_vol_gen_entity_cntrct_total_vol_in_cntrct	6.45

