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भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D.

DEPUTY GENERAL MANAGER &
ADJUDICATING OFFICER

SRO/MKS/SP/19936/1 /2021
August 24, 2021

POONAM CHARAN GUPTA
MANJHARI NIKUNJ AMGOLA
MUZAFFARPUR, MUZAFFARPUR,
BIHAR, 842002
poonamcharangupta@gmail.com

Dear Sir,

Subject: Adjudication Proceedings In respect of Poonam Charan Gupta 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

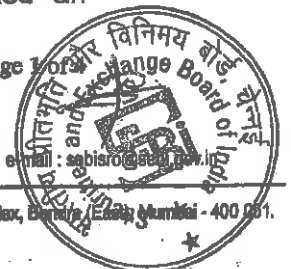
1. Securities and Exchange Board of India (hereinafter, referred to as "SEBI") has initiated adjudication proceedings in respect of Poonam Charan Gupta (hereinafter, referred to as "Noticee"), bearing PAN – BIIPG2625L, for allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition 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 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 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

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दक्षिणी प्रादेशिक कार्यालय : 'ओवरसीज टॉवर्स' सातवी मंजिल, 756-एल, अन्ना साली, चेन्नई - 600 002

Southern Regional Office : Overseas Towers, 7th Floor, 756-L, Anna Salai, Chennai - 600 002. Phone : 044 - 2852 6688, 2888 0222 Fax : 044 - 2888 0333 e-mail : srbisro@sebi.gov.in

सेबी भवन, प्लॉट सं, सी4-ए, "जी" ब्लॉक, बांद्रा - कुर्ली कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051. "SEBI BHAVAN", Plot No.C4-A, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.





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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. Reversal trades are considered non-genuine trades if it involves 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) so reversed in non-genuine trades, comprising both original volume and reversed volume.
5. 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.
6. 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 two (2) such reversal trade in the contract of UNIT15JUL6.00PE, which led to generation of alleged artificial volume of 1,98,000 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 & reversal trades of Noticee in UNIT15JUL6.00PE contract in the Stock Options segment of BSE during the investigation period are given in **Annexure B**.
7. The trade entered by the Noticee on July 29, 2015 under the contract UNIT15JUL6.00PE 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.
8. A summary of aforementioned trade and reversal trade of Noticee in the contracts UNIT15JUL6.00PE during the investigation period, is as follows:-





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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
UNIT15JUL6.00PE	0.1	99000	1.1	99000	100%	100%

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

9. During the investigation period, 2 trades for 99,000 units each were executed by the Noticee in the UNIT15JUL6.00PE contract on 29/07/2015.
10. While dealing in the said contract on 29/07/2015, at 14:34:36.37 hrs the Noticee entered into a sell trade with counterparty Padmawati Credit Capital Pvt Ltd for 99,000 units at Rs. 1.1 per unit. At 15:00:12.06 hrs the Noticee entered into a buy trade with the same counterparty, for 99,000 units at Rs. 0.1.
11. The Noticee's two trades while dealing in the UNIT15JUL6.00PE contract during the investigation period allegedly generated artificial volume of 1,98,000 units, which made up 100% of total market volume in the said contract during this period.
12. 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.
13. The aforesaid alleged violations, if established, make the Noticees liable for monetary penalty under section 15HA of the SEBI Act.
14. 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 15





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I of the SEBI Act, and why penalty should not be imposed section 15HA of the SEBI Act.

15. The Noticees may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If the Noticees wish to opt for the settlement process, they may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned. Further, they may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.
16. Your reply, if any, should reach the undersigned or through email at srikanth@sebi.gov.in and poornimas@sebi.gov.in within 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. You may also indicate whether you desire a personal hearing in the matter.
17. 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.


M K SRIKANTH
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	Trade log of all trades (both the trade and the reversal trade) of Noticee in the UNIT15JUL6.00PE contract in the Stock Option segment of BSE during the investigation period i.e, April 1, 2014 to September 30, 2015	2