

By Speed Post A.D.

**General Manager &
Adjudicating Officer**

Email: pranjal@sebi.gov.in

Tel. no.: +91-22-26449402

SEBI/AO/PJ/SKK/OW/2021/ 267/11

December 31, 2021

IMPROVE VINCOM PRIVATE LIMITED [PAN: AACCI0550Q]

43 KALI KRISHNA TAGORE STREET GROUND FLOOR

KOLKATA WEST BENGAL 700007

Subject: Adjudication Proceedings in respect of IMPROVE VINCOM PRIVATE LIMITED [PAN: AACCI0550Q] 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 **IMPROVE VINCOM PRIVATE LIMITED** (hereinafter, alternatively referred to / addressed as "You" or "Noticee"), bearing **PAN - AACCI0550Q**, 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 27, 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 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, certain entities were involved in reversal trades in BSE's Stock Options Segment. A total of 2,91,744 trades comprising 81.40% of all the trades executed in BSE Stock Options Segment were reversal trades, which involved reversal of buy or sell positions in a contract by a client with subsequent sell or buy positions with the same counterparty. 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 in otherwise illiquid option contracts.
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 (altogether two trades, one on the buy side and one on the sell side) in the contract '**UCOB15AUG50.00CE**' which led to generation of alleged artificial volume of **1,68,000** units (buy side + sell side). These trades of the Noticee involved reversal with the same counterparty on the same day, but at significantly different price. Details of the reversal trades of Noticee in Stock Options segment of BSE during the investigation period are given in **Annexure B**.
6. Summary of the reversal trades of Noticee in Stock Options segment of BSE during the investigation period are as follows:

TRADE DATE	TRADE ID	BUY CLIENT	SELL CLIENT	BUY ORDER TIME	SELL ORDER TIME	TRADE TIME	TRADE RATE	TRADED QTY *
18/08/2015	20306	ZIRCON TRADERS LIMITED	IMPROVE VINCOM PRIVATE LIMITED	14:44:46.504055	14:44:47.519812	14:44:47.519812	3.6	84000
18/08/2015	18987	IMPROVE VINCOM PRIVATE LIMITED	ZIRCON TRADERS LIMITED	14:47:38.692593	14:47:38.692869	14:47:38.692869	8.3	80000
18/08/2015	19562	IMPROVE VINCOM PRIVATE LIMITED	ZIRCON TRADERS LIMITED	14:51:37.068792	14:51:37.256358	14:51:37.256358	6	4000

* Note: "Traded Quantity" or "unit" refers to lot size in contract multiplied by number of contracts traded.

- (a) While dealing in the said contract on August 18, 2015, at 14:44:47.519812 hrs the Noticee placed a sell order for 84,000 units @ Rs.3.6 per unit. The sell order of the Noticee got executed at 14:44:47.519812 hrs against the buy order placed by one 'ZIRCON TRADERS LIMITED' at 14:44:46.504055 hrs at the same rate for same quantities. After few minutes of the aforementioned sell

7

trade, the Noticee placed buy orders at 14:47:38.692593 hrs and 14:51:37.068792 hrs for 80,000 units and 4,000 units @ Rs 8.3 per unit and Rs. 6 per unit respectively, which got executed at 14:47:38.692869 hrs and 14:51:37.256358 hrs against the sell orders from the same counterparty 'ZIRCON TRADERS LIMITED' placed at 14:47:38.692869 hrs and 14:51:37.256358 at the same rate for equal quantities. This indicates that these trades are artificial and are non-genuine in nature.

- (b) The Noticee's trades generated artificial volume of 1,68,000 units, (buy side + sell side) which made up 100% of the Noticee's total volume in the said contract. Overall, the Noticee contributed artificial volume of around 16.03% in the said contract.
7. In view of the foregoing, it is alleged that Noticee, by indulging in execution of non-genuine reversal of trades in Stock Option with same entity within few minutes, created false and misleading appearance of trading in stock option and therefore allegedly violated Regulation 3(a), (b), (c) & (d) and 4(1) & 4(2)(a) of PFUTP Regulations, 2003. Relevant provisions of law are reproduced bellow for ready reference:

"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;

(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;”

8. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under Section 15HA of the SEBI Act. Section 15HA of the SEBI Act provides:

“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.”

9. 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) 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 why penalty should not be imposed section 15HA of the SEBI Act.
10. Your reply, if any, should reach the undersigned or through email at pranjal@sebi.gov.in and saik@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 SEBI Rules. You may also indicate whether you desire a personal hearing in the matter.

11. 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.
12. You may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If you wish to opt for the settlement process, you may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned. Further, you may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.

Pranjal Jayaswal

Enclosures: Documents relied upon are as follows: -

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A	Communique dated September 27, 2021 appointing Adjudicating Officer	3
B	Details of the reversal trades of Noticee in Stock Options segment of BSE during the investigation period	1

