



भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D./ Email

**CHIEF GENERAL MANAGER & ADJUDICATING OFFICER
ENQUIRIES AND ADJUDICATION DEPARTMENT - 6**

**EAD6/GG/BS/ 7968 /1/ 2022
March 02, 2022**

**SANJAY KUMAR (PAN: AVBPK4726F)
VPO-Nuna Majra
Tehsil-Bahadurgarh Nunamajra
Jhajjar, Haryana, 124507**

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Show Cause Notice under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, to adjudge contravention under Section 15HA - in the matter of dealings in Illiquid Stock Options at BSE.

1. Securities and Exchange Board of India (hereinafter referred to as, "SEBI") as part of its surveillance exercise, noticed large scale reversal of trades in the Stock Options segment of Bombay Stock Exchange Ltd. ("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").
2. In the matter of trading in stock Options in BSE, pursuant to investigation, it was observed that during the investigation period, a total of 2,91,643 trades comprising 81.38% of all the trades in BSE Stock Options Segment, were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. The aforesaid non genuine trades resulted into creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in Stock Options segment of BSE during the investigation period. The reversal trades involved squaring off transactions, with significant difference in the sell value and buy value of the transactions. The aforesaid

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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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reversal trades allegedly led to generation of artificial volumes, which is in violation of 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").

3. SEBI has initiated Adjudication Proceedings against the entities alleged to have indulged in executing reversal trades in illiquid Stock Options Segment of BSE. You (SANJAY KUMAR - PAN: AVBPK4726F) hereinafter referred to as "You/ Noticee") are one amongst the entities against whom the adjudication proceedings have been approved by the Board of SEBI.
4. SEBI, in exercise of powers under section 19 read with sub-section (1) of section 15-I of the SEBI Act and Rule 3 of the SEBI (Procedure for holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as, 'Adjudication Rules') appointed me as the Adjudicating Officer (hereinafter referred to as, "AO"), vide Order dated November 12, 2021 to inquire into and adjudge under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as, "SEBI Act"), the alleged violations by the Noticee. A copy of the same is attached as **Annexure - A**.
5. The Noticee was one of the entities alleged to have indulged in reversal trades which 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 10 non-genuine trades through 3 unique contract(s), which led to generation of artificial volume of 25,000 units. The trades of the Noticee involved reversal of the trades with the same counterparty on the same day, at different prices. Details of such trades of the Noticee in Stock Option Segment of BSE during investigation period are given in **Annexure - B**. An analysis of dealings of the Noticee in contract(s) in which the said Noticee allegedly executed reversal trades during the investigation period is given in **Annexure - C**.



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6. The trades entered into by the Noticee were reversed on the same day with the 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. The Noticee had entered into 10 non-genuine trades on 2 days viz. 14/07/2015 and 15/07/2015 through 3 unique contracts with counterparty viz. Pravasi Enterprise Ltd. A summary of dealings of Noticee in unique Stock Options contract(s) in which the said Noticee allegedly executed reversal trades during the investigation period, is as follows:-

Table -1

Summary of dealings of Noticee in contract wherein the Noticee executed reversal trades-

S. N o.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	Total Volume In the contract	% 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)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	ULCL15JUL3100.00PE	26.30	2,500	35	2,500	5,000	100	100
2.	ABNV15JUL1950.00PE	56	2,500	58	2,500	5,000	100	100
3.	HERO15JUL2600.00PE	38.67	7,500	25	7,500	2,62,500	100	5.71

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

7. The abovementioned reversal trades creating artificial volumes are illustrated through the dealings of Noticee in the contract viz. "ULCL15JUL3100.00PE" (Annexure- B may be referred for the details of the contract given below in the illustration), which is as follows :-



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- (a) During the investigation period, in the said contract viz. "ULCL15JUL3100.00PE", the Noticee on 15/07/2015 has executed 2 trades for a total volume of 5,000 units with counterparty, viz. Pravasi Enterprises Ltd.
- (b) While dealing in the said contract on 15/07/2015, the Noticee at 12:40:57.838596 hrs. executed 1 sell trade for 2,500 units at Rs.35/- with counterparty viz. Pravasi Enterprises Ltd. The Noticee reversed the trade by executing 1 buy trade at 12:41:09.272754 for 2,500 units at Rs. 26.30/-.
- (c) From the above, it is noted that while dealing in aforesaid contract (i.e. ULCL15JUL3100.00PE) during the investigation period, the Noticee executed 2 trades (1 buy trade and 1 sell trade). This accounts for 100% of the total market volume for this contract during the investigation period.
8. In view of the above, it is alleged that you had traded in aforesaid unique contract(s) and had reversed trades on the very same day and thereby had indulged in generation of artificial volume of 25,000 units in said 3 unique contract(s) by execution of non-genuine trades that created false and misleading appearance of trading in illiquid Stock Options at BSE. Therefore, it is alleged that you have violated provisions of Regulation 3(a),(b),(c),(d), and 4(1), 4(2)(a) of PFUTP Regulations.
9. The aforesaid alleged violations, if established, would attract monetary penalty under section 15HA of the SEBI Act, which you may note.
10. 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 Adjudication Rules read with section 15I of the SEBI Act, and why penalty should not be imposed under section 15HA of the SEBI Act.



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11. Your reply, if any, should reach 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, on the basis of the evidence available on record, in terms of sub-rule (7) of Rule (4) of the Adjudication Rules. Additionally, your reply may be sent to me by email at geethag@sebi.gov.in with a copy to balbirs@sebi.gov.in. You may also indicate whether you desire a personal hearing in the matter.
12. Further, you are required, to keep me informed about the change in your correspondence address, if any and provide updated email IDs and phone numbers, till the proceedings are complete. You are also advised to submit a photocopy of your identification documents (such as PAN card/ Aadhar card, etc.) for our records.

GEETHA G.

Enclosures:

- 1) Annexure A - Copy of the communication appointing the Adjudicating Officer. (No. of pages -2)
- 2) Annexure B - Integrated trade log of all reversal trades of Noticee in Stock Option segment of BSE during the investigation period i.e, April 1, 2014 to September 30, 2015. (No. of pages -8)
- 3) Annexure C - Summary of dealings of Noticee in contract(s) wherein the Noticee executed reversal trades. (No. of pages-1)