



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

By Speed Post A.D. & E-mail

Adjudicating Officer

SEBI/HO/EFD2/EFD2_SLD2/P/OW/2022/8970/1

March 2, 2022

Mr. Vijay Kumar Chaudhary

77, Bangur Avenue Block-D

South Dum Dum, North 24 Parganas

KOLKATA, WEST BENGAL - 700055

PAN: AFXPC6574P

Subject: Adjudication Proceedings in respect of Vijay Kumar Chaudhary 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 *inter-alia* in respect of Vijay Kumar Chaudhary [bearing PAN: AFXPC6574P] (hereinafter referred to as "Noticee") for allegedly carrying out non-genuine trading in the illiquid stock options at BSE Limited ("BSE"), thereby violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations 2003").
2. In this regard, SEBI has appointed the undersigned as the Adjudicating Officer vide Order dated September 20, 2021, under section 19 read with section 15I(1) of the SEBI Act, 1992 (hereinafter referred to as "SEBI Act") and Rule 3 of SEBI(Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "SEBI Rules 1995") to conduct adjudication proceedings *inter-alia* in respect of the Noticee, in the manner specified under rule 4 of the SEBI Rules, 1995 read with section 15I(1) and (2) of the SEBI Act and if satisfied that the Noticee is liable for imposition of penalty, to impose such penalty as deemed fit in terms of Rule 5 of the SEBI Rules 1995 and Section 15HA of the SEBI Act. A copy of the communicate dated September 27, 2021, appointing the undersigned as Adjudicating Officer is placed as Annexure A.

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (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



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3. As part of ongoing surveillance, SEBI came across large scale reversal of trades in Stock Options segment of BSE. Thereafter, SEBI conducted an investigation into the trading activity in the illiquid Stock Options at BSE (hereinafter referred to as "investigation") for period of April 01, 2014 to September 30, 2015 (hereinafter referred to as "Investigation Period").
4. During the Investigation Period, a total 2,91,744 trades comprising substantially 81.38% of all the trades executed in Stock Options segment of BSE were found to be non-genuine being reversal of buy and sell positions by the clients and counterparties in a contract. Reversal trades are those trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy positions with same counter party during the same day. The said reversal trades are alleged to be non-genuine trades as they are not executed in normal course of trading, lack basic trading rationale and allegedly lead to false or misleading appearance in trading in terms of generation of artificial volume. Investigation found that various entities had indulged in such non genuine trades which had resulted into creation of artificial volumes 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. It is also noted that broadly said non genuine trades were not restricted to any specific contract.
5. Noticee was one of the various entities which had indulged in reversal of trades, allegedly created false and misleading appearance of trading and generated artificial volumes in the Stock Options segment of BSE during the Investigation Period. Details of the trades of Noticee in Stock Options segment of BSE during the Investigation Period are given in Annexure B.
6. A short summary of the dealings of Noticee in the Stock Options contract in which Noticee allegedly executed non genuine trades during the Investigation Period, is as follows:

Table – Summary of dealings of Noticee wherein it executed non genuine reversal trades

Sl	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the Contract	Artificial volume generated by Noticee in the Contract (No. of Units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades 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	IDEA15APR150.08GEV3	20.5	6000	37.15	6000	2	12000	100	25	100	9.09

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



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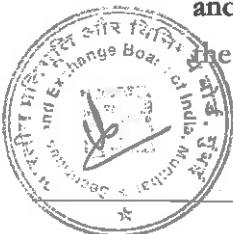
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7. The detail of the abovesaid reversal trade of the Noticee in contract, is as follows:

- (a) Total 2 trades for 12000 units were executed in the said contract by the Noticee on 31/03/2015.
- (b) While dealing in the said contract on 31/03/2015, Noticee at 12:29:47 hrs had entered into 1 buy trade for 6000 units at premium rate of Rs. 20.5 per unit with counterparty viz, 'Omji Promoters Pvt. Ltd.' Thereafter, on the same day, after a short interval of 6 minutes and 38 seconds, at 12:36:25 hrs, Noticee reversed the above buy trade by entering into sell trade for 6000 units with same counterparty at premium rate of Rs 37.15 per unit.
- (c) From the above, it is noted that while dealing in the said contract during the Investigation Period, Noticee had executed total 2 trades in nature of reversal trades (1 buy trade + 1 sell trade) with same counterparty viz, 'Omji Promoters Pvt. Ltd' on the same day. It is also noted that the said trades were reversed in short interval with significant price difference in buy and sell rates.
- (d) Thus, Noticee, through her dealing in the contract, allegedly executed the above said 2 non-genuine trades which were 25% of the total number of trades in the said contract during the Investigation Period, and thereby, allegedly generated artificial volume of 12000 units which was 9.09% of the volume traded in the said contract from the market during the Investigation Period.

8. From the above table, following is noted as regards to dealings of Noticee in the said contract:

- a) All the trades executed by Noticee in above contract were non genuine.
- b) No. of non-genuine trades of Noticee has contributed to the total no. of trades from the market in the above contract, i.e. up to 25% of the trades that happened in the above contract were due to non-genuine trades executed by the Noticee.
- c) All the volume generated by the Noticee in above contract was artificial volume. Further, the said artificial volume generated by Noticee also contributed to volume of up to 9.09% of the total volume from the market in above contracts.
- d) Alleged non genuine trades executed by Noticee had significant difference in buy rates and sell rates considering that the trades were reversed within a short span of time, on the same day.





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9. In view of the foregoing, it is alleged that the Noticee, by indulging in execution of non-genuine reversal trades in Stock Options with same entity on the same day, created false or misleading appearance of trading in stock options and, therefore, allegedly violated Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of the PFUTP Regulations 2003. The said provisions are reproduced hereunder:

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

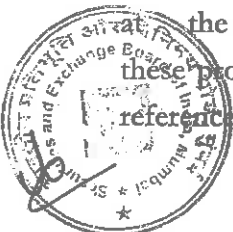
- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—
- (a) indulging in an act which creates false or misleading appearance of trading in the securities market;

10. The aforementioned alleged violations, if established, make the Noticee liable for monetary penalty under Section 15HA of the SEBI Act, 1992, which read as under:

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. 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 Rules, 1995 read with section 15 I of the SEBI Act, and why penalty should not be imposed under section 15HA of the SEBI Act.
12. Your reply, if any, with respect to alleged violations, should reach the undersigned within 14 days from the date of receipt of this Show Cause Notice ("SCN"), failing which it shall be presumed that you have no reply to submit, and the matter shall be further proceeded with on the basis of the evidence available on record, in terms of Rule 4(7) of the SEBI Rules 1995. You may also indicate in reply to the SCN, whether you desire a personal hearing in the matter.
13. The SCN is being sent through speed post-AD at the address available on record and also the e-mail ID of Noticee, viz, v.k.chaudhary005@gmail.com. For all correspondence in these proceedings, please quote the subject in your letter as mentioned in this notice and reference of this letter be mentioned in your correspondence. This office shall not be





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responsible for any late receipt of your correspondence if not addressed to this office specifically.

14. In addition to the physical reply, you are advised to send soft copy of reply in word/ pdf format via e-mail to anjum@sebi.gov.in and varunv@sebi.gov.in. 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 you PAN card and contact details viz. email IDs/ phone numbers/ fax numbers/ details of contact persons, etc. for records and to have a clear line of communication, until the conclusion of these proceedings.


Anju Mahendra
Adjudicating Officer



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Enclosure(s): Relied upon documents

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A	Communique dated September 27, 2021 appointing Adjudicating Officer	1-3
B	Integrated trade-order log of all trades of Noticee in Stock Option segment of BSE during the Investigation Period i.e, 01/04/2014 to 30/09/2015	4

