



By Speed Post A.D.

**GENERAL MANAGER &
ADJUDICATING OFFICER**

AO/BRK/KSB/ 17251 /2021

July 30, 2021

SITARAM JAYANT
300, KIRAT MAINAPURI DEHAT
MAINPURI
UTTAR PRADESH, 208025
(M) - 8960533533

Show Cause Notice under Rule 4(1) of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in respect of Sita Ram Jayant in the matter of dealings in Illiquid Stock Options at BSE

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted investigation for the period between April 1, 2014 and September 30, 2015 (hereinafter referred to as "Investigation Period") into instances of set of entities consistently making profits by their trading in options on stocks which were listed on Bombay Stock Exchange (hereinafter referred to as "BSE") and a set of entities consistently making losses. It was noted that these trades were being reversed on the same day or the next day. Further, the counter parties appeared to be same for these transactions. It was found that a total of 3, 58, 372 (100%) trades were executed on BSE Stock Options Segment during the investigation period out of which 2, 91, 744 trades comprising of 81.41% were non- genuine trades. It was also found that these transactions were being squared off but with significant difference in value of sell and buy, which allegedly created false and misleading appearance of trading, generating artificial volumes in the Stock Options Segment of BSE during the investigation period.
2. In view of the above, vide order dated April 30, 2021 the undersigned has been appointed as Adjudicating Officer under Section 15(1) of the Securities and

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्ली कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फेक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

Exchange Board of India Act, 1992 (hereinafter referred to as "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"), to inquire into and adjudge under Sections 15HA of SEBI Act for the alleged violations by Sita Ram Jayant (hereinafter, referred to as "Noticee"), bearing PAN AXUPJ6002E of Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter, referred to as "PFUTP Regulations, 2003"), in the matter of trading in illiquid stock options on BSE.

3. It was alleged that the Noticee is one of the entities who indulged in reversal trades in unique contracts with same counter party on the same day. From the records it is noted that the Noticee had traded only in the contract of HDFC15JUL1080.00PE. Details of trades of Noticee in Stock Options Segment of BSE during the investigation period are given in **Annexure A**. Summary of reversal trades of the Noticee in the said contract are also tabulated as under

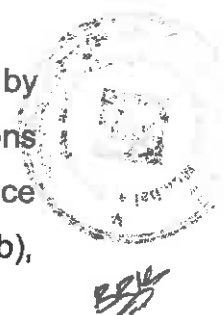
Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Total Volume (no. of units)	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
19	10,000	4	10,000	20,000	100	18.18

Following are the observation from the trades executed by the Noticee in the contract of **HDFC15JUL1080.00PE**.

- a) During the investigation it was found that Noticee executed 1 trade reversal through 2 non-genuine transactions on June 01, 2015 and both with same counter party i.e., **JB Overseas**.
- b) It was found that at 15:12:10 hrs on June 01, 2015, the Noticee had sold 10,000 units of contract of **HDFC15JUL1080.00PE** at a price of Rs. 19/- per unit to **JB Overseas**, and on the same day, at 15:12:13 hrs the Noticee purchased same number of units i.e., 10,000 units at a price of Rs. 4/- per unit to **JB Overseas**.
- c) It was also found that during investigation period, Noticee had traded only in one contract i.e., **HDFC15JUL1080.00PE**, therefore 100% of trade of the Noticee during the investigation period was in the contract of **HDFC15JUL1080.00PE** only.
- d) Total trade volume of Notice was 18.18% of the total volume traded in the **HDFC15JUL1080.00PE** contract. Details of all the trades done in the said contract during the investigation period are given in **Annexure B**.

Hence, it is alleged the 1 trade Noticee executed in 2 transactions for a total volume of **20,000** units is artificial and are non- genuine in nature.

4. In view of the above conduct of the Noticee, it is alleged that Noticee, by indulging in execution of non-genuine reversal of transactions in Stock Options with same entity 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.



The said provisions are extracted below:

Prohibition of certain dealings in securities

3. 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.***



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(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;*

5. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act.

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.

6. The Noticee is therefore called upon to show cause as to why an inquiry should not be held in terms of Rule 4 of SEBI Rules read with section 15 I of the SEBI Act, and why penalty should not be imposed under section 15HA of the SEBI Act.
7. Reply if any, should reach the undersigned at the address printed below as well as through email at bhavanaravi@sebi.gov.in and kakisb@sebi.gov.in within 14 days from the date of receipt of this Notice, failing which it shall be presumed that the Noticee has no reply to submit and in terms of sub-rule (7) of Rule 4 of SEBI Rules the matter would be proceeded with based on the evidence available on record.
8. The Noticee may also note that a settlement mechanism is provided under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018. If the Noticee wishes to opt for the settlement process, Noticee may apply for the same in the manner provided in the aforesaid



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Regulations under intimation to the undersigned. Further, Noticee may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.

9. Further, the Noticee is required to keep the undersigned informed about the change in correspondence address, if any, till the conclusion of the proceedings. Noticee is also required to submit a photocopy of PAN card and contact details viz., Telephone numbers/ Fax numbers/ e-mail IDs and details of contact persons for records.

Bhavana Ravikumar

BHAVANA RAVIKUMAR
ADJUDICATING OFFICER

Enclosures



Annexure A Details of all the trades of Noticee in Stock Options segment of BSE during the investigation period.

Annexure B Details of all the trades done in the said contract during the investigation period.