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भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post AD

GENERAL MANAGER
ADJUDICATING OFFICER

SEBI/ERO/AP/AS/OW/2022/12035 /1
March 22, 2022

Circle Deal Trade Private Limited, [PAN: AADCC8834G]
43, Bb Ganguli Street,
Kolkata West Bengal 700012,
Contact No. 8100246582

Sub: Show Cause Notice under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in the matter of dealings in Illiquid Stock Options at BSE

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") has initiated adjudication proceedings, *inter alia*, in respect of **Circle Deal Trade Private Limited** (hereinafter referred to as "Noticee"), bearing PAN – AADCC8834G, for allegedly violating the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations, 2003"), in the matter of trading in illiquid stock options at BSE Ltd. ("BSE").
2. The undersigned was appointed as Adjudicating Officer vide order dated September 20, 2021, to enquire into and adjudge under Section 15HA 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 (hereinafter, referred to as "Investigation") 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, 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.

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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 1 such reversal trade in 1 unique contract, which led to generation of alleged artificial volume of 500000 units. These trades of the Noticee involved reversal with the same counterparty on the same day but at different prices. A copy of relevant extracts of trade log containing all reversal trades of the Noticee in Stock Options segment of BSE during the investigation period is enclosed as **Annexure B**. An analysis of the dealings of the Noticee in 1 Stock Options contract in which the Noticee allegedly executed reversal trades during the investigation period is enclosed as **Annexure C**.
6. The trades entered 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.
7. A summary of the dealings of the Noticee in 1 Stock Options contract in which the Noticee allegedly executed reversal trades during the investigation period is as follows:

Date	Buyer	Seller	Buy Order Time	Sell Order Time	Trade Time	Trade Rate (Rs.)	Trade Quantity
11/03/2015	Nelco Ceramics	Circle Deal Trade Private Limited	11:42:42.155883	11:42:42.046884	11:42:42.155883	0.60	250000
11/03/2015	Circle Deal Trade Private Limited	Nelco Ceramics	11:42:52.548612	11:42:52.555575	11:42:52.555575	8.60	250000

S. No.	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 Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1.	BIOC15MAR440.00CE	8.60	250000	0.60	250000	100	14.85

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

8. The analysis of the abovementioned reversal trades and volumes by the Noticee through dealings in one contract, i.e., 'BIOC15MAR440.00CE' during the investigation period is as follows:-





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- (a) It was found that Noticee executed 1 trade reversal through 2 non-genuine transactions on 11/03/2015 and with same counter party i.e., Nelco Ceramics.
- (b) While dealing in the said contract on 11/03/2015, the Noticee, at 11:42:42.155883 hours, entered into a sell trade with counterparty Nelco Ceramics for 250000 units at Rs.0.6 per unit. At 11:42:52.555575 hours, the Noticee entered into a buy trade with the same counterparty, for 250000 units at Rs.8.6 per unit.
- (c) It was also found that, during the investigation period; 100% of the trades of the Noticee in the stock option segment of BSE was only in the contract of BIOC15MAR440.00CE itself and these trades were 100% reversal trades.
- (d) The Noticee's 2 trades while dealing in the aforesaid contract during the investigation period allegedly generated artificial volume of 500000 units, which made up 14.85% of total market volume in the said contract during this period.
9. 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 thereby violated Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a) of PFUTP Regulations, 2003. The text of aforementioned provisions of law are being reproduced below:

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 aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act, which reads as under:





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"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. In view of the above, Noticee is called upon to show cause as to why an inquiry should not be held against Noticee in terms of Rule 4 of the SEBI (Procedure for holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") read with section 15I of the SEBI Act, and why penalty should not be imposed under section 15HA of the SEBI Act.
12. Noticee's reply, if any, should reach the undersigned at the address given below or through email at atanup@sebi.gov.in and anjaruls@sebi.gov.in within 14 days from the date of receipt of this Notice, failing which it shall be presumed that Noticee has 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. Noticee may also indicate whether the Noticee desires a personal hearing in the matter.

**Securities and Exchange Board of India
Eastern Regional Office,
L&T Chambers, 3rd/5th Floor,
16, Camac Street, Kolkata – 700017**

13. Further, Noticee should keep the undersigned informed about the change in its correspondence address, if any, till the conclusion of the proceedings. Noticee should submit a photocopy of their PAN card and contact details viz. Telephone numbers / Fax numbers / e-mail ids and details of contact persons for records.
14. Noticee may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If Noticee wishes to avail the benefit of the settlement process, the Noticee may apply for the same in the manner provided in the said 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.

**Atanu Pan
Adjudicating Officer**





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Enclosures:

Annexure	Copy of relevant documents enclosed with this SCN	No. of Pages
A	Communique dated September 27, 2021 appointing Adjudicating Officer	03
B	Copy of relevant extracts of the Trade Log of the Noticee	01
C	Copy of the analysis of the dealings of Noticee in 1 Stock Options contract in which the Noticee allegedly executed reversal trades during the investigation period	01

