



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

PRASANTA MAHAPATRA

ADJUDICATING OFFICER

Email: prasantam@sebi.gov.in

By Speed Post & Email

39828/1
EAD-8/PM/NS/ISO-II/ /2021
December , 2021

Rajesh Kapoor

E 154 Third Floor East Of Kailash

New Delhi 110065 New Delhi Delhi India.

PAN: AAJPK2039A

E-mail: rajesh_kapoor@hotmail.com

Subject: 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 against Rajesh Kapoor

1. Securities and Exchange Board of India (hereinafter, referred to as "SEBI") has initiated adjudication proceedings against Rajesh Kapoor (hereinafter referred to as the "Noticee") for alleged violation of the provisions of 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 the "PFUTP Regulations, 2003"), in the matter of trading in illiquid stock options on the BSE Ltd (hereinafter, referred to as "BSE").
2. The undersigned has been appointed as the adjudicating officer *vide* order dated June 21, 2021, under section 19 read with sub-section (1) of section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "SEBI Act, 1992") and rule 3 of the SEBI (Procedure for Holding Inquiry and

Show Cause Notice in respect of Rajesh Kapoor

Page 1 of 5



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

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



अनुवर्ती :
Continuation :

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

Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**Adjudication Rules, 1995**") to inquire into and adjudge the alleged violation committed by the Noticee, under section 15HA of the SEBI Act, 1992. A copy of the communiqué dated July 27, 2021 appointing the undersigned as the adjudicating officer is hereby enclosed as **Annexure A**.

3. SEBI observed large scale reversal of trades in the stock options segment of BSE. Subsequently, upon investigation of the trading done during the period from April 1, 2014 to September 30, 2015 (hereinafter referred to as the "**Investigation Period**" / "**IP**") in the stock options traded on BSE, SEBI observed large scale reversal of trades by various entities including the Noticee. The reversal trades comprised of 81.40% (2,91,744 trades) of all the trades executed in BSE stock options segment wherein the open positions were squared off with a significant price difference without any basis for such change in the contract price. It is alleged that the aforesaid reversal trades were non-genuine in nature and resulted into generation of artificial volumes.
4. The Noticee is alleged to have engaged in 10 such instances in five (5) unique contracts wherein the position taken was reversed with the same counterparty on the same day, but at a substantial price difference. Details of all the reversal trades of the Noticee and summary of all the reversal trades in stock option segment of BSE during the IP are given in **Annexure B** and **Annexure C** respectively.
5. A summary of dealings of the Noticee in five (5) stock options contracts in which the Noticee allegedly executed non genuine reversal trades during the IP, is as follows:



Show Cause Notice in respect of Rajesh Kapoor

Page 2 of 5



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

**Summary of dealings of Noticee in contracts wherein the Noticee executed
reversal trades**

Sl. no	Contract name	Avg. buy rate (Rs.)	Total buy volume (no. of units)	Avg. sell rate (Rs.)	Total sell volume (no. of units)	% of Non-genuine trades of the Noticee in the contract to total trades in the contract	% of Artificial volume generated by Noticee in the contract to total volume in the contract
1.	BHEL15MAR260.00CE	12	25000	20	25000	9.52	4.62
2.	COAL15MAR360.00CEW1	15	15000	22.5	15000	14.29	6.12
3.	COAL15MAR390.00PEW1	10.5	15000	14.5	15000	100	100
4.	TAMO15MAR560.00CEW1	14.5	10000	21	10000	100	100
5.	TAMO15MAR600.00PEW1	20.5	10000	26.5	10000	100	100

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

6. The abovementioned reversal trades and volumes are illustrated through the dealings of the Noticee in one contract viz, "TAMO15MAR600.00PEW1" during the IP, as follows:

(a) On March 04th, 2015, the Noticee sold 10000 units of the aforesaid contract at 14:19:53 (Buy order placed at 14:19:53; Sell Order placed at 14:19:53) to Pristine Capital Consultants Private Limited at a price of Rs.26.5.

Show Cause Notice in respect of Rajesh Kapoor

Page 3 of 5





अनुवर्ती :
Continuation :

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

- (b) On the same day, the Noticee reversed his position by buying the 10000 units from the same counterparty at 14:20:01 (Buy order placed at 14:20:01; Sell Order placed at 14:20:01) at a price of Rs.20.5
- (c) From the above, it is noted that while dealing in aforesaid contract during the IP, the Noticee executed total 2 trades (1 buy trade and 1 sell trade). This constituted 100% of the total market volume in the contract, and thereby the Noticee allegedly generated artificial volume of 20000 units.
7. In view of the foregoing, it is alleged that the 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 therefore allegedly violated regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) of the PFUTP Regulations, 2003.
8. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act, 1992, the provisions of which are reproduced hereunder:
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 Adjudication Rules, 1995 read with section 15-I of the SEBI Act, 1992 and why penalty should not be imposed under section 15HA of the SEBI Act, 1992.
10. Your reply, if any, should reach the undersigned through email at prasantam@sebi.gov.in and niveshs@sebi.gov.in within 14 days from the date of receipt of this Notice, failing which it shall be presumed that the allegations

Show Cause Notice in respect of Rajesh Kapoor

Page 4 of 5





अनुवर्ती :
Continuation :

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

levelled in this notice have been accepted by you and that you have waived the notice under rule 4(3) of Adjudication Rules, 1995 and the matter would be further proceeded on the basis of the evidence available on record. You may also indicate whether you desire a personal hearing in the matter

11. Further, you are required to keep the undersigned informed about 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 / email ids and details of contact persons for records.

PRASANTA MAHAPATRA
ADJUDICATING OFFICER



Enclosures: Documents relied upon are as follows:

Annexure	Copy of relevant documents enclosed with this SCN
A	Communique dated July 27, 2021 appointing the Adjudicating Officer
B	Integrated trade log of all reversal trades of Noticee in the stock options segment of BSE during the period April 1, 2014 to September 30, 2015
C	Summary of all reversal trades

