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भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

ADJUDICATING OFFICER

Outward No. 39035/1/2022

08/08/2022

SANJAY KUMAR AGARWAL HUF
PAN: AAZHS0892R
53 BANK MORE P O DHANBAD RAJ
KAMAL MASION DHANBAD
JHARKHAND -826001

Email Address: #N/A

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 (ISO) at BSE

PART - A

1. Securities and Exchange Board of India (SEBI) has initiated Adjudication Proceedings against you (Noticee), under SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (Adjudication Rules) for allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (PFUTP Regulations), in the matter of trading in illiquid stock options at Bombay Stock Exchange Ltd. (BSE).
2. SEBI had conducted an investigation into large scale reversal of trades in Stock Options segment of the BSE during the period of April 01, 2014 to September 30, 2015 (Copy of relevant portion of Investigation Report is placed at Annexure 1).
3. Pursuant to investigation, it was observed that during the investigation period, there were trades executed in BSE Stock Options Segment involving reversal of buy and sell positions by clients and counterparties in the same contract (refer Paragraph 6 of Investigation Report/Annexure 1). The reversal trades involved squaring off trades (either buy or sell), with significant difference in the price. You are one among the entities who indulged in reversal trades, which allegedly

सेबी भवन, प्लॉट नं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.बी.आर. एस.), 26449000 / 40459000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



अनुवर्ती :
Continuation :

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

created false and misleading appearance of trading thereby generated artificial volumes in the Stock Options Segment of BSE during the investigation period. The trades entered in the unique contracts were reversed on the same day with same counterparties, at a price difference which had no underlying basis and without an intention of performing it or there being a change of ownership/rights in the contracts. These factors indicate that these trades were allegedly artificial and non- genuine in nature.

4. In this connection, the undersigned was appointed as Adjudicating Officer under Section 15-I of the Securities and Exchange Board of India Act, 1992 (**SEBI Act**) to inquire into and adjudge the alleged violations by the Noticee and determine whether penalty under Section 15HA of the SEBI Act is liable to be imposed. Copy of communication appointing undersigned as Adjudicating Officer is placed at **Annexure 2**.
5. All the entities identified by the investigation including you, indulged in reversal trades. Your trade details including the trade dates, name of the counterparties, time, price and volume are available in columns **B, E/G, M, P** and **Z** respectively of the Reversal Trade Data placed at **Annexure 3**. Additionally, a summary of your reversal trades in the Stock Options contracts executed during the investigation period is placed at **Annexure 4**.
6. In view of the above, it is alleged that the Noticee herein, by indulging in execution of non-genuine reversal trades in Stock Options, created false and misleading appearance of trading in securities market and thereby, violated provisions of Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations.
7. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act, which reads as below:

"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



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

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.”
(Emphasis Supplied)

PART – B

8. Meanwhile, SEBI has framed the **SEBI Settlement Scheme, 2022** pursuant to the Order dated May 13, 2022 passed by the Hon'ble Securities Appellate Tribunal (**Annexure 5**), wherein the following directions were issued to SEBI:

“17. We are, thus, of the opinion that SEBI should reconsider and seriously give a thought in coming out with a fresh scheme under Clause 26 of the Settlement Regulations, 2018. Such scheme can be a onetime scheme for this class of person. The terms of settlement should be attractive so that it could attract the noticees / entities to come forward and settle the matter which will ameliorate the harassment of penalty proceedings to the noticees and at the same time would help to clear the backlog of these pending matters before various AOs.” (Emphasis Supplied)

9. In compliance with the above directions of the Hon'ble Securities Appellate Tribunal, SEBI has introduced a onetime settlement scheme called the **SEBI Settlement Scheme, 2022**, in terms of Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of Illiquid Stock Options. The said scheme proposes payment of Settlement Amount as per the details given below:

S No	Number of Contracts*	Settlement Amount (Rs.)
1	1-5	1,00,000/-
2	6-50	2,00,000/-
3	51 and above	5,00,000/- base amount + 10,000 per contract

* You may refer to the relevant Annexure/table of the SCN which contains a summary of the contracts you entered to determine the applicable slab for settlement.



अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
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10. The period of the **SEBI Settlement Scheme, 2022** will commence on August 22, 2022 and will close on November 21, 2022, so as to provide an opportunity for settlement to the entities who have executed reversal trades in the stock options segment of BSE during the period April 01, 2014 to September 30, 2015, against whom enforcement proceedings have been initiated and are pending. In case you wish to avail the benefit of the said Scheme, you may access the details of the said Scheme, which would be available on the website of SEBI i.e. www.sebi.gov.in, during the said period.
11. Necessary application for settlement may be filed within the validity period of the scheme and payment of the settlement amount shall be made online. Additionally, for any clarification in regard to settlement scheme, you may refer to the FAQs at SEBI website or send email to scheme2022@sebi.gov.in.
12. In case you do not wish to avail of the facility under the SEBI Settlement Scheme, 2022, the adjudication proceedings in respect of the allegations contained in Part A of the SCN shall resume. Accordingly, an inquiry shall be held against you in terms of Adjudication Rules read with section 15-I of the SEBI Act, and penalty, if any, shall be imposed under section 15HA of the SEBI Act. In such case, you are called upon to file your reply within 30 days of receipt of this Show Cause Notice.

GEETHA G.

ADJUDICATING OFFICER

- Enclosures:
- 1) Annexure 1 - Relevant Extract of Investigation Report
 - 2) Annexure 2 - Copy of the communication appointing the Adjudicating Officer
 - 3) Annexure 3 - Details of all the reversal trades of the Noticee
 - 4) Annexure 4 - Summary of reversal trades of the Noticee
 - 5) Annexure 5 - Copy of SAT judgment dated May 13, 2022

Annexure - 3

Sanjay Kumar Agarwal

SRNO	TRADE DATE	SCRIPCODE	chrt_pari	chrt_name	cp_pari	cp_name	ORDER_NO	CP_ORDER_NO	TRADEID	ORDER_TIME	CP_ORDER_TIME	TRADE_TIME	ORDER_LMTIME	CP_ORDER_LMTIME	TRADE_RATE	LTP_RATE
274199	17/07/2015	848319	AZHS0892R	SANJAY KUMAR AGARWAL HUF	AZHS0892R	NEXTEL VINIMAY PRIVATE LIMITED	1437120911442000000	1437120911442000001	21135	13:45:11.442472	13:45:12.348677	13:45:12.348677	13:45:11.442472	13:45:12.348677	28.7	-83971.3
274200	17/07/2015	848319	AZHS0892R	NEXTEL VINIMAY PRIVATE LIMITED	AZHS0892R	SANJAY KUMAR AGARWAL HUF	1437120911442000002	1437120911442000003	21803	14:22:08.970046	14:22:09.673333	14:22:08.970046	14:22:08.970046	14:22:09.673333	43.7	15.0
321955	28/08/2015	842227	AZHS0892R	SANJAY KUMAR AGARWAL HUF	AAPCS11100	SWIFT DEALMARK PRIVATE LIMITED	1440752116101000002	1440752116101000003	15684	14:35:23.135633	14:35:23.151048	14:35:23.135633	14:35:23.135633	14:35:23.151048	10.75	3.85
321966	28/08/2015	842227	AZHS0892R	SANJAY KUMAR AGARWAL HUF	AAPCS11100	SWIFT DEALMARK PRIVATE LIMITED	1440752116101000002	1440752116101000003	15940	14:26:25.382645	14:26:25.397939	14:26:25.382645	14:26:25.382645	14:26:25.397939	7.6	-3.15
321969	28/08/2015	842227	AAPCS11100	SWIFT DEALMARK PRIVATE LIMITED	AZHS0892R	SANJAY KUMAR AGARWAL HUF	1440752116101000003	1440752116101000002	16411	14:34:24.541452	14:34:24.541452	14:34:24.541452	14:34:24.541452	14:34:24.541452	10.7	-0.1
321970	28/08/2015	842227	AAPCS11100	SWIFT DEALMARK PRIVATE LIMITED	AZHS0892R	SANJAY KUMAR AGARWAL HUF	1440752116101000007	1440752116101000006	16440	14:32:30.728317	14:32:30.665807	14:32:30.728317	14:32:30.728317	14:32:30.665807	10.85	0.15
321971	28/08/2015	842227	AAPCS11100	SWIFT DEALMARK PRIVATE LIMITED	AZHS0892R	SANJAY KUMAR AGARWAL HUF	1440752116101000008	1440752116101000009	16776	14:33:42.278589	14:33:42.259947	14:33:42.259947	14:33:42.278589	14:33:42.259947	10.8	-0.05

LTP PERCENT	TRADE VALU	ORDER RATE	CP ORDER RATE	ORDER LMRATE	CP ORDER LMRATE	ORDER LTP	CP ORDER LTP	TRADED QTY	ORDER QTY	CP ORDER QTY	ORDER AVLCY	CP ORDER AVLCY	ORDER LMQTY	CP ORDER LMQTY	MEMBER NO	MEMBER NAME
99.47	3827000.0	28.7	28.7	28.7	28.7	28.7	28.7	10000	10000	10000	10000	10000	10000	10000	10000 6566	KAYAN SECURITIES PVT. LTD.
52.26	3737000.0	43.7	43.7	43.7	43.7	43.7	43.7	10000	10000	10000	10000	10000	10000	10000	10000 5256	KOUSUMI DEB NOY
51.41	1415000.0	10.75	10.75	10.75	10.75	10.75	10.75	20000	20000	20000	20000	20000	20000	20000	20000 6566	KAYAN SECURITIES PVT. LTD.
-29.3	2163200.0	7.6	7.6	7.6	7.6	7.6	7.6	32000	32000	32000	32000	32000	32000	32000	32000 6566	KAYAN SECURITIES PVT. LTD.
-0.50	1114000.0	10.7	10.7	10.7	10.7	10.7	10.7	20000	20000	20000	20000	20000	20000	20000	20000 6551	GIRIRAJ STOCK BROKING PVT. LTD.
1.4	7114000.0	10.85	10.85	10.85	10.85	10.85	10.85	16000	16000	16000	16000	16000	16000	16000	16000 6531	GIRIRAJ STOCK BROKING PVT. LTD.
-0.46	1132800.0	10.8	10.8	10.8	10.8	10.8	10.8	16000	16000	16000	16000	16000	16000	16000	16000 6551	GIRIRAJ STOCK BROKING PVT. LTD.

OLD_CLIENT	MODIFIED_CLIENT	CP_MEMBER_NO	CP_MEMBER_NAME	CP_OLD_CLIENT	CP_MODIFIED_CLIENT	TERMINALID	USER_NAME	LOCATION_ADDRESS	CP_TERMINALID	CP_USER_NAME
MA445	5155	MOUSUMI DEB ROY		JX10	MA445	902	HARSHVARDHAN KAYAN	1 R N. MURCHIEE ROAD, MARTIN BURN BUILDING, ROOM NO 319, KOLKATA WEST BENGAL 700001	902	MOUSUMI DEB ROY
JA10	6566	KAYAN SECURITIES PVT. LTD.		MA445		902	MOUSUMI DEB ROY	8, LYONS RANGE, KOLKATA 700001 KOLKATA WEST BENGAL 700001	902	HARSHVARDHAN KAYAN
MA445	6551	GIRIRAJ STOCK BROKING PVT. LTD.		S201		902	ASHOK KUMAR KAYAN	1 R N MURTHUEE ROAD, MARTIN BURN BUILDING KOLKATA WEST BENGAL 700001	902	Vinay Jajodia
MA445	6551	GIRIRAJ STOCK BROKING PVT. LTD.		S201		902	ASHOK KUMAR KAYAN	1 R N MURTHUEE ROAD, MARTIN BURN BUILDING KOLKATA WEST BENGAL 700001	902	Vinay Jajodia
S201	6551	KAYAN SECURITIES PVT. LTD.		MA445		902	Vinay Jajodia	190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007	902	ASHOK KUMAR KAYAN
S201	6566	KAYAN SECURITIES PVT. LTD.		MA445		902	Vinay Jajodia	190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007	902	ASHOK KUMAR KAYAN
S201	6566	KAYAN SECURITIES PVT. LTD.		MA445		902	Vinay Jajodia	190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007	902	ASHOK KUMAR KAYAN

CP_LOCATION_ADDRESS	ORDER_AUD	CP_ORDER_AUD	ORDER_TYPE	CP_ORDER_TYPE	LOCATIONID	CP_LOCATIONID	SCRIPTNAME	EXPIRY	STRIKPRICE	SERIES	MKT_TYPE	ISIN_NO	qty
18, LYONS RANGE, KOLKATA 700001, KOLKATA WEST BENGAL 700001	A	A	L	L	7000001000100100102	7000001000100100102	TSC15JUL330.00PEPW4	2015-07-23	33000.0	EQD	N		10000
11 R.N. MUKHERJEE ROAD, MARTIN BURN BUILDING, ROOM NO 315, KOLKATA WEST BENGAL 700001	A	A	L	L	7000001000100100102	7000001000100100102	TSC15JUL330.00PEPW4	2015-07-23	33000.0	EQD	N		10000
190, JAMUNIA LAI RAJA STREET I KOLKATA WEST BENGAL 700001	A	A	L	L	7000001000100200102	7000001000100200102	SAIL15SEP60.00PEW2	2015-09-10	6000.0	EQD	N		20000
190, JAMUNIA LAI RAJA STREET I KOLKATA WEST BENGAL 700001	A	A	L	L	7000001000100200102	7000001000100200102	SAIL15SEP60.00PEW2	2015-09-10	6000.0	EQD	N		32000
190, JAMUNIA LAI RAJA STREET I KOLKATA WEST BENGAL 700001	A	A	L	L	7000001000100200102	7000001000100200102	SAIL15SEP60.00PEW2	2015-09-10	6000.0	EQD	N		20000
190, JAMUNIA LAI RAJA STREET I KOLKATA WEST BENGAL 700001	A	A	L	L	7000001000100200102	7000001000100200102	SAIL15SEP60.00PEW2	2015-09-10	6000.0	FQD	N		36000
190, JAMUNIA LAI RAJA STREET I KOLKATA WEST BENGAL 700001	A	A	L	L	7000001000100200102	7000001000100200102	SAIL15SEP60.00PEW2	2015-09-10	6000.0	LQD	N		16000

Annex-4

Index	chit_sen	performance	buy_quantity	buy_value	avg_buy_rate	sell_qty	sell_value	avg_sell_rate	non_gen_mkt_entity_contract	total_trd_entity_contract	total_no_of_trades_of_this_contract	avg_vol_gen_entity_in_the_contract	total_vol_gen_by_entity_in_the_contract
0	AAZHS0892R	SAILUSSEPS6L00PEWZ	52000	458200	8.81	52000	560400	10.78	5	5	14	104000	104000
0	AAZHS0892R	TSC15JUL330L00PEV4	10000	287000	28.7	10000	437000	43.7	2	2	3	20000	20000

total_wd_in_the_contract	print_of_non_gen_trds_entity_total_trds_in_contract_entity	print_of_non_gen_trds_entity_total_trds_in_contract	print_of_art_vol_gen_entity_contract_total_vol_gen_by_entity_in_contract	print_of_art_vol_gen_entity_contract_total_vol_in_contract
504000	100	35.71	100	20.63
200000	100	100	100	100