



भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

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By Speed Post A.D. & E-mail

Adjudicating Officer

SEBI/HO/EFD2/SATLIT/P/OW/2021/19837/1

August 17, 2021

Ms. Swati Bajaj [BSMPS0016F]
132A RAJA RAJENDRA LAL MITRA ROAD
PHOOLBAGAN, KOLKATA,
WEST BENGAL, 700085

E-mail: ANILBAJAJ11@GMAIL.COM

Subject: Adjudication Proceedings in respect of Swati Bajaj 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 Swati Bajaj [bearing PAN: BSMPS0016F] (hereinafter referred to as "Noticee") for allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations 2003"), for carrying out non-genuine trading in the illiquid stock options at BSE Limited ("BSE").
2. In this regard, SEBI has appointed undersigned as the Adjudicating Officer vide Order dated April 30, 2021, under section 19 read with section 15I(1) of the SEBI Act, 1992 (hereinafter referred to as "SEBI Act") and Rule 3 of the SEBI(Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "SEBI Adjudication Rules 1995") to conduct adjudication proceedings *inter-alia* in respect of the Noticee, in the manner specified under rule 4 of the SEBI Adjudication Rules, 1995 read with section 15I(1) and (2) of the SEBI Act and if satisfied that penalties impose such

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 093
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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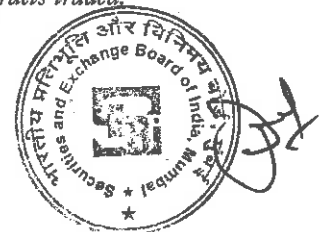
penalty as deemed fit in terms of Rule 5 of the SEBI Adjudication Rules 1995 and Section 15HA of the SEBI Act. A copy of the communicate dated June 28, 2021, appointing the undersigned as Adjudicating Officer is placed as **Annexure A**.

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 substantial 81.40% 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. The reversal trades involved squaring off transactions, with significant difference in sell and buy value of the transactions.
5. Noticee was one of the 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 alleged non genuine trades of the Noticee in Stock Option Segment of BSE during Investigation Period are provided in **Annexure B**.
6. A short summary of the dealings of the 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

SI	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	INGL15MAR410.00CEW2	10.25	23000	20.35	23000	2	46000	100%	3.3%	100%	1.5%

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



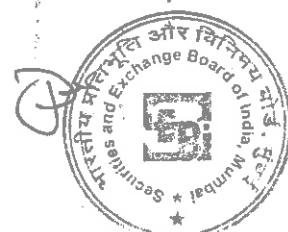


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7. The detail of the above said reversal trades of the Noticee are as follows:
- (a) Total 2 trades for 23,000 units were executed in the said contract by the Noticee on March 26, 2015.
 - (b) While dealing in the said contract on March 26, 2015, Noticee at 10:08:06 hrs had entered into 1 buy trade for 23,000 units at premium rate of Rs.10.25 per unit with counterparty viz, 'Adarsh Credit Co-op Society Limited'. Thereafter, on the same day, after a short interval of around 12 minutes, at 10:20:28 hrs, Noticee reversed the above buy trade by entering into sell trades for 23,000 units with same counterparty at premium rate of Rs.20.35 per unit.
 - (c) From the above, it is noted that while dealing in the said contract during the Investigation Period, Noticee had executed 2 trades (1 buy trade + 1 sell trade) with same counterparty viz, 'Adarsh Credit Co-op Society Limited' on the same day. such 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 was 3.3% of the total trades in the said contract during the Investigation Period, and thereby, allegedly generated artificial volume of 44,000 units which was 1.5% of the total volume traded in the said contract 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 the Noticee in above contract were non genuine.
 - b) Non-genuine trades of the Noticee have contributed substantially to the total number of trades from the market in the above contract, as up to 3.3% 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, said artificial volume generated by Noticee also contributed to significant, up to 1.5% of the total volume from the market in the above contract.
 - d) Alleged non genuine trades executed by Noticee had significant difference in buy rates and sell rates considering that the trades were reversed in short period 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:—

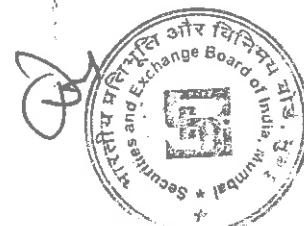
- (a) indulging in an act which creates false or misleading appearance of trading in the securities market;*

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 Adjudication Rules, 1995 read with section 15I 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 Adjudication Rules 1995. You may also indicate in reply to the SCN, whether you desire a personal hearing in the matter.





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13. You may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If you wish to opt for the settlement, then you may apply for the same, in the manner provided in the said Regulations, under intimation to the undersigned. Further, you may note that filing of settlement application does not confer any right to seek settlement of the proceedings.
14. The SCN is being sent through speed post-AD at the address available on record and also at the e-mail ID of Noticee, viz, ANILBAJAJI1@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 responsible for any late receipt of your correspondence if not addressed to this office specifically.
15. In addition to the physical reply, you are advised to send soft copy of reply in word/ pdf format via e-mail to pradeepkr@sebi.gov.in and prajwalr@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.


Pradeep Kumar
Adjudicating Officer



Enclosure(s):

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages (Paper size)
A	Communique dated 28/06/2021 appointing Adjudicating Officer	3 (A4 sheet)
B	Integrated trade-order log of all non-genuine trades of Noticee in Stock Option segment of BSE during the Investigation Period i.e, 01/04/2014 to 30/09/2015	1 (A3 sheet)



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By Speed Post A.D./Email

ADJUDICATING OFFICER

SEBI/HO/EFD2_SATLIT/P/OW/2022/31255/1

29/07/2022

SWATI BAJAJ

PAN: BSMPS0016F

132A RAJA RAJENDRA LAL MITRA
ROAD PHOOLBAGAN, KOLKATA, WEST
BENGAL, 700085

Email Address: ANILBAJAJ11@GMAIL.COM

Sub: Adjudication Proceedings in the matter of dealings in Illiquid Stock
Options (ISO) at BSE

PART - A

1. A Show Cause Notice (SCN) was earlier issued to you in the matter of dealings in Illiquid Stock Options (ISO) at BSE (Copy placed at **Annexure 1**). The said Adjudication Proceedings are pending before me, to inquire into and adjudge the violations of provisions of 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**) and determine whether penalty under Section 15HA of the Securities and Exchange Board of India Act, 1992 (**SEBI Act**) is liable to be imposed. Section 15HA of SEBI Act reads 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

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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





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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

2. 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 2**), 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)

3. 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.





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4. 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.
5. 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.
6. In case you do not wish to avail of the facility under the SEBI Settlement Scheme, 2022, the adjudication proceedings initiated vide SCN shall stand automatically revived and the proceedings shall continue, from the stage at which the said proceedings were kept pending. In such case, you are advised to file your reply within 14 days of receipt of this Intimation, if not filed earlier.


Pradeep Kumar

ADJUDICATING OFFICER

Enclosures: 1) Annexure 1 - Show Cause Notice

2) Annexure 2 - Copy of SAT judgment dated May 13, 2022