

ARNAVAAZ PRINTER

From: GEETHA G
Sent: 10/08/2022 12:34
To: ruchianurag2009@gmail.com
Cc: BALBIR SINGH; ARNAVAAZ PRINTER
Subject: ISO SCN -SUMIT AGARWAL - PAN: BLVPA7861A
Attachments: Annexure 1- Relevant portion of Investigation Report.pdf; Annexure 2- AO Communique & list of entities.pdf; Annexure 5.PDF; Annex 3 - BLVPA7861A.xlsx; Annex 4 - BLVPA7861A.xlsx
Signed By: geethag@sebi.gov.in
Importance: High

SUMIT AGARWAL

PAN: BLVPA7861A

32-15 A GHUMNI BAZAR KANPUR, KANPUR,
UTTAR PRADESH, 208001

Email Address: ruchianurag2009@gmail.com

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 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 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.

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

sno	TRADE_DATE	SCRIPTCODE	clnt_pan	clnt_name	cp_pan	cp_name	ORDER_NO	CP_ORDER_NO	TRADEID	ORDER_TIME
276251	20/07/2015	866090	AAIFJ6651J	J.B.OVERSEAS	BLVPA7861A	SUMIT AGARWAL	1437374613622001003	1437374613622001002	27612	12:14:17.341652
276252	20/07/2015	866090	BLVPA7861A	SUMIT AGARWAL	AAIFJ6651J	J.B.OVERSEAS	1437374613622001000	1437374613622001001	28448	12:14:12.419813
294534	03/08/2015	862296	BLVPA7861A	SUMIT AGARWAL	AAFCAS667D	XION GEMS & JEWELLERS PVT. LTD	1438593385115001000	1438593385115001001	42745	14:47:09.318836
294535	03/08/2015	862296	AAFCAS667D	XION GEMS & JEWELLERS PVT. LTD	BLVPA7861A	SUMIT AGARWAL	1438593385115001003	1438593385115001002	46353	14:47:13.021853
304569	12/08/2015	839743	BLVPA7861A	SUMIT AGARWAL	AACCK4743R	KUNDAN CARE PRODUCTS LIMITED	1439354274130001002	1439354274130001003	7329	12:43:33.300953
304570	12/08/2015	839743	AACCK4743R	KUNDAN CARE PRODUCTS LIMITED	BLVPA7861A	SUMIT AGARWAL	1439354274130001001	1439354274130001000	7357	12:43:28.504044

CP_ORDER_TIME	TRADE_TIME	ORDER_LMTIME	CP_ORDER_LMTIME	TRADE_RATE	LTP_RATE	LTP_PERCENT	TRADE_VALUE	ORDER_RATE	CP_ORDER_RATE	ORDER_LMRATE	CP_ORDER_LMRATE	ORDER_LTP
12:14:17.325983	12:14:17.341652	12:14:17.341652	12:14:17.325983	3.45	-14.55	-80.83	370035000.0	3.45	3.45	3.45	3.45	3.45
12:14:12.935296	12:14:12.935296	12:14:12.419813	12:14:12.935296	0.3	-3.15	-91.3	369090000.0	0.3	0.3	0.3	0.3	25000.0
14:47:09.927911	14:47:09.927911	14:47:09.318836	14:47:09.927911	1.25			240250000.0	1.25	1.25	1.25	1.25	
14:47:12.928010	14:47:13.021853	14:47:13.021853	14:47:12.928010	6	4.75	380.0	241200000.0	6.0	6.0	6.0	6.0	6.0
12:43:33.301045	12:43:33.301045	12:43:33.300953	12:43:33.301045	5.55	3.15	131.25	45110000.0	5.55	5.55	5.55	5.55	12.0
12:43:27.894762	12:43:28.504044	12:43:28.504044	12:43:27.894762	12	6.45	116.72	46400000.0	12.0	12.0	12.0	12.0	12.0

CP_ORDER_LTP	TRADED_QTY	ORDER_QTY	CP_ORDER_QTY	ORDER_QTY	ORDER_AVLQTY	CP_ORDER_AVLQTY	ORDER_AVLQTY	CP_ORDER_LMQTY	ORDER_LMQTY	CP_ORDER_LMQTY	MEMBER_NO	MEMBER_NAME	OLD_CLIENT	MODIFIED_CLIENT
0.3	30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	6513	SUNSTAR SECURITIES	R125	
0.3	30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	3255	SPFL SECURITIES LTD.	FOS26	
1.25	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	3255	SPFL SECURITIES LTD.	FOS26	
1.25	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	6513	SUNSTAR SECURITIES	RX01	
5.55	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	3255	SPFL SECURITIES LTD.	FOS26	
76000.0	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	6513	SUNSTAR SECURITIES	RK36	

CP_MEMBER_NO	CP_MEMBER_NAME	CP_OLD_CLIENT	CP_MODIFIED_CLIENT	TERMINALID	USER_NAME	LOCATION_ADDRESS	CP_TERMINALID	CP_USER_NAME
3255	SPL SECURITIES LTD.		FOS26	902	Sukhbir Singh	56/33, Ste4, Sahibabad GHAZIABAD UTTAR PRADESH 201010	902	
6513	SUNSTAR SECURITIES		RJ25	902			902	Sukhbir Singh
6513	SUNSTAR SECURITIES		RX01	902			902	Sukhbir Singh
3255	SPL SECURITIES LTD.		FOS26	902	Sukhbir Singh	56/33, Ste4, Sahibabad GHAZIABAD UTTAR PRADESH 201010	902	
6513	SUNSTAR SECURITIES		RK36	902			902	Sukhbir Singh
3255	SPL SECURITIES LTD.		FOS26	902	Sukhbir Singh	56/33, Ste4, Sahibabad GHAZIABAD UTTAR PRADESH 201010	902	

CP_LOCATION_ADDRESS	ORDER_AUD	CP_ORDER_AUD	ORDER_TYPE	CP_ORDER_TYPE	LOCATIONID	CP_LOCATIONID	SCRIPNAME	EXPIRY	STRIKEPRICE
56/33, Ste4, Sahibabad GHAZIABAD UTTAR PRADESH 201010	A	A	L	L	2010100001006012	2080010001002012	MNML15JUL1230.00PE	2015-07-30	123000.0
56/33, Ste4, Sahibabad GHAZIABAD UTTAR PRADESH 201010	A	A	L	L	2080010001002012	2010100001006012	MNML15JUL1230.00PE	2015-07-30	123000.0
56/33, Ste4, Sahibabad GHAZIABAD UTTAR PRADESH 201010	A	A	L	L	2080010001006012	2010100001006012	MNML15AUG1200.00PEW3	2015-08-20	120000.0
56/33, Ste4, Sahibabad GHAZIABAD UTTAR PRADESH 201010	A	A	L	L	2010100001006012	2080010001002012	MNML15AUG1200.00PEW3	2015-08-20	120000.0
56/33, Ste4, Sahibabad GHAZIABAD UTTAR PRADESH 201010	A	A	L	L	2080010001002012	2010100001006012	APLT15OCT220.00CE	2015-10-29	22000.0
56/33, Ste4, Sahibabad GHAZIABAD UTTAR PRADESH 201010	A	A	L	L	2010100001006012	2080010001002012	APLT15OCT220.00CE	2015-10-29	22000.0

SERIES	MKT	TYPE	ISIN_NO	QTY
EQD	N			30000
EQD	N			30000
EQD	N			20000
EQD	N			20000
EQD	N			20000
EQD	N			20000

Annexure-4.

Index	clnt_pan	scripname	buy_quantity	buy_value	avg_buy_rate	sell_qty	sell_value	avg_sell_rate	non_gen_trnx_entity_contract	total_trd_entity_contract	total_no_of_trades_of_the_contract
0	BLVPA7861A	APLT15OCT220.00CE	20000	111000	5.55	20000	240000	12	2	2	4
0	BLVPA7861A	MNMI15AUG1200.00PEW3	20000	25000	1.25	20000	120000	6	2	2	2
0	BLVPA7861A	MNMI15JUL1230.00PE	30000	9000	0.3	30000	103500	3.45	2	2	4

art_vol_gen_entity_in_the_cntrct	total_vol_gen_by_entity_in_the_cntrct	total_vol_in_the_cntrct	prcnt_of_non_gen_trds_entity_total_trds_in_cntrct	prcnt_of_non_gen_trds_entity_total_trds_in_cntrct
40000	40000	172000	100	50
40000	40000	40000	100	100
60000	60000	110000	100	50

percent_of_art_vol_gen_entity_extract_total_vol_gen_by_entity_in_extract	percent_of_art_vol_gen_entity_extract_total_vol_in_extract
100	23.26
100	100
100	54.55