भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D./Email

ADJUDICATING OFFICER

SEBI/HO/CFD/CFD-RAC-DCR1/P/OW/2022/0000039198/1

August 12, 2022

MAHENDRA KUMAR MASKARA HUF
[PAN: AAMHM3680A]
493-C-A GT ROAD S VIVEK VIHAR,
PH 4 BLK 4 FLR-1ST FLT-1D,
HOWRAH WEST BENGAL – 711101 INDIA,
Mobile: 933127911
Email Address: #N/A

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 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.*

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 30 days of receipt of this Intimation, if not filed earlier.

KRANTI SARDESAI
ADJUDICATING OFFICER

Enclosures: 1) Annexure 1 - Show Cause Notice
2) Annexure 2 - Copy of SAT judgment dated May 13, 2022

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Securities and Exchange
Board of India

By Speed Post A.D./ Email

ADJUDICATING OFFICER

SEBI/HO/ISD/P/OW/2022/ 12187/1
March 23, 2022

MAHENDRA KUMAR MASKARA HUF [PAN: AAMHM3680A]
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HOWRAH -711101, WEST BENGAL
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Subject: Adjudication Proceedings in respect of Mahendra Kumar Maskara HUF 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) Rules, 1995

1. Securities and Exchange Board of India (hereinafter, referred to as "SEBI") has initiated adjudication proceedings in respect of Mahendra Kumar Maskara HUF (hereinafter, referred to as "Noticee" or "You"), bearing PAN – AAMHM3680A, for allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as "PFUTP Regulations, 2003"), in the matter of trading in illiquid stock options on the Bombay Stock Exchange Ltd. ("BSE").

2. The undersigned was appointed as Adjudicating Officer vide order dated September 20, 2021, to enquire into and adjudge under Section 15 HA 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.

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 reversal trades through 2 trades in 1 unique contract, which led to generation of alleged artificial volume of 46,000 units. These trades of the Noticee involved reversal with the same counterparty on the same day, but at different prices. Details of all the reversal trades of Noticee in Stock Options segment of BSE during the investigation period are given in **Annexure B**. A summary of analysis of dealings of the Noticee in 1 Stock Options contract in which the said Noticee allegedly executed reversal trades during the investigation period is given in **Annexure C**. Details of all the trades of Noticee in Stock Options segment of BSE during the investigation period are given in **Annexure D.**

6. The trades entered by the Noticee were reversed on the same day with 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 dealings of Noticee in 1 Stock Options contract in which the said Noticee allegedly executed reversal trades during the investigation period, is as follows:-

Summary of dealings in contracts wherein the Noticee executed reversal trades

S. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	Artificial volume generated by Entity 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.	UBIL15APR140.00CEW2	11.85	28000	20.7	23000	46000	82.14	1.62

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

8. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in the one contract viz, "UBIL15APR140.00CEW2" during the investigation period, as follows:-

(a) During the investigation period, 3 trades for 56,000 units were executed by the Noticee in the said contract on March 31, 2015. Out of the 3 trades, it is noted that in 2 trades, the counterparty is the same and the details are given below.

(b) While dealing in the said contract on March 31, 2015, at 09:18:50 hrs the Noticee entered into a buy trade with counterparty Aradhya Vinimay Private Limited for 28,000 units at ₹ 11.85 per unit. At 09:33:27 hrs, the Noticee entered into a sell trade with the same counterparty, for 23,000 units at ₹ 20.7 per unit.

(c) The Noticee's two trades while dealing in the abovesaid contract during the investigation period allegedly generated artificial volume of 46,000 units, which made up 1.62% 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 therefore allegedly violated Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations, 2003.

10. The aforesaid alleged violations, if established, make the Noticees liable for monetary penalty under section 15HA of the SEBI Act.

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 (Procedure for holding Inquiry and Imposing Penalties) Rules, 1995 read with section 15 I of the SEBI Act, and why penalty should not be imposed section 15HA of the SEBI Act.

12. Your reply, if any, should reach the undersigned or through email at krantip@sebi.gov.in and nandinirs@sebi.gov.in within 14 days from the date of receipt of this Notice, failing which it shall be presumed that you have 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. You may also indicate whether you desire a personal hearing in the matter.

13. 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 your PAN card and contact details viz. Telephone numbers / Fax numbers / e-mail IDs and details of contact persons for records.

KRANTI SARDESAI
ADJUDICATING OFFICER

भारतीय प्रतिभूति और विनिमय बोर्ड, मुंबई
Securities and Exchange Board of India, Mumbai

Enclosures: Documents relied upon are as follows:-

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A	Communique dated September 27, 2021 appointing Adjudicating Officer	3
B	Details of the reversal trades of Noticee in Stock Options segment of BSE during the investigation period i.e. April 1, 2014 to September 30, 2015	1
C	Summary of analysis of dealings of Noticee in 1 Stock Options contract in which Noticee allegedly executed reversal trades during the investigation period	1
D	Details of all the trades of the Noticee in Stock Options segment of BSE during the investigation period i.e. April 01, 2014 to September 30, 2015	1