



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D.

GENERAL MANAGER &
ADJUDICATING OFFICER

SEBI/HO/EFD2/EFD2_SD/P/OW/2021/24807/1

September 27, 2021

Kamlesh Agrawal
[PAN: AFUPA7917B]
w/o Krishna Gopal Agrawal
Chandausi,
Uttar Pradesh -202412

Subject: Adjudication Proceedings in respect of Kamlesh Agrawal 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 in respect of Kamlesh Agrawal (hereinafter, referred to as "Noticee"), bearing PAN – AFUPA7917B, 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 02/07/2021, 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 06/07/2021 appointing the undersigned as Adjudicating Officer is placed at Annexure A.



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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 2 such reversal trades in 1 unique contract, which led to generation of alleged artificial volume of 21000 units. These trades of the Noticee involved reversal with the same counterparty on the same day, but at different prices. Details of all the trades (which were also reversal trades in nature) of Noticee in Stock Options segment of BSE during the investigation period are given in **Annexure B**. An 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**.
6. The trades entered by the Noticee were reversed on the same day with same counterparties 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:-



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Summary of dealings in contracts wherein the Noticee executed reversal trades

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% 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	AXIS15MAR600.00PE	42.0	10500	61.0	10500	100.0 %	0.49 %

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 one contract viz, "AXIS15MAR600.00PE" during the investigation period, as follows:-
- (a) During the investigation period, 2 trades for 21000 units were executed by the Noticee in the said contract on 27/02/2015.
- (b) While dealing in the said contract on 27/02/2015, at 14:31:09.18 hrs the Noticee entered into a sell trade with counterparty DHANWAN SECURITIES PRIVATE LIMITED, for 10500 units at ₹61 per unit. At 14:31:14.37 hrs the Noticee entered into a buy trade with the same counterparty for 10500 units at ₹42 per unit.
- (c) The Noticee's two trades while dealing in the abovesaid contract during the investigation period allegedly generated artificial volume of 21000 units, which made up 0.49 % 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. Relevant provisions of law are reproduced below for ready reference:



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"Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

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 manipulative, fraudulent or an unfair trade practice in securities markets*
- (2) Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following: —*
 - (a) knowingly indulging in an act which creates false or misleading appearance of trading in the securities market;*

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

"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."



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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 by Adjudicating Officer) Rules, 1995 read with section 15I 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 ashokkj@sebi.gov.in, swatiy@sebi.gov.in and pramanshur@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. SCN issued to Noticee is sent through speed post AD to address of Noticee available on record, and the scanned copy of the SCN is sent to contact e-mail id of the notice viz. anupmangalam@gmail.com.
14. 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.

J. Ashok Kumar

J ASHOK KUMAR
ADJUDICATING OFFICER



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Enclosures: Documents relied upon are as follows: -

Annexure	Copy of relevant documents enclosed with this SCN
A	Communique dated 02/07/2021 appointing Adjudicating Officer
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
C	Summary of dealings of Noticee in 1 Stock Options contract in which Noticee allegedly executed reversal trades during the investigation period

SECURITIES AND EXCHANGE BOARD OF INDIA
Order communicating appointment of Adjudicating Officer

1. Whereas, Securities and Exchange Board of India (SEBI) has conducted examination trading in option on individual stocks listed on Bombay Stock Exchange for possible violation of the provisions of the securities and Exchange Board of India Act, 1992 (hereinafter referred to as the 'SEBI Act') and various Rules and Regulations made there under.
2. Whereas, the Competent Authority is *prima facie* of the view that there are grounds to adjudicate upon the alleged violations of provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003 by certain entities.
3. The Competent Authority has, therefore, in exercise of the powers conferred upon her under Section 19 of the SEBI Act read with Section 15 I(1) of the SEBI Act and Rule 3 of securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ("hereinafter referred as the 'SEBI Rules') read with section 19 of the SEBI Act appointed certain Division Chiefs as Adjudicating Officers vide Order dated July 02, 2021 to enquire into and adjudge under Sections 15HA SEBI Act the alleged violations by the entities.
4. The list of the entities against whom adjudication is approved and the names of the respective Adjudicating Officers who are appointed to adjudicate against these entities is enclosed as Annexure.
5. The said proceedings of appointment are hereby being communicated to the Adjudicating Officers who shall conduct the Adjudication Proceedings in the manner specified under Rule 4 of the of the SEBI Rules read with sub-section (1) and (2) of Section 15 I of SEBI Act. The Adjudicating Officers shall enquire

S. No.	Case ID	Case Name	PAN Number	Entity Name	AO Name
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747	210015542	ISO at BSE-KAMLESH AGRAWAL	AFUPA7917B	KAMLESH AGRAWAL	Ashok Kumar J.
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12/01/2024

ANNEXURE - B		
sno	1	2
TRADE_DATE	27/02/2015	27/02/2015
SCRIPCODE	820309	820309
clnt_pan	AABCV5943P	AFUPA7917B
clnt_name	DHANWAN SECURITIES PRIVATE LIMITED	KAMLESH AGRAWAL
cp_pan	AFUPA7917B	AABCV5943P
cp_name	KAMLESH AGRAWAL	DHANWAN SECURITIES PRIVATE LIMITED
ORDER_NO	1425027506067000003	1425027506067000005
CP_ORDER_NO	1425027506067000002	1425027506067000006
TRADEID	574	1780
ORDER_TIME	14:31:09.188429	14:31:14.378618
CP_ORDER_TIME	14:31:09.177178	14:31:14.488459
TRADE_TIME	14:31:09.188429	14:31:14.488459
ORDER_LMTIME	14:31:09.188429	14:31:14.464053
CP_ORDER_LMTIME	14:31:09.177178	14:31:14.488459
TRADE_RATE	61	42
LTP_RATE	35.0	0.0
LTP_PERCENT	134.62	0.0
TRADE_VALUE	6940500.0	6741000.0
ORDER_RATE	61.0	42.0
CP_ORDER_RATE	61.0	42.0
ORDER_LMRATE	61.0	42.0
CP_ORDER_LMRATE	61.0	42.0
ORDER_LTP	61.0	61.0
CP_ORDER_LTP		42.0
TRADED_QTY	10500	10500
ORDER_QTY	21000	10500
CP_ORDER_QTY	10500	21000
ORDER_AVLQTY	21000	10500
CP_ORDER_AVLQTY	10500	21000
ORDER_LMQTY	21000	10500
CP_ORDER_LMQTY	10500	21000
MEMBER_NO	4036	3052
MEMBER_NAME	GEOMETRY VANIJYA PVT. LTD.	R.K.STOCK HOLDING PVT.LTD.
OLD_CLIENT		
MODIFIED_CLIENT	GVP193	K248
CP_MEMBER_NO	3052	4036
CP_MEMBER_NAME	R.K.STOCK HOLDING PVT.LTD.	GEOMETRY VANIJYA PVT. LTD.
CP_OLD_CLIENT		
CP_MODIFIED_CLIENT	K248	GVP193
TERMINALID	902	902
USER_NAME	GOVIND GOENKA	NAVDEEP VARSHNEY

Annexure - C	
Index	1
clnt_pan	AFUPA7917B
scripname	AXIS15MAR600.00PE
buy_quantity	10500
buy_value	441000
avg_buy_rate	42
sell_qty	10500
sell_value	640500
avg_sell_rate	61
non_gen_trnx_entity_cntrct	2
total_trd_entity_cntrct	2
total_no_of_trades_of_the_cntrct	74
art_vol_gen_entity_in_the_cntrct	21000
total_vol_gen_by_entity_in_the_cntrct	21000
total_vol_in_the_contract	4319000
prcnt_of_non_gen_trds_entity_total_trds_in_cntrct_entity	100
prcnt_of_non_gen_trds_entity_total_trds_in_cntrct	2.7
prcnt_of_art_vol_gen_entity_cntrct_total_vol_gen_by_entity_in_cntrct	100
prcnt_of_art_vol_gen_entity_cntrct_total_vol_in_cntrct	0.49

