



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

ADJUDICATING OFFICER

Enquiries and Adjudication Department

Through Email and SPAD

SEBI/HO/EAD1/SBM/AK/ 25674 /2022

June 16, 2022

KESARISUTA VINIMAY PVT LTD

(PAN- AAECK2699A)

4, Chandni Chowk Street,

2nd Floor, Kolkata-700072

E-mail: kesarisuta.vinimay.007@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 Trading Members in Illiquid Stock Options

1. Securities and Exchange Board of India (hereinafter referred to as, “SEBI”) has initiated Adjudication Proceedings against **KESARISUTA VINIMAY PVT LTD** (hereinafter referred to as “**Noticee/You**”) under Section 15HB of SEBI Act, 1992 for not exercising care and diligence in the conduct of all its business while dealing with its clients / while dealing with their proprietary accounts in violation of Schedule II A (1) and (2) of Code of Conduct for Stock Brokers r/w Regulation 9 (f) of the SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as **Broker Regulations**).

And where applicable, under section 15HA of SEBI Act, 1992 for violation of Section 12 A(a), (b), (c) of SEBI Act, 1992 r/w Regulations 3(a), (b), (c), (d) and 4(1) of SEBI Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market Regulations), 2003 (hereinafter referred to as **PFUTP Regulations**).

2. The undersigned was appointed as Adjudicating Officer vide Order dated August 13, 2021 to enquire into and adjudge under Section 15HB and 15 HA of the Securities



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and Exchange Board of India Act, 1992 (hereinafter referred to as, "**SEBI Act**"), the alleged violations by the Noticee. Copy of communiqué dated September 17, 2021 appointing the undersigned as Adjudicating Officer is placed as **Annexure 1**.

Background

3. An Interim Order WTM/RKA/ISD/106/2015 dated August 20, 2015 was passed by SEBI in the matter of Illiquid Stock Options restraining 59 entities (clients) from buying, selling or dealing in the securities market, either directly or indirectly, in any manner, till further directions. Confirmatory orders dated July 30, 2016, August 22, 2016 and August 24, 2016 ("Confirmatory orders") in this regard, were passed by SEBI confirming the directions issued vide aforementioned Interim order against all 59 entities (clients).
4. The modus operandi that was identified in the Interim order and Confirmatory order was that certain entities (clients) had continuously made profits and certain entities (clients) had continuously made losses by reversing their trades or executing reversal trades in various individual Stock Options contracts on BSE's Stock Options segment. In the Interim order, these reversal trades were also referred to as "non-genuine trades".
5. Subsequent to passing of aforementioned Interim order against 59 entities (clients), SEBI passed an Interim order dated February 17, 2016 against 22 Trading Members ("Brokers") in the same matter of Illiquid Stock Options. However, the said order was set aside by Hon'ble SAT vide its orders dated February 25, 2016, March 04, 2016, March 09, 2016, March 14, 2016, March 15, 2016, March 18, 2016 and April 05, 2016. Pursuant to appeal, in terms of order of Hon'ble Supreme Court dated July 01, 2016, SEBI passed order no. WTM/RKA/ISD/94/2016 dated August 12, 2016 in the matter stating, inter alia, that a final view for appropriate action be taken after completion of ongoing investigation in the matter.



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6. Investigation was carried out in the instant matter for the period April 01, 2014 – September 30, 2015 (“I.P.” / “investigation period”), which is same as the examination period referred in the Interim Order dated February 17, 2016 in respect of Brokers in the matter of Illiquid Stock Options.
7. Trade data of BSE's Stock Options segment during the I.P. for the Illiquid Stock Options was analysed to identify trade reversals. Pursuant to analysis it was observed that a total of 2,91,744 non-genuine trades were executed by 14,720 entities through 192 Brokers that resulted in trade reversals during the I.P. Trade data pertaining to these 2,91,744 non-genuine trades formed the source data for the instant case against brokers.
8. Total number of contracts during the I.P. was 23885 contracts. The details of trading in such 23885 contracts are shown in table below:

Table 1 - Details of trading in all contracts of BSE' Stock Options segment during the I.P.

Particulars	TOTAL
Number of contracts	23,885
Total Number of entities	21,652
Number of trades	3,58,372
Number of Non genuine trades	2,91,744
Number of entities involved in executing non genuine trades	14,720
Number of Brokers through which non-genuine trades were executed	192

BSE notice on e-Boss dated March 07, 2013:

9. BSE had issued notice to all the Trading Members (brokers) casting an obligation on the broker to, *inter alia*, monitor and report reversal of trades in derivatives segment. BSE notice no 20130307-21 (addressed to all the trading members) dated March 07, 2013 pertaining to “e-Boss”, *inter alia*, indicated the list of alerts that will be generated by BSE which includes reversal of trades in derivatives segment. Further, in terms of the aforesaid notice every broker was necessarily required to frame a surveillance policy, *inter alia*, covering suspicious/manipulative activity identification and reporting process.



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10. The aforesaid BSE notice also casts obligation on the Trading Member (Broker) to monitor and report alerts specifically mentioning the following:

“

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The trading members are hereby further informed that the aforementioned transactional alerts are indicative in nature and the trading members can derive their own alerts in addition to the said transactional alerts as per their surveillance policy.

.....

Monitoring and reporting:

1. For effective monitoring, Trading Member shall:

a. Frame a surveillance policy covering:

i....

ii....

iii. Suspicious / Manipulative activity identification and reporting process.

iv.....

b. The surveillance policy of the Trading Member shall be approved by its Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) as the case may be.

c. A quarterly MIS shall be put up to the Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at the end of the quarter. Reasons for pendency shall be discussed and appropriate action taken. Also, the Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) shall be apprised of any exception noticed during the disposition of alerts.

d. The surveillance process shall be conducted under overall supervision of its Compliance Officer.

e. Designated directors / partners / proprietor / Compliance Officer would be responsible for all surveillance activities carried out by the Trading Member and for the record maintenance and reporting of such activities.

2. Internal auditor of Trading Member shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations with respect to the same in their report.”



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11. However, as informed by BSE vide email dated November 06, 2020, no broker had reported any suspicious transactions to exchange being executed on Stock Options segment of BSE during I.P. None of the brokers generated any alerts or reported any reversal of trades executed by their respective clients.
12. Without a system in place to identify repeated trade reversals between the same clients, the brokers facilitated those clients in executing fraudulent transactions in the stock market who transferred profits and losses to each other in a pre-meditated manner.

Analysis of Source Data

13. On analysing the source data, the data was segregated based on scenarios so as to identify scenario-wise violations by a Broker. Scenarios in which the source data was segregated is as given below:

Table 2: Summary of scenarios

Scenario	Particulars	Count of Brokers	Total number of non-genuine trades (both client and counterparty client)	Cumulative non-genuine trades through Brokers after removing duplicates (same broker for both clients)	As a % of total transactions
1	Same Broker for both clients on both legs of trade reversal	19	8,528	4,264	0.74
2	Different Broker for both clients on both legs of trade reversal	189	5,74,900	5,74,900	99.25
3	Trade reversals involving three Brokers	8	60	59	0.01
	Total	192*	5,83,488	5,79,223	100

*Note – There are 3 unique brokers appearing in Scenario 1 and the remaining 16 brokers of Scenario 1 are overlapping with 189 unique brokers appearing in Scenario 2. Accordingly, total Brokers through whom 2,91,744 non-genuine trades have been executed is 3+189 = 192 brokers. Names of 8 brokers appearing in scenario 3 are overlapping with names appearing in either Scenario 1 or Scenario 2.



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In the instant proceedings, based on the analysis Scenario 1 & 2 are applicable, which is detailed below through illustrations:

Scenario 1: Same Broker for both clients on both legs of trade reversal

14. In the instant scenario, two clients execute reversal trade through a common Broker. For the sake of clarity, a contract is shortlisted (i.e. "SUNP15SEP960.00CE") and trades that were executed in this contract on August 28, 2015 is shown below:

Table 3

S L · N O ·	CLIENT PAN	CLIENT NAME	CP PAN	CP CLIENT NAME	ORDER TIME	CP ORDER TIME	TRADE TIME	TRA DE RAT E	TRAD ED QTY	MEMBE R NAME	CP MEMBE R NAME
1	AASPG3 101C	Adi Narayan Gupta	AAKCA6 062B	Anurabh Vanijya Private Limited	13:55:50	13:55:50	13:55:50	12.1	12500	Kesarisut a Vinimay Pvt. Ltd.	Kesarisut a Vinimay Pvt. Ltd.
2	AAKCA6 062B	Anurabh Vanijya Private Limited	AASPG3 101C	Adi Narayan Gupta	13:54:19	13:54:19	13:54:19	20	12500	Kesarisut a Vinimay Pvt. Ltd.	Kesarisut a Vinimay Pvt. Ltd.
3	AAKCA6 062B	Anurabh Vanijya Private Limited	AASPG3 101C	Adi Narayan Gupta	13:55:38	13:55:38	13:55:38	19	25000	Kesarisut a Vinimay Pvt. Ltd.	Kesarisut a Vinimay Pvt. Ltd.
4	AASPG3 101C	Adi Narayan Gupta	AAKCA6 062B	Anurabh Vanijya Private Limited	13:55:06	13:55:06	13:55:06	12.15	25000	Kesarisut a Vinimay Pvt. Ltd.	Kesarisut a Vinimay Pvt. Ltd.

15. It is observed from the above table that:
- In total 4 trades were executed in the contract "SUNP15SEP960.00CE" on August 28, 2015. Trade reversals are executed between clients Adi Narayan Gupta and Anurabh Vanijya Private Limited through a common broker Kesarisuta Vinimay Pvt. Ltd.
 - Total number of non-genuine trades that were executed in the contract "SUNP15SEP960.00CE" were 4 (trades shown at S. No. 1 to 4 at Table above) and total artificial volume generated through such non genuine trades was 75,000 units.
 - The Broker-wise contribution to number of non-genuine trades and artificial volume in the above contract is as shown below:



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Table 4

S. No.	Entity Name	Artificial volume through non genuine trades (units)	Number of Non genuine trades
1	Kesarisuta Vinimay Pvt. Ltd.	75,000	4
Total		75,000	4

16. Trade reversals were executed by the clients of same Broker Kesarisuta Vinimay Pvt. Ltd. through a similar modus operandi on 2 instances on a same day. Despite the repeated reversals of identical quantity and with more than 40% difference in price within few seconds, the brokers through whom such transactions went through failed to notice them immediately or even much after the said transactions as they did not have any system in place to identify trade reversals.
17. Since Kesarisuta Vinimay Pvt. Ltd. did not take necessary steps to generate alerts by putting a system in place to detect and curb reversal of trades, Kesarisuta Vinimay Pvt. Ltd. failed to exercise care and diligence in the conduct of business while dealing with its clients.
18. Upon analysis of all 4,264 non-genuine trades in Scenario 1, it was observed that there were 19 unique Brokers through whom clients had executed 1867 instances of trade reversals. There were 557 clients who had executed trade reversals in various combination among each other.
19. Of the 1867 instances of reversals in Scenario 1, 1667 (approx. 90%) were single instance reversals (only two transactions between two unique PAN numbers) in various contracts. However, repeated instances of reversal (more than one instance of reversal) by the same set of PAN numbers on the same day in the same contact should have aroused a reasonable doubt in the mind of a professional like stock broker as on most occasions, as brought out in the above instance, the buy and sell order were placed in very close proximity to each other. Further, in majority of instances, they were executed at prices with significant variation within a short period. This, thus indicated that the transactions were non-genuine transactions.



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20. Repeated reversals with at least 4 transactions or more (2 cycles of reversals between the same set of PAN numbers) on the same day in a particular contract between two unique PAN numbers were examined.
21. Accordingly, it was observed that there are 64 unique set of PAN numbers who have executed repeated reversals with at least 4 transactions or more (2 cycles of reversal) through 7 different Brokers. Names of said 7 Brokers are as given below:

Table 5 – List of 7 Brokers

S.No.	Name of Broker	S.No.	Name of Broker
1.	KMS STOCK BROKING CO.PVT.LTD.	2.	KRIPA SECURITIES PVT.LTD.
3.	MONEYPLEX SECURITIES PVT. LTD.	4.	ABANS SECURITIES PVT. LTD.
5.	MI STOCK BROKING PVT LTD	6.	SANKALP SHARE BROKERS PVT.LTD.
7.	KESARISUTA VINIMAY PVT. LTD. (Noticee)		

Hence, out of the 19 unique brokers through whom 557 clients had executed trade reversals, it is alleged that the Noticee being one of the aforesaid 7 Brokers, failed to exercise care and diligence in the conduct of business while dealing with its clients and therefore are not in compliance with Schedule II A (2) of Code of Conduct for Stock Brokers r/w Regulation 9 (f) of the SEBI (Stock Brokers) Regulations, 1992.

Scenario 2: Different Broker for both clients on both legs of trade reversal

22. In the instant scenario, two clients execute reversal trade through two different Brokers. For the sake of clarity, a contract is shortlisted (i.e. "JPPW15JAN10.00CEW1") and trades that were executed in this contract on January 01, 2015 is shown below:

Table 6



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SL · N O.	CLIE T PAN	CLIENT NAME	CP PAN	CP CLIENT NAME	ORDER TIME	CP ORDER TIME	TRAD E TIME	TRA DE RAT E	TRA DED QTY	MEMBE R NAME	CP MEMBE R NAME
1	AAGF C5601 H	Chanak ya Broking Compa ny	BSUP S7339 K	Vitrag R Sheth	11:40:4 2	11:40:4 2	11:40: 42	1.2	9000 0	Skung Tradelin k Ltd	Prudent Broking Services Pvt.Ltd.
2	BSUP S7339 K	Vitrag R Sheth	AAGF C5601 H	Chanak ya Broking Compan y	11:41:0 3	11:41:0 3	11:41: 03	2.8	9000 0	Prudent Broking Services Pvt.Ltd.	Skung Tradelin k Ltd
3	AAGF C5601 H	Chanak ya Broking Compa ny	BSUP S7339 K	Vitrag R Sheth	11:42:4 8	11:42:4 8	11:42: 48	1.3	9000 0	Skung Tradelin k Ltd	Prudent Broking Services Pvt.Ltd.
4	BSUP S7339 K	Vitrag R Sheth	AAGF C5601 H	Chanak ya Broking Compan y	11:43:1 5	11:43:1 4	11:43: 15	2.8	9000 0	Prudent Broking Services Pvt.Ltd.	Skung Tradelin k Ltd
5	AAGF C5601 H	Chanak ya Broking Compa ny	BSUP S7339 K	Vitrag R Sheth	11:43:5 4	11:43:5 4	11:43: 54	1.3	1500 0	Skung Tradelin k Ltd	Prudent Broking Services Pvt.Ltd.
6	BSUP S7339 K	Vitrag R Sheth	AAGF C5601 H	Chanak ya Broking Compan y	11:44:1 7	11:44:1 7	11:44: 17	2.8	1500 0	Prudent Broking Services Pvt.Ltd.	Skung Tradelin k Ltd

23. It is observed from the above table that:

- In total 6 trades were executed in the contract "JPPW15JAN10.00CEW1" on January 01, 2015. Trade reversals are executed between clients Chanakya Broking Company and Vitrag R Sheth through Brokers Skung Tradelink Ltd and Prudent Broking Services Pvt. Ltd. respectively.
- Total number of non-genuine trades that were executed in the contract "JPPW15JAN10.00CEW1" were 6 (trades shown at S. No. 1 to 6 at Table above) and total artificial volume generated through such non genuine trades was 3,90,000 units.
- The Broker-wise contribution to number of non-genuine trades and artificial volume in the above contract is as shown below:



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Table 7

S. No.	Entity Name	Artificial volume through non genuine trades	Number of Non genuine trades
1	Skung Tradelink Ltd	3,90,000	6
2	Prudent Broking Services Pvt. Ltd.	3,90,000	6
Total		7,80,000	12

24. Trade reversals were executed by Chanakya Broking Company through Broker Skung Tradelink Ltd through same modus operandi on 3 instances on a same day. In a similar manner, Trade reversals were executed by Vitrag R Sheth through Broker Prudent Broking Services Pvt. Ltd. on 3 instances on a same day. Despite the repeated reversals of identical quantity and with more than 100% difference in price in less than a minute, the brokers through whom such transactions went through failed to notice them immediately or even much after the said transactions as they did not have any system in place to identify trade reversals. Though the broker may not know the counterparty client or counterparty broker in a transaction, however, the fact that certain quantity transacted by his client is getting reversed within the same day in a repeated manner should have alerted the brokers concerned.
25. Without a system in place to identify repeated trade reversals between the same clients, the broker facilitated its clients in executing fraudulent transactions in the stock market in a pre-meditated manner.
26. Since Skung Tradelink Ltd and Prudent Broking Services Pvt. Ltd. did not take necessary steps to generate alerts by putting a system in place to detect and curb reversal of trades, both Skung Tradelink Ltd and Prudent Broking Services Pvt. Ltd. failed to exercise care and diligence in the conduct of business while dealing with its respective clients.



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27. Upon analysing all the 5,74,900 non-genuine trades in Scenario 2, it was observed that there were 189 unique brokers through whom clients had executed trade reversals. On further analysis, it was observed that there were 14,333 clients who had executed trade reversals in various combinations among each other.
28. While repeated transactions of at least 4 (2 cycles of reversal) as envisaged in Scenario 1, it was observed that there are 5,316 unique set of PAN numbers who have executed repeated reversals with at least 4 transactions or more through 125 different Brokers. Names of said 125 Brokers are as given below:

Table 8 – List of 125 Brokers-

S.No.	Name of Broker	S.No.	Name of Broker
1	ALANKIT ASSIGNMENTS LTD.	2	DEALMONEY SECURITIES PVT. LTD.
3	MSB E-TRADE SECURITIES LTD.	4	4A SECURITIES LIMITED
5	BP EQUITIES PVT.LTD.	6	NAVJEEVAN EQUITY BROKING PVT. LTD.
7	CPR CAPITAL SERVICES LTD.	8	GEOMETRY VANIJYA PVT. LTD.
9	CHUKNOO SECURITIES LTD.	10	GIRIRAJ STOCK BROKING PVT. LTD.
11	DB (INTERNATIONAL) STOCK BROKERS LTD.	12	HARSH SHARES BROKING PVT. LTD.
13	EXCLUSIVE SECURITIES LTD.	14	I.VENTURE CAPITAL PVT.LTD.
15	FORT SHARE BROKING PVT.LTD.	16	INDRAKSHI SALES PVT. LTD.
17	GUINNESS SECURITIES LTD.	18	ATS SHARE BROKERS PVT. LTD.
19	INDO THAI SECURITIES LTD.	20	NARAYAN CAPITAL SERVICES PVT. LTD.
21	IIFL SECURITIES LIMITED	22	MILLENNIUM STOCK BROKING PRIVATE LIMITED
23	KREDENT BROKERAGE SERVICES PRIVATE LIMITED	24	MARCK SECURITIES PVT.LTD.
25	JHAVERI SECURITIES LTD.	26	NS BROKING PVT. LTD.
27	JM FINANCIAL SERVICES LIMITED	28	PASHUPATI CAPITAL SERVICES PVT.LTD.
29	TRUSTLINE SECURITIES LTD.	30	R.K.STOCK HOLDING PVT.LTD.
31	KAMAL KUMAR JALAN SECURITIES PVT.LTD.	32	SEEMA SECURITIES PVT.LTD.



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S.No.	Name of Broker	S.No.	Name of Broker
33	LKP SECURITIES LTD.	34	VINOD SHARES LTD.
35	LOHIA SECURITIES LTD.	36	VEDIKA VANIJYA PVT. LTD.
37	MAGNUM EQUITY SERVICES LTD.	38	HORIZON FINANCIAL CONSULTANTS PVT. LTD.
39	MITHUN SECURITIES PRIVATE LIMITED	40	ACML CAPITAL MARKETS LTD.
41	SUNFLOWER BROKING PVT.LTD.	42	BASAN EQUITY BROKING LIMITED
43	OPG SECURITIES PVT.LTD.	44	CONCORD VINIMAY PVT. LTD.
45	RJ STOCK BROKING PVT.LTD.	46	CHOICE EQUITY BROKING PRIVATE LIMITED
47	R K GLOBAL SHARES AND SECURITIES LIMITED	48	RUDRA SHARES & STOCK BROKERS LTD.
49	SMC GLOBAL SECURITIES LTD.	50	GREENBUCKS SECURITIES PVT.LTD
51	SHRI PARASRAM HOLDINGS PVT.LTD.	52	MARFATIA STOCK BROKING PVT.LTD.
53	SKI CAPITAL SERVICES LTD.	54	PREFERRED SECURITIES PVT.LTD.
55	SATCO CAPITAL MARKETS LIMITED	56	RIKHAV SECURITIES LTD.
57	VISHWAS FINCAP SERVICES PVT.LTD.	58	RAJENDRA MODI SHARE BROKERS PVT. LTD.
59	V.G.CAPITAL MARKET PVT.LTD.	60	RTG SHARE BROKING LTD.
61	YASHWI SECURITIES PVT. LTD.	62	SARA SECURITIES PVT. LTD.
63	SAT PAL RAWAL	64	SONA GLOBAL LTD.
65	ADROIT FINANCIAL SERVICES PVT.LTD.	66	AMRAPALI AADYA TRADING & INVESTMENTS PVT. LTD.
67	ARIHANT CAPITAL MARKETS LTD.	68	BHANSALI VALUE CREATIONS PVT. LTD.
69	CNB FINWIZ PVT.LTD.	70	BAHUBALI FOREX PVT LTD
71	DESTINY SECURITIES LTD.	72	KESARISUTA VINIMAY PVT. LTD. (Noticee)
73	RAIMA EQUITIES PVT.LTD.	74	MOTISONS SHARES PVT.LTD.
75	EXCEL STOCK BROKING PVT.LTD.	76	MANU STOCK BROKING PVT.LTD.
77	F6 FINSERVE PVT. LTD.	78	MAVERICK SHARE BROKERS PVT. LTD.
79	FINDOC INVESTMART PVT. LTD.	80	PROFICIENT EQUITIES PVT. LTD.



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S.No.	Name of Broker	S.No.	Name of Broker
81	GRD SECURITIES LTD.	82	SHREE BAHUBALI STOCK BROKING LIMITED
83	INDUS PORTFOLIO PVT.LTD.	84	SAMRIDHI STOCKS PVT.LTD.
85	JAINAM SHARE CONSULTANTS PVT.LTD.	86	A C AGARWAL SHARE BROKERS PVT. LTD.
87	JRK STOCK BROKING PVT.LTD.	88	ACHINTYA SECURITIES PVT. LTD.
89	KAYAN SECURITIES PVT. LTD.	90	MULTIGAIN SECURITIES SERVICES PRIVATE LIMITED
91	KMS STOCK BROKING CO.PVT.LTD.	92	MARKET HUB STOCK BROKING PVT. LTD.
93	MARWADI SHARES & FINANCE LTD.	94	MAUZAMPURIA SECURITIES BROKING PVT LTD
95	NIRMAN SHARE BROKERS PVT.LTD.	96	MATRI MANGAL TRADING PVT. LTD.
97	PRUDENT BROKING SERVICES PVT.LTD.	98	PLG SECURITIES PVT. LTD.
99	ORION STOCKS LTD.	100	ABANS SECURITIES PVT. LTD.
101	ODYSSEY SECURITIES PVT. LTD	102	AIRAN FINSTOCKS PVT.LTD.
103	WELLINDIA SECURITIES LTD.	104	ACROSS BROKING PRIVATE LIMITED
105	SWASTIKA INVESTMART LTD.	106	ASHLAR SECURITIES PRIVATE LIMITED
107	THE CALCUTTA STOCK EXCHANGE LTD.	108	SIC STOCKS & SERVICES PVT.LTD.
109	ZERODHA BROKING LTD.	110	ARYAV SECURITIES PVT. LTD.
111	ALACRITY SECURITIES LTD.	112	ABHINANDAN STOCK BROKING PVT. LTD.
113	ANG CAPITAL SERVICES PVT.LTD.	114	SKUNG TRADELINK LTD
115	BANSAL FINSTOCK PVT. LTD.	116	SUMPOORNA PORTFOLIO LTD
117	BMA WEALTH CREATORS LTD.	118	RELYBULLS STOCK BROKING PVT. LTD.
119	MKB SECURITIES PVT LTD	120	SUNSTAR SECURITIES
121	BEST BULL STOCK TRADING PVT.LTD.	122	LALIT KUMAR TULSHYAN
123	BHAJEE PORTFOLIO LIMITED	124	HARISH KUMAR SINGHANIA
125	MOUSUMI DEB ROY		

29. Hence, out of the 189 brokers through whom 14,333 clients had executed trade reversals, it is alleged that the Noticee, being one of the aforementioned 125



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brokers failed to exercise care and diligence in the conduct of business while dealing with its clients and therefore not in compliance with Schedule II A (2) of the Code of Conduct for Stock Brokers r/w regulation 9 (f) of the SEBI (Stock Brokers) Regulations, 1992.

Alerts generated by BSE during IP

30. BSE vide email dated November 06, 2020, November 18, 2020, January 12, 2021 and February 05, 2021 informed that alerts were generated and communicated to 20 Brokers whose clients had executed trade reversals on same day as well as T+1 day. BSE further informed that no broker reported any suspicious transactions to exchange being executed on stock options segment of BSE during I.P.
31. Further, vide email dated December 28, 2020, BSE forwarded notice no 20130307-21 dated March 07, 2013 pertaining to "e-Boss" which *inter-alia* gives the list of alerts which also includes reversal of trades in derivatives segment.
32. In terms of the aforesaid notice no 20130307-21 dated March 07, 2013, all the Brokers should necessarily frame a surveillance policy so as to identify and report suspicious/manipulative activities. In line with the aforesaid notice from exchange, the brokers were expected to consider various factors including but not limited to repeated reversal trades on same day, reversal price, entities involved in repeated reversal transactions on same day in various scrips, etc and accordingly put in place a system so as to identify and report suspicious/manipulative activities.
33. BSE generated and communicated alerts to 20 Brokers whose clients had executed trade reversals on same day as well as T+1 day. Of the 20 Brokers, clients executed trade reversals on same day through 18 Brokers. Further, of the said 18 brokers, clients executed repeated reversals on same day as envisaged in Scenario 1 through 15 brokers. However, despite alerts being generated and communicated to these 15 Brokers through whom clients executed repeated reversals, the Brokers



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did not adopt any corrective measures to stop reversal of trades. This suggests negligence on part of Brokers, though these Brokers were made aware of the fact that reversal of trades were being executed through them. Further, by not taking necessary steps to generate alerts by putting a system in place to detect and curb reversal of trades, the Brokers indirectly facilitated all the clients registered with the Broker in executing reversal of trades. Names of said 15 Brokers are as given below:

Table 9 – List of 15 Brokers

S.No.	Name of Broker	S.No.	Name of Broker
1.	KMS STOCK BROKING CO.PVT.LTD.	2.	KESARISUTA VINIMAY PVT. LTD.(Noticee)
3.	CHOICE EQUITY BROKING PRIVATE LIMITED	4.	MARFATIA STOCK BROKING PVT.LTD.
5.	SMC GLOBAL SECURITIES LTD.	6.	MODEX INTERNATIONAL SECURITIES LTD.
7.	SPS SHARE BROKERS PVT.LTD.	8.	BEST BULL STOCK TRADING PVT.LTD.
9.	SATCO CAPITAL MARKETS LIMITED	10.	KRIPA SECURITIES PVT.LTD.
11.	SWASTIKA INVESTMART LTD.	12.	BHANSALI VALUE CREATIONS PVT. LTD.
13.	THE CALCUTTA STOCK EXCHANGE LTD.	14.	ABANS SECURITIES PVT. LTD.
15.	JHAVERI SECURITIES LTD.		

34. 5 of the aforesaid 15 Brokers viz., KMS Stock Broking Co.Pvt.Ltd., SPS Share Brokers Pvt.Ltd., Swastika Investmart Ltd., Marfatia Stock Broking Pvt.Ltd. And Modex International Securities Ltd. also executed trade reversals through their proprietary accounts but also facilitated their clients in executing trade reversals during I.P. Though these 5 brokers have been charged earlier for executing trade reversals through their proprietary account in their capacity as clients, in their capacity as brokers, they also facilitated clients to carry out reversal trades by not having a system in place to identify trade reversals despite having received alerts from stock exchange.



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35. Hence, by continuing to enable their clients in executing fraudulent reversal trades on the stock exchange system despite having received alerts on reversal trades from the stock exchange during I.P., **the Noticee being one of the aforesaid 15 Brokers, facilitated their clients too in execution of fraud in alleged violation of Section 12 A(a), (b), (c) of SEBI Act, 1992 r/w Regulations 3(a), (b), (c), (d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.**
36. Further, by not taking necessary steps to generate alerts by putting a system in place to detect and curb reversal of trades, aforesaid 15 Brokers have failed to exercise care and diligence in the conduct of business while dealing with its clients and are **alleged to be in non-compliance with Schedule II A (1) and (2) of Code of Conduct for Stock Brokers r/w Regulation 9 (f) of the SEBI (Stock Brokers) Regulations, 1992.**
37. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under Section 15HA and Section 15HB of SEBI Act, which are reproduced as under:

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.

Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate



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penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.

38. 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 15I of the SEBI Act (hereinafter referred to as '**Adjudication Rules**'); and why penalty should not be imposed under section 15HA and 15HB of SEBI Act as applicable.
39. Your reply, along with supporting enclosures and documents, should reach the undersigned at the address mentioned below as well as through email at sureshm@sebi.gov.in and avinashk@sebi.gov.in in pdf and MS Word format within 15 (fifteen) days from the date of receipt of this notice, failing which it shall be presumed that you have no submissions to make, in which case, the matter shall be proceeded with on the basis of material/facts on record. You may also indicate in your reply if you desire a personal hearing in the matter. You are also required to submit a copy of your PAN Card and your contact details (contact person, phone number, email details, fax etc.) for our records. Further, in case there is any change in your address or contact details during the period of the current Adjudication Proceedings, the same may be brought to the notice of the Adjudicating Officer immediately.
40. For all correspondence in these proceedings, please quote the subject of your letter as mentioned in this notice and reference of this letter be mentioned in your correspondence. Your correspondence should invariably be addressed to Enquiries and Adjudication Department-1, SEBI. This Office shall not be responsible for any late receipt of your correspondence if not addressed to this office specifically.
41. 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



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process, you may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned.

SURESH B. MENON

Enclosures: (CD)

1. **Annexure 1** - Copy of communique dated September 17, 2021
2. **Annexure 2** – Copy of trade logs from BSE