भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D.

GENERAL MANAGER &
ADJUDICATING OFFICER

SEBI/HO/MRD/DSA/OW/AK/RVA/2021/36471/1
December 09, 2021

ARVIND KESHARI
[PAN: AFMPK2858K]
55, Canning Street,
Kolkata,
West Bengal, 700001

Subject: Adjudication Proceedings in respect of Arvind Keshari 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 against you (hereinafter also referred to as "**Noticee**"), for allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade 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 has been appointed as Adjudicating Officer, vide order dated September 20, 2021, to enquire into and adjudge under Section 15 I r/w Section 15HA 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 81.40% 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 non-genuine trades in one contract, which led to generation of alleged artificial volume of 3,60,000 units in the said contract. These trades of the Noticee involved reversal with the same counterparty on the same day, but at different prices. Details of the trades 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 non-genuine 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 counterparty at a substantial price difference without any basis for significant change in the contract price which indicates that these trades are artificial and non- genuine in nature.

7. A summary of dealings of Noticee in the Stock Options contract in which the said Noticee allegedly executed reversal trade during the investigation period, is as follows: -

Summary of dealings in contract 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	NHPC15JUN24.00PE	2.8	1,80,000	4.3	1,80,000	100%	16.67%

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, "NHPC15JUN24.00PE" during the investigation period, as follows: -
   (a) During the investigation period, 2 trades for 3,60,000 units were executed by the Noticee in the said contract on 23/06/2015.
   (b) While dealing in the said contract on 23/06/2015, at 14:23:21.93 hrs, the Noticee entered into a buy trade with counterparty M/s Topmost Commercial Pvt. Ltd. for 1,80,000 units at Rs. 2.80 per unit. At

14:24:22.95 hrs, the Noticee entered into a sell trade with the same counter party for 1,80,000 units at Rs. 4.30 per unit.

(c) The Noticee's trades while dealing in the abovementioned contract during the investigation period allegedly generated artificial volume of 3,60,000 units, which constituted 16.67% 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 entity 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 violation, if established, makes the Noticee 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 by Adjudicating Officer) Rules, 1995 (hereinafter referred as **"Adjudication Rules"**) read with section 15 I of the SEBI Act, and why penalty should not be imposed under section 15HA of the SEBI Act.

12. Your reply, if any, should reach the undersigned or through email at amitk@sebi.gov.in or aditya@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.

AMIT KAPOOR
ADJUDICATING OFFICER

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	2
B	Integrated trade log of all trades of Noticee in Stock Option segment of BSE during the investigation period i.e., April 1, 2014 to September 30, 2015	1
C	Summary of dealings of Noticee in 1 Stock Options contract in which the Noticee allegedly executed reversal trades during the investigation period	1

SECURITIES AND EXCHANGE BOARD OF INDIA

Order communicating appointment of Adjudicating Officer

1. Whereas, Securities and Exchange Board of India (**SEBI**) has conducted examination into the trading in options 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 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, vide Order dated September 20, 2021, appointed certain Division Chiefs as Adjudicating Officers to enquire into and adjudge under Section 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.

6. The Adjudicating Officers shall enquire into and adjudicate upon the alleged violation as stated above and if the Adjudicating Officers are satisfied that the entities have become liable for penalty, may impose penalty, as they think fit, in terms of Rule 5 of the SEBI Rules and provisions of Sections 15HA of the SEBI Act.

Dated at Mumbai, this 27th day September 2021.

BHAVANA RAVIKUMAR
GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA

Annexure – B

TRADE_DATE	SCRIP CODE	clnt_pan	clnt_ name	cp_pan	cp_ name	TRADE_TIME	TRADE _RATE	TRADE _VALUE	ORDER _RATE	CP_OR DER _RATE	ORDER_ LMRATE	CP_ORDER _LMRATE	ORDER _LTP	CP_ORDE R _LTP	TRADED _QTY	ORDER _QTY	CP_ORDE R _QTY	MEMBER _NAME	CP_MEMBER _NAME	ORDER _TYPE	CP_ORDE R _TYPE	SCRIP NAME	EXPIRY	STRIKE PRICE
23/06/2015	852732	AFMPK2858K	ARVIND KESHARI	AADCT8675L	TOPMOST COMMERCIAL PRIVATE LIMITED	14:23:21.935513	2.8	4824000.0	2.8	2.8	2.8	2.8	2.8	200000.0	180000	180000	180000	CONCORD VINIMAY PVT. LTD.	BAHUBALI FOREX PVT LTD	L	L	NHPC15JUN24.00PE	2015-06-25	2400.0
23/06/2015	852732	AADCT8675L	TOPMOST COMMERCIAL PRIVATE LIMITED	AFMPK2858K	ARVIND KESHARI	14:24:22.951568	4.3	5094000.0	4.3	4.3	4.3	4.3	4.3	2.8	180000	180000	180000	BAHUBALI FOREX PVT LTD	CONCORD VINIMAY PVT. LTD.	L	L	NHPC15JUN24.00PE	2015-06-25	2400.0

Annexure – C

PAN	SCRIPNAME	Average Buy rate (in ₹)	Buy Quantity	Buy Value (in ₹)	Average Sell rate (in ₹)	Sell Quantity	Sell Value (in ₹)	Number of non-genuine trades executed by the entity in the contract	Total number of trades executed by the Entity in the Contract	Total number of trades executed in the contract	Artificial volume generated by Entity in the Contract	Total volume generated by Entity in the Contract	Total volume in the Contract	% of non-genuine trades of Entity in the contract to Entity's total trades in the Contract	% of non-genuine trades of Entity in the contract to Total trades in the Contract	% of Artificial Volume generated by Entity in the contract to Entity's Total Volume in the Contract	% of Artificial Volume generated by Entity in the contract to Total Volume in the Contract
AFMPK2858K	NHPC15JUN24.00PE	2.8	180000	5,04,000	4.3	180000	7,74,000	2	2	14	3,60,000	3,60,000	21,60,000	100.00%	14.29%	100.00%	16.67%

