

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER Ref No.: Order/AP/SK/2020-21/10410]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992.

In respect of:

Aryav Securities Private Limited
Unit 104, 1st Floor,
Merlin Chambers,
18, British India Street,
Kolkata – 700069.

In the matter of dealing in Illiquid Stock Option at BSE

1. Securities and Exchange Board of India ('SEBI') observed large scale reversal of trades in the Stock Options Segment of the BSE Limited (hereinafter be referred to as 'BSE') and, pursuant to this, it conducted investigation into the trading activities of certain entities in illiquid Stock Options at the BSE for the period April 01, 2014 to September 30, 2015 (hereinafter be referred to as 'the Investigation Period'). Investigation revealed that during the Investigation Period, a total of 2,91,643 trades (comprising 81.38% of all the trades executed in the Stock Options Segment of BSE) involved reversal of buy and sell positions by the clients and counterparties in a contract. These alleged non genuine trades resulted into creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in Stock Options segment of BSE during the Investigation Period. It was further noted that said alleged non genuine trades were not restricted to any specific contract or between any specific set of entities. Aryav Securities Private Limited (hereinafter be referred to as, 'the Noticee') was one of the several entities which was indulged in execution of such alleged non genuine trades.
2. It was observed from the trade log that the Noticee had executed total 37 reversal trades in 11 unique contracts during the Investigation Period and same has been found to be non-genuine trades which allegedly lead to creation of artificial volume of total 59,28,000 units. It is further observed that the Noticee, by executing non-genuine trades during the Investigation Period, resulted in a loss of ₹1,57,22,800/- approx. The trades entered by the Noticee were reversed on the same day within a minute 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.

3. In view of the above, it was alleged that the Noticee, had created false or misleading appearance of trading in the aforementioned contracts in the Stock Option Segment of BSE. Therefore, the Noticee is alleged to have violated the provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter be referred to as, the “PFUTP Regulations”).
4. Accordingly, SEBI had initiated adjudication proceedings against the Noticee under section 15HA of Securities and Exchange board of India Act, 1992 (hereinafter referred as ‘SEBI Act’) for the alleged violations as above and appointed Shri Suresh B Menon, Chief General Manager, (“erstwhile AO”) as Adjudicating Officer on May 29, 2018.
5. Accordingly, in terms of Rule 4(1) of the Adjudication Rules read with section 15I of the SEBI Act, the notice to show cause no. SEBI/HO/EAD/25592/2018 dated August 27, 2018 (hereinafter referred as ‘SCN’) was issued to the Noticee, calling upon it to show cause as to why an inquiry should not be held against it in terms of Rule 4 of the Adjudication Rules and penalty be not imposed under Section 15HA of the SEBI Act for the aforesaid alleged violations of the PFUTP Regulations charged in this case.
6. Vide letter dated October 10, 2018, the Noticee submitted that it had decided to file an application for settlement under SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 with respect to SCN issued in the matter. Thereafter, vide internal communication dated January 01, 2019, the Settlement Division informed that it is in receipt of Settlement Application from the Noticee in the concerned matter and requested erstwhile AO to keep the instant proceedings in abeyance till disposal of the aforesaid Settlement Application.
7. Subsequently, on transfer of erstwhile AO the case was transferred to Shri Santosh Shukla, Chief General Manager on March 25, 2019 and thereafter by a *communiqué* dated January 07, 2020 this case was further transferred to the undersigned with the advice that except for the change of the Adjudicating Officer the other terms and conditions of the original orders ‘*shall remain unchanged and shall be in full force and effect*’ and that the “*Adjudicating Officer shall proceed in accordance with the terms of reference made in the original orders*”.
8. Thereafter, SEBI came out with a Settlement Scheme (hereinafter referred to as “Scheme”) in terms of Regulation 26 of SEBI (Settlement Proceedings) Regulations 2018 (hereinafter referred to as “Settlement Regulations”) in the matter of trading in illiquid stock options at BSE. Accordingly, SEBI framed the Scheme in accordance with the provisions of the Settlement Regulation, which provided a one-time opportunity to the entities including the Noticee against whom adjudication proceedings were approved for involvement in generation of artificial volumes by executing non-genuine/reversal trades on the same day and which were in violation of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a)

of the PFUTP Regulations, to settle the said pending proceedings. Thereafter, the High Powered Advisory Committee (hereinafter referred to as “HPAC”) gave its recommendation on the Scheme which was placed before the competent authority. The competent authority analyzed and considered the recommendation of the HPAC and approved the Scheme.

9. Thereafter, SEBI issued a public notice dated July 27, 2020 about the launching of the aforesaid Scheme and the modalities for availing the benefit of the Scheme. The public notice was also made available on the website of the BSE. In addition to the same, all the entities including the Noticee were intimated through email and letters. In terms of the scheme, any entity desirous of availing the benefit of the scheme could avail the same by filling up the respective requisite details and paying the applicable settlement amount through the online platform made available on SEBI's website. The Noticee availed the benefit of said scheme and remitted ₹14,72,500/- (Rupees Fourteen Lakh Sixty Seventy Two Thousand and Five Hundred Only) as settlement amount specified under the said scheme and thus, settled the adjudication proceedings initiated against it vide SCN dated August 27, 2018.
10. In view of the above, a Settlement Order – SO/EFD-2/SD/361/January/2021 dated January 14, 2021 was passed by the Ld. Whole Time Members of the SEBI, wherein it was mentioned that the Noticee had paid ₹14,72,500/- (Rupees Fourteen Lakh Sixty Seventy Two Thousand and Five Hundred Only) under the aforesaid scheme and thus, settled the instant proceedings.
11. In view of above facts and circumstances of the case, I am of the opinion that no further inquiry under Rule 4(3) of the Adjudication Rules is required and the instant proceedings is liable to be disposed of in terms of Regulation 23 (1) of the Settlement Regulations, which provides that an Adjudicating Officer is obligated to dispose of the proceedings pending before him on the basis of the approved settlement terms by an appropriate order. Accordingly, the SCN dated August 27, 2018 issued in the matter against the Noticee is hereby disposed of.
12. In terms of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: February 11, 2021

Place: Mumbai

Amit Pradhan

Adjudicating Officer