

Settlement Scheme 2020

1. As a part of ongoing surveillance, SEBI came across several instances wherein a set of entities were consistently making losses by their trading in options on individual stocks which are listed on Bombay Stock Exchange (BSE). Trading of these entities appeared abnormal because they were consistently seen to be making significant losses by their trades, which were reversed with the same counterparties either on the same day or the next day.
2. Hence, an analysis of the stock options segment of Bombay Stock Exchange (BSE) for the period April 1, 2014 to September 30, 2015 was carried out. It was observed that there were several entities who consistently made significant losses, whereas there were others who consistently made significant profit by executing reversal trades in stock options on the BSE. It has been observed that out of 21,652 entities that executed trades on BSE Stock Options Segment, a total of 14,720 entities were involved in generation of artificial volume by executing non-genuine/reversal trades on the same day.
3. Out of the 14,720 entities involved in generation of artificial volumes by executing non-genuine/reversal trades, SEBI has initiated adjudication proceedings against 567 entities.
4. Meanwhile, the Hon'ble SAT vide its Order dated October 14, 2019 in the matter of R S Ispat Ltd Vs SEBI, has *inter alia* directed as follows:
“...We are adjourning this matter today, so that SEBI may consider holding a LokAdalat or adopting any other alternative dispute resolution process with regard to the Illiquid Stock Options.”
5. Given the aforesaid background, the Board has decided to introduce a Settlement Scheme (“**the Scheme**”) in terms of Regulation 26 of SEBI (Settlement Proceedings) Regulations 2018. The Scheme proposes to provide a onetime settlement opportunity to the entities that have executed trade reversals in the stock options segment of BSE during the period from April 1, 2014 to September 30, 2015 against whom any proceedings are pending.
6. The Board has considered three objective parameters viz., artificial volume, number of non-genuine trades and number of contracts resulting in creation of artificial volume/ non-genuine trades to arrive at an Indicative Settlement Amount. Further, a uniform consolidated Settlement factor of 0.55 in all cases wherein the entities had executed reversal trades, would be applicable while arriving at the Indicative Settlement Amounts.

7. The details of the respective Indicative Settlement Amounts under the Scheme, along with corresponding artificial volume, number of non-genuine trades and number of contracts resulting in creating of artificial volumes / non-genuine trades, in respect of entities who have executed trade reversals on stock options segment of BSE during the period from April 1, 2014 to September 30, 2015, are available on SEBI website and also on the BSE website.

Scheme details:

Eligibility: Under the Scheme, the entities who have executed trade reversals on the stock options segment of BSE during the period from April 1, 2014 to September 30, 2015 against whom any proceedings are pending are eligible to avail the one time settlement opportunity.

Validity of the Scheme: Onetime settlement period shall commence on August 01, 2020 and end on October 31, 2020 (both days inclusive).

Settlement Application:

An entity desirous of making an application for one time settlement under the Scheme is requested to submit a Settlement application along with an application fee of Rs. 15,000 in case of individuals and Rs. 25,000 in case of body corporates in the specified format, available on the SEBI website and also on the BSE website.

Mode of Payment: Remittance of settlement amount shall be done through online platform as available on the website of SEBI ([Click Here](#))

It is clarified that after the expiry of the Scheme, entities who do not avail the one time settlement opportunity shall be liable for action as per section 15-I of the SEBI Act, 1992.

Mumbai,

July 27, 2020

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