

Sebi's one-time settlement scheme for entities to end on Thursday

Updated at December 28, 2020 19:22 IST

Sebi's one-time settlement scheme for the entities that executed reversal of trades in the stock options segment of BSE during 2014 and 2015 will end this Thursday.

After the expiry of the scheme, entities who do not avail the one-time settlement opportunity will be liable for action.

The one-time settlement period that commenced on August 1 was earlier scheduled to end on October 31 but later extended till December 31 in view of the large-scale disruption caused by the COVID-19 pandemic.

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

To arrive at an indicative settlement amount, Sebi considered three objective parameters -- artificial volume, number of non-genuine trades and number of contracts resulting in creation of artificial volume or non-genuine trades. Further, a uniform consolidated settlement factor in all cases wherein the entities had executed reversal trades, has been applicable while arriving at the indicative settlement amounts. As part of the ongoing surveillance, Sebi came across several instances wherein a set of entities was consistently making losses by their trading in options on individual stocks which are listed on BSE.

It noted that 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.

Accordingly, an analysis of the stock options segment of 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 BSE.

Out of 21,652 entities that executed trades on BSE stock options segment, total 14,720 were involved in generation of artificial volume by executing non-genuine or reversal trades on the same day. Out of these 14,720 entities, Sebi initiated adjudication proceedings against 567.

Meanwhile, the SAT, through an order in October 2019 in the matter of R S Ispat Ltd directed Sebi to consider holding a Lok Adalat or adopting any other alternative dispute resolution process with regard to the illiquid stock options.

Accordingly, Sebi had decided to introduce a settlement scheme in illiquid stock options cases.

Any entity desirous of making an application for one-time settlement under the scheme needs 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. Remittance of settlement amount is being done through online platform.

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Resource: Business Standard, 28 Dec 2020

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