



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Deputy General Manager
Enforcement Department-1
Division of Regulatory Action-VI

EFD1/MIRSD/ENQ/DRA6/18801/2021
August 10, 2021

Amrapali Aadya Trading & Investment Pvt Ltd
13, Vaishali
Pitampura
Delhi-110 088

Madam/Sir,

Sub:- Show Cause Notice under Regulation 27(1) of the SEBI (Intermediaries) Regulations, 2008 in respect of Enquiry conducted against Amrapali Aadya Trading & Investment Pvt Ltd (Noticee)

1. The Designated Authority ('DA') has submitted an Enquiry Report dated 20.07.2021, in respect of the enquiry conducted against you for certain non-compliances / violations as a Stock Broker (copy enclosed). Vide the said Enquiry Report, the DA has recommended cancellation of your registration as a Stock Broker.
2. You are hereby called upon to show cause as to why the action as recommended by the DA, including passing of appropriate direction should not be taken against you in terms of Regulations 27 of the SEBI (Intermediaries) Regulations, 2008, as the Competent Authority considers appropriate.
3. Your reply to the show cause notice along with documents, that you may choose to rely upon in support of the same, if any, should reach SEBI, at the address given below, **within 21 days of receipt of this notice**, failing which it shall be presumed that you have no reply to submit and SEBI shall proceed in the matter as it deems fit.


S. Jayamanju

Encl: Copy of the enquiry report dated Enquiry Report dated 20.07.2021.

BEFORE THE DESIGNATED AUTHORITY
SECURITIES AND EXCHANGE BOARD OF INDIA
[REPORT NO. EAD - 9 / DA / VKS / AKS / 2021 - 22 / 02]

**UNDER REGULATION 27 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA
(INTERMEDIARIES) REGULATIONS, 2008 READ WITH SECTION 12 (3) OF THE SEBI ACT.**

In respect of:

AmrapaliAadya Trading & Investment Pvt. Ltd.

**Registration No. - INE231183436, INF231183436, INB231183436, INF011183432, INB011183432,
INF261183439 and INB261183439
13, Vaishali, Pitampura,
Delhi-110088.**

1. AmrapaliAadya Trading & Investment Pvt. Ltd. (hereinafter referred to as '**AATIPL**' or '**Noticee**') is Securities and Exchange Board of India ('SEBI') registered intermediary registered as 'Stock Broker' under registration numbers INE231183436, INF231183436, INB231183436, INF011183432, INB011183432, INF261183439 and INB261183439. The Noticee is also registered as 'Depository Participant' with Central Depository Services Limited ("CDSL") under registration no. IN-DP-CDSL-487-2008 and as a Portfolio Manager under registration no. INP000004862. The aforementioned registration details in tabular form is as follows:

1.1. Table 01: SEBI Registration detail

Entity Name	Exchange/ Depository	Segment	Registration No. / PAN No.
AmrapaliAadya Trading & Investment Pvt. Ltd. (PAN- AAECA3909P)			
Stock broker	NSE	Currency derivative	INE231183436,
		Equity derivative	INF231183436,
		Equity	INB231183436
	BSE	Equity derivative	INF011183432
		Equity	INB011183432
	MSEI	Equity derivative	INF261183439
Depository Participant	CDSL		IN-DP-CDSL-487-2008
Portfolio Manager	SEBI		INP000004862

2. SEBI had received a reference from National Stock Exchange (hereinafter referred to as "**NSE**") dated August 10, 2017, vide which NSE had forwarded the preliminary findings of inspection of the Noticee for the period from April 01, 2016 to March 31, 2017. In view of the serious observations made by NSE and considering the *prima facie* serious violations of various provisions of SEBI Act, 1992, Regulations and Rules framed there under and SEBI Circulars, SEBI passed an



ex-parte ad-interim order on August 22, 2017 (hereinafter referred to as the '**interim order**') and restrained the Noticee and its directors (present and past) namely, Mr. Sanjeeva Kumar Sinha, Mr. Sujeet Kumar Sona, Mr. Pawan Mishra, Mr. Narayan Jee Thakur and Mr. Abnish Kumar Sudhanshu from accessing the securities market and further prohibiting them from buying selling or dealing in securities, directly or indirectly, in any manner whatsoever, till further directions. The aforesaid entities were also directed to cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions. Further, vide order dated October 31, 2018 SEBI has confirmed the directions issued vide aforesaid interim order against the said entities.

3. As directed in the said interim order, SEBI conducted an investigation in the matter for the investigation period April 01, 2011 to March 31, 2017 (hereinafter referred to as the "**investigation period**"). However, wherever deemed necessary, reference has also been made beyond the Investigation period.
4. The summary of **directorship** of AATIPL and their tenure during the investigation period is as under:

4.1. Table 02: **Directorship**

S. No	Entity Name	Tenure of the Directors
A	AmrapaliAadya Trading & Investment Pvt. Ltd.	
	Present Directors	
1	Mr. Sanjeeva Kumar Sinha	21/09/11 till date
2	Mr. Sujeet Kumar Sona	14/06/17 till date
	Past Directors	
1	Mr. Abnish Kumar Sudhanshu	21/12/13- 24/01/17
2	Mr. Narayan Jee Thakur	12/06/10- 30/04/17
3	Mr. Pawan Mishra	23/01/17-15/06/17

- 4.2. The list of shareholders holding more than 5% shares of AATIPL is as under:

Table 03: Shareholding

Sr. No.	Name	Shareholding Pattern	
		No. of shares	% shareholding
A	AmrapaliAadya Trading & Investment Pvt. Ltd.		
1	Ms. Vandana Sinha	23,51,700	36.84
2	Tri Deep Leasing and Finance Ltd (Directors: Ms. Vandana Sinha, Mr. Sanjeeva Kumar Sinha, Mr. Amit Kumar)	10,14,500	15.89
3	Mr. Sanjeeva Kumar Sinha	6,51,300	10.2



4	AadyaFinsec Pvt Ltd. Directors: Ms. Amita Sinha, Ms. Vandana Sinha, Mr. Sanjeeva Kumar Sinha)	4,60,000	7.21
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4.3. Based on submissions of Mr. Sanjeeva Kumar Sinha and other directors, following are the details of associate/group Companies of AATIPL:

Table 04: Associate/Group Companies

Sr.no.	Entity names	Entity Details
1	Tri-Deep Leasing and Finance Ltd.	CIN-U65910DL1990PLC040141 Address- 13 Vaishali, 2 nd Floor Pitampura New Delhi – 110088 Directors- Mr. Sanjeeva Sinha (20/07/2017-till date) Ms. Vandana Sinha (03/04/12- till date) Mr. Amit Kumar (31/05/12- 06/08/2015)
2	Shubhshree Portfolios Private Limited	CIN-U67190DL2005PTC133028 Address- 13 Vaishali, 2 nd Floor Pitampura New Delhi -110088 Directors- Ms. Amita Sinha (13/12/06-till date) Ms. Vandana Sinha (15/02/05 till date)
3	AadyaFinsecPvt. Ltd.	CIN-U65990DL2008PLC179144 Address- 13 Vaishali, Pitampura New Delhi -110088. Directors- Ms. Amita Sinha (05/05/08-till date) Ms. Vandana Sinha (05/05/08-till date) Mr. Sanjeeva Sinha (05/05/08-till date)
4.	First Milestone Infrastructures Private Limited	CIN-U45400DL2011PTC214425 Address- LB-15, B, Ansal Bhawan, KG Marg Connaught Place, Delhi -110001 Directors- Mr. Mrityunjay Kumar (20/02/2013-till date) Mr. Rishab Roy (12/09/2012-till date) Ms. Vandana Sinha (12/09/2012-15/12/2017)

Observations and Allegations

5. On completion of the investigation in the said matter, following was observed by SEBI:

5.1. Non-submission of Information sought through summons

During the investigation period, following information was sought from the Noticee under Section 11(2), 11(3) and 11C (3) read with 11C (5) of the SEBI Act, 1992 vide summons dated 31.08.2017 and subsequent summons dated 09.10.2017, 24.01.2018 & 07.02.2018. The summons were duly served upon it, however, despite repeated reminders to the Noticee, it had failed to submit any information sought. Brief details of the information sought from the Noticee are as follows:

- *Background of the broker, name of the promoters and their latest shareholding, Management Details, Annual Returns for FY 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17.*
- *Full inventory of all asset, whether moveable or immoveable or any interest of investments or charge in any such asset including of all bank accounts, demat accounts and Mutual fund investments.*
- *Complete Client master, details of trading carried out and ledgers of entities mentioned in para 19 of*

summon.

- Details of receipts and payments from/to related party of AATIPL/ACPL. Name, Pan, bank account & demat account of related party
- Details of all loans & Advances given/taken since April 2011.

5.2. **Modus operandi for siphoning of clients' funds/ securities:** The Modus operandi adopted by the Noticee for siphoning of clients' funds/ securities is provided as below:



As depicted in the flow chart above, the Noticee used to receive funds in its own business Axis Bank a/c raised by way of pledging and selling clients' securities. This was done by misusing the Power of Attorney ("PoA") received from the clients to move the securities to its demat account from where the securities were pledged to raise funds. Further, the Noticee had also deposited huge cash during the investigation period (refer table 10). The aforesaid funds were then diverted outside the system by way of transfers to related group/entities, non-clients (refer table 15), Cash withdrawals (refer table 10) and paying fixed interest to the clients (refer table 14).

5.3. **Non segregation & Mis-utilisation of client's securities**

5.3.1. From the analysis of demat statements of the Noticee it was observed that, there was movement of securities between client beneficiary account, and own/ business account of the Noticee on a regular basis. Further, clients' securities had been mis-appropriated by the Noticee by transferring to Aadya Commodities Pvt. Ltd. (hereinafter referred to as 'ACPL') and by pledging with the Non-Banking Finance Companies ('NBFCs').

5.3.2. Further, Mr. Sanjeeva Sinha, Director of AATIPL and ACPL during his submissions made on August 11, 2017 had admitted that stocks of some clients were sold off through the accounts of certain employee's viz. Mr. Deepak Kumar, Mr. Ranjit Kumar, Mr. Sanjeet Kumar and Mr. Mukesh Kumar.

5.3.3. In this regard, analysis of the trades carried out in the accounts of the aforesaid 4 employees also reveals that during the period from 01-Apr-16 to 10-Aug-17, they have sold securities worth Rs. 130.85 cr. It was observed that on those dates, the securities required for making the pay-in were not available in the aforesaid clients' accounts. However, the Noticee has made the pay-in successfully clearly indicating that the securities of other clients were utilised for the pay-in. The details of client securities sold as provided by NSE are as under:

Table 05: Client securities details

Client code	Client name	Total value of net sell trades for the period (01-Apr-16 to 10-Aug-17)	Total amount of net sell trades verified	Amount of securities sold without possessing the same
DK21	Kumar Deepak	1,34,63,88,628	1,34,40,63,404	1,19,58,41,419
RK36	Kumar Ranjit	75,07,45,984	19,04,66,684	3,50,66,856
MK11	Mukesh Kumar	1,88,10,46,533	6,77,89,919	3,86,87,311
SK24	Sanjeet Kumar	1,96,68,43,176	6,91,29,502	3,89,17,999
	Total			1,30,85,13,585.00

5.3.4. Further, during the visit to the Noticee's office on August 29, 2017, the statements of Mr. Deepak Kumar and Mr. Ranjit Kumar were recorded. As per the submissions made by them, they had been working in the capacity of field boy/ peon/ pantry boy in AATIPL. They further submitted that they have neither traded in the securities market nor they have any knowledge of trading account having been opened in their names. They also stated that they had not entered into any financial transaction with the company and had not received any funds in their accounts except for salary.

5.3.5. In view of above, it was observed that the aforesaid employees did not have the financial ability to carry out such large quantum of trading and neither were they owner of the securities which were sold through their trading account. Therefore, it is alleged that the trading accounts of the said employees were merely used as a conduit by AATIPL for selling client securities for its own benefit.

Based on the above examination, it was observed that the Noticee not only used the securities belonging to one set of clients for meeting the pay-in requirement of other set of clients but also

sold the securities of clients and diverted the proceeds to itself and its associates. Therefore, it was alleged that the Noticee has mis-utilised the clients' securities for own purpose.

5.4. Pledging of client securities:

- 5.4.1. As *prima facie* observed in the interim order, the Noticee has raised funds by way of pledging the clients' securities with Axis Bank ('Axis'), Globe Fincap Ltd ('GFL') and ECL Finance ('ECL'). The information with respect to pledging was sought from the aforesaid entities. As per their submissions, the outstanding position of pledge as on March 31, 2017 is as under:

Table 06: Pledge details

Sl. No.	Name of the entity	Outstanding position	Stock value
1	Axis Bank Ltd.	18,549,252.00	37,098,504.00
2	Globe Fincap Ltd. (GFL)	181,957,124.00	22,345,584.00
3	ECL Finance Ltd.	315,758,925.00	621,514,020.00
Total		516,265,301.00	680,958,108.00

- 5.4.2. From the above table, it was observed that as on March 31, 2017, securities amounting to Rs. 68 crores were pledged by the Noticee with the aforesaid entities and total outstanding fund as per these entities, the pledge amounting to Rs. 51.63 crores were raised. During the analysis of bank statements of the Noticee, several entries of receipts and payments to and from the aforesaid NBFCs were noticed in the Axis own A/c/ Own A/c/ Businesses Bank (a/c no. 909020031142977), ICICI own/ Businesses bank (000705028003) and HDFC own/ Businesses bank accounts (14422000000372), which indicates that the Noticee was pledging securities with aforementioned NBFCs on regular basis.

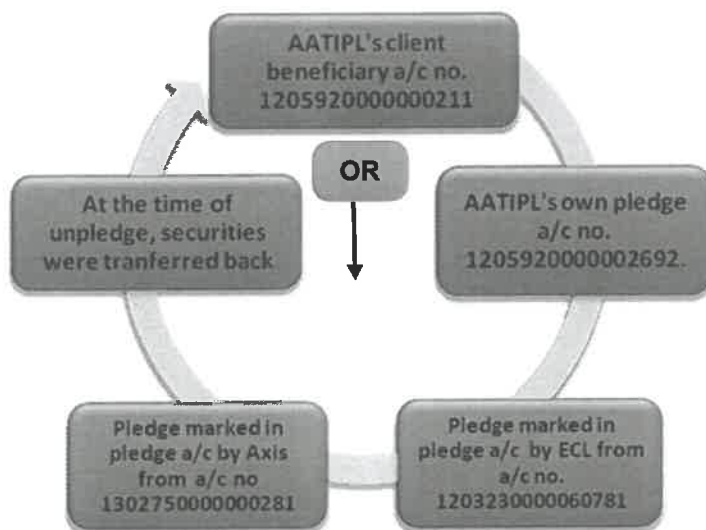
- 5.4.3. In order to examine the ownership of these securities, an enquiry was made with the NBFCs. In response, GFL submitted that, the pledging was done by the Noticee through its demat a/c no. 1205920000000211. It was observed that the aforesaid demat a/c is the 'client beneficiary' account held in the name of Noticee with its own DP arm. Thus, it was observed that Noticee had pledged clients' securities with GFL.

- 5.4.4. Further, ECL and Axis submitted that, pledging of clients' securities was used to be carried out by way of marking pledge in the Noticee demat a/c no. 1205920000002692. It was observed that the aforesaid demat a/c was the pledge account held in the name of Noticee. In addition, these entities also submitted that the Noticee had submitted an

undertaking with them mentioning that the securities which are being pledged are absolute property of AATIPL and same is unencumbered. However, as explained below, the clients' securities were transferred from the clients' beneficiary accounts to the Noticee's own account for pledging.

- 5.4.5. The following process was followed by the Noticee for pledging the client's securities with ECL and Axis:

The Noticee used to transfer the securities from its client beneficiary account no. 1205920000000211 to its own pledge account no. 1205920000002692. Thereafter, the pledge was used to be created in its own pledge a/c. In case of ECL, the pledge was marked from a/c no. 1203230000060781 (DP a/c maintained by AATIPL with ECL DP) to AATIPL's own pledge account and in case of Axis bank, the pledge was marked from a/c no 1302750000000281 (DP a/c maintained by AATIPL with Axis DP) to AATIPL's own pledge account. Further, at the time of un-pledge, the securities were transferred/released back to the source a/c i.e. client beneficiary demat a/c no. 1205920000000211. The process followed is depicted in the flowchart below-



- 5.4.6. Certain transactions of pledge which were carried out by the Noticee in the aforesaid method are illustrated below-

Table 07: Extract of demat a/c no. 1205920000002692

ISIN Desc.	Transaction Date	Particulars	Counter party Name	Debit/ Credit	Qty	Qty after Transaction
63 Moons Technologies Limited# New Equity Shares Of Rs.2/- After Capital Reduction	31/08/2016	OF-CR TD:907678 TX:728219 1205920000000211	AATIPL	C	1050	1050
63 Moons Technologies Limited# New Equity Shares Of Rs.2/- After Capital Reduction	31/08/2016	Pledge Setup:02701086 CTR BO:1203230000060781 CR PSB	ECL	C	1050	1050
63 Moons Technologies Limited# New Equity Shares Of Rs.2/- After Capital Reduction	01/09/2016	Pledge Accept:02701086 CTR BO:1203230000060781 DR PSB	ECL	D	1050	1050
63 Moons Technologies Limited# New Equity Shares Of Rs.2/- After Capital Reduction	01/09/2016	Pledge Accept:02701086 CTR BO:1203230000060781 CR Pledge	ECL	C	1050	1050
63 Moons Technologies Limited# New Equity Shares Of Rs.2/- After Capital Reduction	14/09/2016	Unpledge Accept:02701086 Counter:0001 DR Pledge		D	1050	1050
63 Moons Technologies Limited# New Equity Shares Of Rs.2/- After Capital Reduction	14/09/2016	OF-DR TD:612484 TX:175447 1205920000000211	AATIPL	D	1050	0
A.F. Enterprises Limited # Equity Shares	08/06/2016	OF-CR TD:316284 TX:331981 1205920000000211	AATIPL	C	10981	10981
A.F. Enterprises Limited # Equity Shares	08/06/2016	Pledge Setup:02575946 CTR BO:1203230000060781 CR PSB	ECL	C	10981	10981
A.F. Enterprises Limited # Equity Shares	08/06/2016	Pledge Accept:02575946 CTR BO:1203230000060781 DR PSB	ECL	D	10981	10981
A.F. Enterprises Limited # Equity Shares	08/06/2016	Pledge Accept:02575946 CTR BO:1203230000060781 CR Pledge	ECL	C	10981	10981
A.F. Enterprises Limited # Equity Shares	13/06/2016	Unpledge Accept:02575946 Counter:0001 DR Pledge		D	6370	10981
A.F. Enterprises Limited # Equity Shares	13/06/2016	OF-DR TD:728023 TX:261003 1205920000000211	AATIPL	D	6370	4611
A.F. Enterprises Limited # Equity Shares	14/06/2016	Unpledge Accept:02575946 Counter:0002 DR Pledge		D	4611	4611
A.F. Enterprises Limited # Equity Shares	14/06/2016	OF-DR TD:862258 TX:531168 1205920000000211	AATIPL	D	4611	0
A2z Infra Engineering Limited#Equity Shares	25/04/2016	OF-CR TD:658198 TX:965036 1205920000000211	AATIPL	C	2000	2000
A2z Infra Engineering Limited#Equity Shares	25/04/2016	Pledge Setup:02517962 CTR BO:1203230000060781 CR PSB	ECL	C	2000	2000
A2z Infra Engineering Limited#Equity Shares	26/04/2016	Pledge Accept:02517962 CTR BO:1203230000060781 DR PSB	ECL	D	2000	2000
A2z Infra Engineering Limited#Equity Shares	26/04/2016	Pledge Accept:02517962 CTR BO:1203230000060781 CR Pledge	ECL	C	2000	2000
A2z Infra Engineering Limited#Equity Shares	27/04/2016	Unpledge Accept:02517962 Counter:0001 DR Pledge		D	200	2000
A2z Infra Engineering Limited#Equity Shares	27/04/2016	OF-DR TD:794775 TX:339622 1205920000000211	AATIPL	D	200	1800
A2z Infra Engineering Limited#Equity Shares	09/05/2016	Unpledge Accept:02517962 Counter:0002 DR Pledge		D	1000	1800
A2z Infra Engineering Limited#Equity Shares	09/05/2016	OF-DR TD:299408 TX:261230 1205920000000211	AATIPL	D	1000	800
A2z Infra Engineering Limited#Equity Shares	17/06/2016	Unpledge Accept:02517962 Counter:0003 DR Pledge		D	800	800



3m India Limited [Formerly Birla 3m Limited]	04/08/2015	OF-CR TD:940872 TX:362599 1205920000000211	AATIPL	C	80	80
3m India Limited [Formerly Birla 3m Limited]	04/08/2015	Pledge Setup:02172345 CTR BO:1203230000060781 CR PSB	ECL	C	80	80
3m India Limited [Formerly Birla 3m Limited]	04/08/2015	Pledge Accept:02172345 CTR BO:1203230000060781 CR Pledge	ECL	C	80	80
3m India Limited [Formerly Birla 3m Limited]	04/08/2015	Pledge Accept:02172345 CTR BO:1203230000060781 DR PSB	ECL	D	80	80
3m India Limited [Formerly Birla 3m Limited]	17/08/2016	Unpledge Accept:02172345 Counter:0001 DR Pledge		D	45	80
3m India Limited [Formerly Birla 3m Limited]	17/08/2016	OF-DR TD:704417 TX:304080 1205920000000211	AATIPL	D	45	35
3m India Limited [Formerly Birla 3m Limited]	04/10/2016	Unpledge Accept:02172345 Counter:0002 DR Pledge		D	3	35
3m India Limited [Formerly Birla 3m Limited]	04/10/2016	OF-DR TD:925329 TX:875109 1205920000000211	AATIPL	D	3	32
Adani Enterprises Limited-Equity Shares Of Rs 1/- Each After Sub Division	21/02/2014	OF-CR TD:671835 TX:209969 1205920000000211	AATIPL	C	164	164
Adani Enterprises Limited-Equity Shares Of Rs 1/- Each After Sub Division	21/02/2014	Pledge Setup:01693145 CTR BO:1203230000060781 CR PSB	ECL	C	164	164
Adani Enterprises Limited-Equity Shares Of Rs 1/- Each After Sub Division	21/02/2014	Pledge Accept:01693145 CTR BO:1203230000060781 DR PSB	ECL	D	164	164
Adani Enterprises Limited-Equity Shares Of Rs 1/- Each After Sub Division	21/02/2014	Pledge Accept:01693145 CTR BO:1203230000060781 CR Pledge	ECL	C	164	164
Adani Enterprises Limited-Equity Shares Of Rs 1/- Each After Sub Division	07/03/2014	Unpledge Accept:01693145 Counter:0001 DR Pledge		D	100	164
Adani Enterprises Limited-Equity Shares Of Rs 1/- Each After Sub Division	07/03/2014	OF-DR TD:763157 TX:559930 1205920000000211	AATIPL	D	100	64
Adani Enterprises Limited-Equity Shares Of Rs 1/- Each After Sub Division	11/03/2014	Unpledge Accept:01693145 Counter:0002 DR Pledge		D	64	64
Adani Enterprises Limited-Equity Shares Of Rs 1/- Each After Sub Division	11/03/2014	OF-DR TD:150368 TX:271953 1205920000000211	AATIPL	D	64	0
ABG Shipyard Limited - Equity Shares	03/02/2014	OF-CR TD:149893 TX:735426 1205920000000211	AATIPL	C	500	500
ABG Shipyard Limited - Equity Shares	03/02/2014	Pledge Setup:01683622 CTR BO:1302750000000281 CR PSB	Axis	C	500	500
ABG Shipyard Limited - Equity Shares	03/02/2014	Pledge Accept:01683622 CTR BO:1302750000000281 DR PSB	Axis	D	500	500
ABG Shipyard Limited - Equity Shares	03/02/2014	Pledge Accept:01683622 CTR BO:1302750000000281 CR Pledge	Axis	C	500	500
ABG Shipyard Limited - Equity Shares	05/02/2014	Unpledge Accept:01683622 Counter:0001 DR Pledge		D	100	500
ABG Shipyard Limited - Equity Shares	05/02/2014	OF-DR TD:434727 TX:450870 1205920000000211	AATIPL	D	100	400
Ambuja Cements Limited-New Equity Shares Of Rs.2/- After Split	29/03/2017	OF-CR TD:741386 TX:889909 1205920000000211	AATIPL	C	745	745
Ambuja Cements Limited-New Equity Shares Of Rs.2/- After Split	29/03/2017	Pledge Setup:02993079 CTR BO:1203230000060781 CR PSB	Axis	C	745	745
Ambuja Cements Limited-New Equity Shares Of Rs.2/- After Split	29/03/2017	Pledge Accept:02993079 CTR BO:1203230000060781 DR PSB	Axis	D	745	745
Ambuja Cements Limited-New Equity Shares Of Rs.2/- After Split	29/03/2017	Pledge Accept:02993079 CTR BO:1203230000060781 CR Pledge	Axis	C	745	745



Ambuja Cements Limited-New Equity Shares Of Rs.2/- After Split	31/03/2017	Unpledge Counter:0001 DR Pledge	Accept:02993079		D	140	745
Ambuja Cements Limited-New Equity Shares Of Rs.2/- After Split	31/03/2017	OF-DR TD:186263 TX:684338 1205920000000211		AATIPL	D	140	605
Ambuja Cements Limited-New Equity Shares Of Rs.2/- After Split	03/04/2017	Unpledge Counter:0002 DR Pledge	Accept:02993079		D	605	605
Ambuja Cements Limited-New Equity Shares Of Rs.2/- After Split	03/04/2017	OF-DR TD:466993 TX:345989 1205920000000211		AATIPL	D	605	0
Allahabad Bank-Equity Shares	15/07/2016	OF-CR TD:887196 TX:625773 1205920000000211		AATIPL	C	445	445
Allahabad Bank-Equity Shares	15/07/2016	Pledge Setup:02631655 CTR BO:1203230000060781 CR PSB		Axis	C	445	445
Allahabad Bank-Equity Shares	15/07/2016	Pledge Accept:02631655 CTR BO:1203230000060781 DR PSB		Axis	D	445	445
Allahabad Bank-Equity Shares	15/07/2016	Pledge Accept:02631655 CTR BO:1203230000060781 CR Pledge		Axis	C	445	445
Allahabad Bank-Equity Shares	19/07/2016	Unpledge Counter:0001 DR Pledge	Accept:02631655		D	445	445
Allahabad Bank-Equity Shares	19/07/2016	OF-DR TD:219596 TX:193815 1205920000000211		AATIPL	D	445	0

5.4.7. From the above table, it was observed that, the securities which were being pledged by the Noticee belonged to its clients, the securities were either transferred in the pledgee a/c or transferred to own pledge a/c and when the securities were released, same were credited in the client beneficiary a/c of the Noticee.

Therefore, it was alleged that the Noticee had failed to maintain segregation between own and clients' securities and mis-used the client's securities by pledging/transferring the same with the NBFCs/ ACPL.

5.5. Non-segregation and misutilization of clients funds

5.5.1. Non-Availability of funds:

- As stated in Table 6, the Noticee had a total outstanding funds position amounting to Rs. 51.63 crores by way of pledging clients' securities as on March 31, 2017. Therefore, the trial balance dated March 31, 2017 which was submitted by AATIPL to NSE on August 17, 2017 was verified to see the general financial position i.e. availability of funds in the client accounts. The summary of funds from trial balance is as follows:-

Table 08: Summary of Funds

Sr. No.	Particulars	As per trial dated 31/03/17 collected by NSE from AAT IPL on 17/08/17 (Total) (In crores)	As per trial dated 31/03/17 collected by NSE from AAT IPL on 17/08/17 (after excluding balances of employees**)
1	Total receivables		
	- Receivable from clients	69.37	57.44
	- Other receivables	64.69	64.69
2	Total Payables		
	- Payable to clients (A)	77.1	41.82
	- Other payables	20.28	20.28
3	Total cash/bank Balance (B)	0.34	0.34
4	Funds with NSE along with clearing member (C)	6.45	6.45
5	Minimum deposit with exchange (D)	1.6	1.6
6	Non-Availability funds [(A)-(B+C-D)]	71.91	36.63

**List of employees registered as clients

1. DK 21- Deepak Kumar
2. SK24-Sanjeet Kumar
3. RK36- Ranjit Kumar
4. MK11-Mukesh Kumar

- ii. From the above, it was observed that available funds across all bank accounts were short of payable funds clearly indicating funds shortage. Therefore, it was apparent that the funds that had been raised by pledging the clients' securities were not available in the bank accounts of the Noticee and also such funds had not been used for the purpose of meeting clients' obligations.
- iii. Further, on verification of deposits available with exchange, clearing member and bank balances, it was observed that funds available with the Noticee were short by Rs. 71.91 Crores as against the amounts payable to clients as on March 31, 2017.

In view of explanation provided in point nos. 5.3, 5.4 and 5.5 above, it was alleged that Noticee had pledged and sold client's securities. Further, the funds raised through pledging of client's securities were routed out of the system indicating non-segregation of client's funds from own and misutilization of client's funds.

5.5.2. Examination of Bank Statements

- i. As already observed above, the Noticee had a total outstanding funds position amounting to Rs. 51.63 crores by pledging client's securities and the said details were not appearing in the trial balance. The examination of the Noticee and ACPLs bank

statements was carried out to understand the utilization of funds.

- ii. Based on details submitted by Mr. Sanjeeva Sinha on August 11, 2017, information obtained from various banks pursuant to passing of interim order dated August 22, 2017, data received from NSE and information obtained during the visit to AATIPL's office on August 29, 2017, various bank accounts of AATIPL and ACPL were identified and their statements were obtained from the banks and extensive analysis was carried out.

5.5.3. Transfers from own/Business account to third parties

- i. From the analysis of bank statements of the Noticee, it was observed that the Noticee had undertaken number of funds transfers worth several crores with various entities that were not its clients. Such transactions were observed to be of three type which are follows:

Table 09: Summary of net payment

S. No.	Transaction Type	Total Amount (Rs.)
a.	Transactions involving both receipts and payments with certain entities (Net Payment)	(134,361,326.00)
b.	Transactions involving receipt of funds from certain entities	95,690,000.00
c.	Transactions involving payment of funds to certain entities	(338,193,627.00)
	Total Payments	(376,864,953.00)

** It may be mentioned that since the bank statement analysis spans from April 2011 to the date of investigation, entities with whom net transfers of less than Rs. 10,00,000 have taken place have not been considered.*

- ii. Such transfers had mainly taken place from the Noticee's Axis own/ Business bank a/c and ICICI own/ Business bank a/c. Further, as explained in the preceding paras and already observed above that as on March 31, 2017, securities amounting to Rs. 68 crores were pledged by the Noticee with the NBFCs/ banks and total outstanding fund raised from the NBFCs amounting to Rs 51.63 crores as on March 31, 2017.
- iii. Due to lack of cooperation from the Noticee, the nature of transactions of the payments made to the third parties in many cases could not be ascertained due to limited access to third party bank statements and movements of funds involved multiple banks and through several layers.
- iv. In some cases, entities details could not be ascertained, hence summons were issued to



these entities for seeking information about nature/reason of funds transfer to/from AAT IPL own/ Business accounts along with relationship with AAT IPL, ACPL and their directors.

- v. Some of the entities responded to the summons and submitted their point wise reply. Upon analysis of the same, it was observed that the bank account transfers from the Axis Own/ Business bank account of the AAT IPL were in the nature of own/ Business transaction between the AAT IPL and aforementioned entities.
- vi. Further, the total money transferred from own/ Business accounts of AAT IPL & ACPL to third parties was Rs. 37.69 crores.

In view of above observations, it was alleged that clients' money was routed/ diverted by the Noticee and ACPL to other entities.

5.5.4. Withdrawal of Cash

- i. Analysis of the bank accounts statements of the Noticee and ACPL reflected that large amounts of cash deposit and withdrawals had been made by AAT IPL and ACPL during the investigation period. The summary of bank account wise cash withdrawal/ deposit is as under:

Table 10: Summary of Cash-Bank wise

Entity	Narration as per bank statements	Debit (Withdrawal)	Credit (Deposit)	Bank details
AAT IPL	By Cash	858,000.00	1,863,300.00	Axis-909020031137920
AAT IPL	Cash	900,000.00	153,800.00	BOB-19410200000531
AAT IPL	Cash		13,393,400.00	HDFC-14422000000365
AAT IPL	Cash		388,000.00	HDFC-14422000000372
AAT IPL	Cash		1,683,000.00	ICICI-000705010268
AAT IPL	Cash	12,105,789.00	28,263,300.00	ICICI-000705011161
AAT IPL	Cash	5,542,089.00	5,659,000.00	ICICI-000705028003
AAT IPL	Cash Self	21,515,150.00	7,275,500.00	Kotak-02082000001819
AAT IPL	Cash		214,500.00	SBI-30329767246
AAT IPL	Cash Self	181,845,000.00	30,474,000.00	Axis-909020031142977
ACPL	Cash Self	81,235,832.00	11,248,000.00	Axis-371010200008778
ACPL	Cash	525,000.00	605,000.00	Axis-910020010020531
ACPL	Cash		826,900.00	HDFC-14428190000044
ACPL	Cash		1,243,700.00	ICICI-000705026747
ACPL	Cash Self	6,563,000.00	3,059,000.00	Kotak-8111112414
	Total	311,089,860.00	106,350,400.00	

Table 11: Summary of Cash-Entity wise

Sl. No.	Entity name	Debit (Withdrawal)	Credit (Deposit)	Net withdrawal
1	From AAT IPL Bank a/cs	222,766,028.00	89,391,800.00	-133,374,228.00
2	From ACPL Bank a/cs	88,323,832.00	16,958,600.00	-71,365,232.00
	Total	311,089,860.00	106,350,400.00	-204,739,460.00

Table 12: Yearly cash summary bank a/c of AAT IPL

Sl. No.	Year	Debit (Withdrawal)	Credit (Deposit)	Net withdrawal
1	2011	3,831,750.00	6,014,000.00	2,182,250.00
2	2012	5,352,000.00	15,163,400.00	9,811,400.00
3	2013	11,534,289.00	25,648,200.00	14,113,911.00
4	2014	56,245,258.00	23,334,500.00	-32,910,758.00
5	2015	58,880,000.00	14,150,200.00	-44,729,800.00
6	2016	80,562,831.00	4,861,500.00	-75,701,331.00
7	2017	6,359,900.00	220,000.00	-6,139,900.00
	Total	222,766,028.00	89,391,800.00	-133,374,228.00

Table 13: Yearly cash summary bank a/c of ACPL

Sl. No.	Year	Debit (Withdrawal)	Credit (Deposit)	Net withdrawal
1	2011	525,000.00	1,577,000.00	1,052,000.00
2	2012	145,000.00	2,537,000.00	2,392,000.00
3	2013	2,128,000.00	78,700.00	-2,049,300.00
4	2014	4,435,000.00	4,805,000.00	370,000.00
5	2015	29,100,000.00	6,530,900.00	-22,569,100.00
6	2016	50,429,832.00	1,420,000.00	-49,009,832.00
7	2017	1,561,000.00	10,000.00	-1,551,000.00
	Total	88,323,832.00	16,958,600.00	-71,365,232.00

- ii. It was observed that cash withdrawals were mainly made from the own/ Business bank accounts of the Noticee and ACPL. The net amount withdrawn by the Noticee and ACPL since April 2011 onwards was Rs. 20.47 crores, major amount of withdrawal happened between the period from 2014 till 2016 i.e. when the Noticee was misusing client's securities by way of pledging and also by selling clients' securities through its employee's accounts (refer point 5.3.3 & 5.3.4, respectively).
- iii. Further, based on the submissions made by the directors of the Noticee's namely, Mr. Sanjeev Sinha, Mr. Narayan Jee Thakur and Mr. Sujeet Kumar Sona, the purpose of making such withdrawal was to make interest payment to the clients.

In view of above, it was alleged that the clients' money had been withdrawn by Noticee on

regular basis from the various own/ Business accounts of the Noticee and ACPL.

5.6. Interest payments made to clients-

- 5.6.1. Mr. Sanjeev Sinha, during his submissions made on August 10, 2017 had admitted that, the broker was making Payment towards interest (fixed return) to its clients as per the pre-agreed terms of interest payment (monthly). The same was also confirmed by the other directors of the Noticee namely, Mr. Narayan Jee Thakur and Mr. Sujeet Kumar Sona during Statement recordings.
- 5.6.2. From the analysis of bank statements, certain payments to some of the Noticee's clients were observed, that appear to be in the nature of interest payments since fixed amounts were being paid to the clients on a regular basis (*mainly monthly*).
- 5.6.3. Such payments were mainly being done from Axis Own/ Business bank account no. 909020031142977 and ICICI Own/ Business bank a/c no. 000705028003 of AAT IPL and Axis bank account no. 371010200008778 of ACPL. It is pertinent to note that the clients to whom such regular fixed payments were being done from ACPL bank account no. 371010200008778 were not registered as clients of ACPL but were clients of AAT IPL.
- 5.6.4. Some of the client's names which were noticeable in the aforesaid bank accounts are stated in the table below. Further, the trade data was also analysed which shows that none of the below mentioned entities did trading during the relevant period. Therefore, it was observed that the payment made to following entities were in the nature of fixed interest payments. The table below shows details of clients to whom AAT IPL was giving assured returns.

Table 14: Interest clients list

Sl. No	Entity Name	Debit	Credit	Net	Client ID	Bank a/c from which payments were made
1	Altaf Shaikh	3,201,245.00		(3,201,245.00)	Yes	Axis bank a/c no.- 909020031142977
2	Amit Arora	4,180,282.00		(4,081,282.00)	Yes	ICICI Bank a/c no.- 000705028003
3	Anil Kumar	5,27,993.00		(5,27,993.00)	Yes	ICICI Bank a/c no.- 000705028003
4	Bharti Katyal	17,43,322.00		(50,08,822.00)	Yes	Axis bank a/c no.- 909020031142977



		32,65,500.00				ICICI Bank a/c no.- 000705028003
5	GaganJee Mishra	8,17,000.00 1,84,000.00		(10, 01,000.00)	Yes	Axis bank a/c no.- 909020031142977 Axis bank a/c no.- 371010200008778
6	GaganJee Mishra HUF	33,000.00 44,000.00		(77,000.00)	Yes	Axis bank a/c no.- 909020031142977 Axis bank a/c no.- 371010200008778
7	Kanchan Mishra	8,64,500.00 2,11,000.00		(1,075,500.00)	Yes	Axis bank a/c no.- 909020031142977 Axis bank a/c no.- 371010200008778
8	GeetaTripathi	197,913.00		(197,913.00)	Yes	ICICI Bank a/c no.- 000705028003
9	Pooja Arora	4,68,000.00		(4,68,000.00)	Yes	ICICI Bank a/c no.- 000705028003
10	Prerna	9,89,500.00		(9,89,500.00)	Yes	Axis bank a/c no.- 909020031142977

In view of above, it was alleged that Noticee was running fixed return scheme for some of its clients and was making interest payments on regular basis.

5.7. Payments to related parties-

5.7.1. Upon analysis of various bank statements of the Noticee and ACPL, it was observed that the Noticee and ACPL had transferred net amount of Rs. 32.62 Crs during the period of investigation to their related entities and directors. Some of such transactions observed are as follows:

Table 15: Related party transfer

Sl. No.	Entity names	Debit	Credit	Net Funds paid	Bank Details
1	AadyaFinsec Limited (PAN-AAHCA0895R)	2,990,000.00		(2,990,000.00)	AAT IPL ICICI-000705028003
		7,470,000.00		(7,470,000.00)	AAT IPL Axis-909020031142977
	Total (A)	10,460,000.00		(10,460,000.00)	
2	Aadya Commodities Private Limited	22,001,786.59	9,068,000.00	(12,933,786.59)	AAT IPL Axis-909020031137920
		1,961,300.00		(1,961,300.00)	AAT IPL HDFC-14422000000365
		2,067,000.00	199,000.00	(1,868,000.00)	AAT IPL HDFC-14422000000372
			940,000.00	940,000.00	AAT IPL ICICI-705010268
		81,553,000.00	1,003,642.66	(80,549,357.34)	AAT IPL ICICI-000705028003
		13,945,100.00	7,594,700.00	(6,350,400.00)	AAT IPL Kotak-02082000001819
		262,291,082.00	219,817,800.00	(42,473,282.00)	AAT IPL Axis-909020031142977
	Total (B)	383,819,268.59	238,623,142.66	(145,196,125.93)	
3	Tri-Deep Leasing and Finance Ltd (PAN-AABCT9035G)	10,000,000.00	12,500,000.00	2,500,000.00	AAT IPL Axis-909020031137920
			1,000.00	1,000.00	AAT IPL DCB-04621600000514



		125,000.00		(125,000.00)	AAT IPL ICICI-000705011161
		87,600,000.00		(87,600,000.00)	AAT IPL ICICI-000705028003
		955,500.00	3,250,000.00	2,294,500.00	AAT IPL Kotak-02082000001819
		397,986,000.00	381,973,000.00	(16,013,000.00)	AAT IPL Axis-909020031142977
			2,000,000.00	2,000,000.00	AAT IPL Axis-371010200008778
	Total (C)	496,666,500.00	399,724,000.00	(96,942,500.00)	
4	Shubhshree Portfolios Private Limited (PAN-AAICS8132L)	1,300,000.00		(1,300,000.00)	AAT IPL ICICI-000705028003
		1,500,000.00		(1,500,000.00)	AAT IPL Axis-909020031142977
	Total (D)	2,800,000.00		(2,800,000.00)	
5	Sujeet Kumar Sona	272,771.20		(272,771.20)	AAT IPL ICICI-000705011161
		673,000.00		(673,000.00)	AAT IPL Kotak-02082000001819
		142,500.00	49,150.00	(93,350.00)	AAT IPL Kotak-8111112414
		311,875.00		(311,875.00)	AAT IPL Axis-909020031142977
	Total (E)	1,400,146.20	49,150.00	(1,350,996.20)	
6	Vandana Sinha	4,300,000.00		(4,300,000.00)	AAT IPL Axis-909020031137920
		6,800,000.00	2,315,000.00	(4,485,000.00)	AAT IPL ICICI-705010268
		1,900,000.00	-	(1,900,000.00)	AAT IPL ICICI-000705011161
		4,375,000.00	6,900,000.00	2,525,000.00	AAT IPL ICICI-000705028003
		850,000.00		(850,000.00)	AAT IPL Axis-371010200008778
		200,000.00		(200,000.00)	AAT IPL HDFC-14428190000044
		2,383,546.12		(2,383,546.12)	AAT IPL ICICI-000705026747
		1,500,000.00		(1,500,000.00)	AAT IPL Kotak-02082000001819
		21,050,000.00		(21,050,000.00)	AAT IPL Axis-909020031142977
	Total (F)	43,358,546.12	9,215,000.00	(34,143,546.12)	
7	Sanjeeva Kumar Sinha	7,506,221.91		(7,506,221.91)	AAT IPL Axis-909020031137920
		4,460,228.00	150,000.00	(4,310,228.00)	AAT IPL HDFC-14422000000365
		120,000.00		(120,000.00)	AAT IPL HDFC-14422000000372
		14,015,000.00		(14,015,000.00)	AAT IPL ICICI-705010268
		8,563,754.00		(8,563,754.00)	AAT IPL ICICI-000705011161
		12,483,012.00	4,450,000.00	(8,033,012.00)	AAT IPL ICICI-000705028003
		5,970,000.00		(5,970,000.00)	AAT IPL Axis-909020031142977
	Total (G)	53,118,215.91	4,600,000.00	(48,518,215.91)	
8	Sanjeeva Kumar Sinha & Sons (HUF) (PAN-AATHS0938J)	1,750,000.00	600,000.00	(1,150,000.00)	AAT IPL ICICI-705010268
		300,000.00		(300,000.00)	AAT IPL ICICI-000705011161
			4,000,000.00	4,000,000.00	AAT IPL ICICI-000705028003
	Total (H)	2,050,000.00	4,600,000.00	2,550,000.00	
9	First Milestone Infrastructure Pvt.Ltd. (PAN-AABCF7418F)		4,850,000.00	4,850,000.00	AAT IPL Kotak-02082000001819
		5,200,000.00		(5,200,000.00)	AAT IPL Axis-909020031142977
	Total (I)	5,200,000.00	4,850,000.00	(350,000.00)	
	Net (A+B+C+D+E+F+G+H+I)	998,872,676.82	661,661,292.66	(337,211,384.16)	

5.7.2. During the investigation, summons was sent to the Noticee and its directors seeking details of all funds transfers with related parties, however, they failed to respond to any



of the summons.

In view of the same, it was alleged that out of the funds raised through pledging and selling of client's securities from employee's accounts, the Noticee and ACPL have transferred net funds amounting to Rs. 33.72 crores to its related entities, which indicates that the funds were siphoned off through fraud means.

6. **Information obtained from Stock Exchanges and Depositories:**

- 6.1. Preliminary examination had revealed that the Noticee had pledged clients' securities and raised funds from the same. It was observed that the Noticee had availed loan against securities from GFL, ECL and Axis.
- 6.2. In order to ascertain the position of securities available with the Noticee, the depositories were advised to provide the holding and valuation statements of all demat accounts held by the Noticee as on August 10, 2017. Further, the value of securities as per the Register of Securities maintained by the Noticee was obtained from NSE. It may be mentioned that new client acquisition was banned by NSE for the Noticee on August 10, 2017. Therefore, analysis of securities position of the Noticee has been carried out till August 10, 2017.
- 6.3. It was observed that client's securities amounting to Rs. 411.3 crores recorded in the back office books as on August 10, 2017 were not available in the beneficiary accounts of the Noticee or with the clearing member. Details of the same is provided below:

Table 16: Details of securities

Sr. No.	Particular	Value in Rs. Crores
1	Value of securities as per Register of Securities as on August 10, 2017 (A)	516.26
2	Value of securities as per client beneficiary (B)	93.12
3	Value of securities with Clearing member (C)	9.64
4	Value of securities with Globe Fincap Limited (D)	2.17
5	Difference A- (B+C+D)	411.3

In view of above observations, it was alleged that clients' securities have been routed out of the system by the Noticee by pledging with NBFCs and by selling the same from its employees account.

- 6.4. **Violations:** In view of observations stated in Para 5 and 6 hereinabove, it was observed during the investigation that following provisions have been violated by the Noticee:

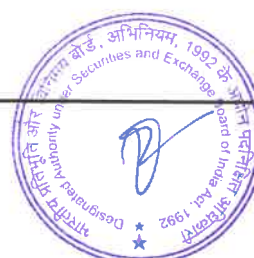


Table 17: Charges and respective violations

1	Non submission of information sought through summons.	(a) Clauses A (1), (2), (3) and (5) of the Code of Conduct specified in Schedule II of Regulation 9 of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992. (b) Conditions of registration as specified under Regulation 9(b) and 9(f) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.
2	Non-segregation of clients's funds and securities.	Circular no. SMD/SED/CIR/93/23321 dated 18 Nov, 1993, SEBI/MRD/SE/Cir- 33/2003/27/08 dated Aug 27, 2003.
3	Selling of clients securities from the employee's account.	Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.
4	Funds and securities were moved to ACPL, a sister concern of the Noticee.	Clause A (1), (4) and (5) of the Code of Conduct prescribed for the Stock brokers under Regulation 9 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.
5	Funds have been transferred from the business bank account of the Noticee to its related/ group entities.	Section 12A (a), (b) & (c) of the SEBI Act.
6	Mis-utilisation of client securities by pledging.	Regulation 3(a), (b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.
7	Indulging in activities other than stock broking such as withdrawal/ deposits of cash from various bank accounts and providing assured returns to clients/ investors.	(a) Section 12 (1) and (1A) of the SEBI Act. (b) Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.
8	Non-disclosure of demat accounts by AATIPL to NSE.	SEBI Circular SEBI/HO/MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016.

7. Falsification of accounts

- 7.1. Upon examination of the bank statements of the Noticee and ACPL, there were entries of receipt /payment of money from GFL indicating the receipt of money out of pledge from GFL. However, on examination of the books of the Noticee, it was observed that the receipt of funds by way of pledge was also concealed in the trial balance (*refer Annexure 05 for Trial balance*) and bank books submitted by the Noticee and ACPL, as no details of funds received from GFL by pledging clients' securities were appearing therein. It was observed that the Noticee fraudulently concealed the fact of receipt of payment against the pledged shares in its records.
- 7.2. On examination of the trial balance submitted by the Noticee to NSE, it was observed that the trial balance was also falsified in respect of the entries relating to the debtors. As per trial



balance as on March 31, 2017 submitted on April 19, 2017 by the Noticee, an amount of Rs. 16.80 crores were appearing towards debtors. However as per trial balance as on March 31, 2017 submitted on August 3, 2017 by the Noticee, an amount of Rs. 22.23 crores are appearing as debtors. This further shows that the trial balance details in respect of debtors have also *prima facie* been falsified.

- 7.3. Certain entries (relating to AATIPL's Axis Own/Business Bank a/c no. 909020031142977) in the bank statements provided by the Noticee during the visit to AATIPL's office on August 10, 2017 were observed to have been falsified. The same came into light when details of the transactions were later sought from Axis bank. The cash withdrawal entries were concealed by the Noticee from its Axis own/ Business A/c.

In view of above observations, it was alleged that, the back office, bank books of the Noticee has been falsified to conceal the pledging, cash withdrawal and funds movement to related entities.

- 7.4. **Violations:** In view of above observations, it was alleged that following provisions have been violated by the Noticee:

- Regulations 3 (a), (b), (c) & (d), 4(1) and 4(2) (p) of Stock Brokers Regulations, SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred as “**PFUTP Regulations**”).
- Clause A (1) (4) and (5) of the Code of Conduct prescribed for the Stock brokers under Regulation 9 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as “**Stock Brokers Regulations**”).
- Section 12(A) of the SEBI Act, 1992.

8. Failure to carry out running account settlement

- 8.1. The Noticee was required to ensure periodical settlement of clients' funds/ securities on a monthly/ quarterly basis. However, on verification of records of sample clients during inspection, it was observed that the Noticee has not done actual settlement of funds & securities in case of 2296 clients amounting to Rs 32.80 Crore for the period April 01, 2016 to March 31, 2017.



8.2. From the complaints perused it has been observed that the clients' securities/funds have not been settled by the Noticee. As per SCORES, the total no. of complaints received against the Noticee were 1975 (pertain to non-receipt of funds and securities), which clearly shows that the the Noticee failed to carry out running account settlement.

8.3. **Violations:** In view of above, it was alleged that following provisions have been violated by Noticee:

- Clause 12 of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009.
- Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.

9. **Non-redressal of investor grievance-**

9.1. As per information received from various Stock Exchanges/ Depositories, the summary of the total complaints received till March 15, 2018 is as under:

Table 18: Complaints details

Entity	No. of Claims	Claim value (in crores)	Compliant Against
NSE	1850	167.39	AAT IPL- Stock Broker
BSE	547	60.2	AAT IPL- Stock Broker
CDSL	168	2.83	AAT IPL-DP
MCX	361	4.56	ACPL-CD Broker
Total	2926	234.98	

9.2. The aforementioned complaints pertain to non-receipt of funds and securities by clients and majority of the complaints were received during August 2017 till March 2018. Therefore, it was observed that the Noticee did not settle funds and/or securities of the clients who were demanding the same.

9.3. **Violations:** In view of the above, it was alleged that following provisions have been violated Noticee:

- Circular no. CIR/MRD/ICC/ 30/2013 dated Sept 26, 2013.

- Conditions of registration as specified under Regulations 9(e) of the Stock Brokers Regulations.

10. From the above, it was observed that the Noticee has allegedly been found indulged in non-submission of information sought through summons, non-segregation of clients' funds and securities, selling of client's securities from the employee's account, moving funds and securities to sister concern, transferring funds from business bank account of the Noticee to its related/ group entities, mis-utilisation of client securities by pledging, indulging in activities other than stock broking such as withdrawal/ deposits of cash from various bank accounts and providing assured returns to clients/ investors, Non-disclosure of demat accounts to NSE, failing to carry out running account settlement, non-redressal of investor grievances, falsification of books of accounts, etc. In view of the above observations, it has been alleged that the Noticee has violated the following provisions of the SEBI Act, SEBI Act, Securities Contracts (Regulations) Rules, 1957 (hereinafter referred as '**SCR Rules**'), Stock Brokers Regulations, PFUTP Regulations and Circulars issued by SEBI from time to time:

Table : 19

Name of the Noticee (PAN)	Violations Observed	Enquiry Proceedings
AmrapaliAadya Trading & Investment Pvt. Ltd. (AAECA3909P)	i. Circular no. SMD/SED/CIR/93/23321 dated 18 Nov, 1993 read with SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003. ii. Clauses 15 and 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/16/2011 dated August 22, 2011. iii. Clauses A (1),(2),(3),(4) and (5) of the Code of Conduct prescribed for the Stock brokers under Regulation 9 of the Stock Brokers Regulations, 1992. iv. Sections 12(1), (1A), 12A, 12A (a), (b) & (c) of the SEBI Act. v. Regulations 3(a), (b), (c), (d), 4(1) and (2)(p) of the PFUTP Regulations, 2003. vi. Clause 12 of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009. vii. SEBI Circular SEBI/HO/MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016. viii. Circular no. CIR/MRD/ICC/ 30/2013 dated September 26, 2013 ix. Regulations 9(b), (e) and (f) of the Stock Brokers Regulations, 1992. x. Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.	Under Regulations 27 of the SEBI (Intermediaries) Regulation, 2008 {Amended Regulation 26(1) of the SEBI (Intermediaries) Regulation, 2008; amended on January 21, 2021} read with Regulations 27 (ii), (iii), (iv), (vii), (ix), (xiv), (xv), (xvi) and (xvii) of Stock Brokers Regulations, 1992 and Regulation 12(1) of the PFUTP Regulations, 2003.

11. The competent authority in SEBI has *prima facie* felt satisfied that there are sufficient grounds to enquire into the alleged violations of conditions of registration laid down in the Stock Brokers



Regulations read with Intermediaries Regulations and the PFUTP Regulations by the Noticees. Accordingly, Mr. Amit Pradhan, Chief General Manager (hereinafter referred as “erstwhile DA”) has been appointed as the Designated Authority under Regulation 24 of the SEBI (Intermediaries) Regulation, 2008 (hereinafter referred as “Intermediaries Regulations”) read with Section 19 of the SEBI Act to enquire into the alleged violations of the conditions of registration under the aforesaid provisions as mentioned in Table No. 19, by the Noticee in terms of a communication-order dated March 12, 2020.

12. Accordingly, the Noticee was called upon in terms of Regulation 25 of the Intermediaries Regulations to show cause as to why appropriate recommendation should not be made against it as prescribed under Regulation 26(1) of the Intermediaries Regulations (amended as on 21.01.2021) read with Section 12(1) of the PFUTP Regulations. The said relevant provisions are reproduced as follows:

Intermediaries Regulations, 2008 (amended as on 21.01.2021)

Recommendation of Action.

26. (1) After considering the material available on record and the reply, if any, the designated authority may by way of a report, recommend the following measures, –

- (i) disposing of the proceedings without any adverse action;
- (ii) cancellation of the certificate of registration;
- (iii) suspension of the certificate of registration for a specified period;
- (iv) prohibition of the noticee from taking up any new assignment or contract or launching a new scheme for such the period as may be specified;
- (v) debarment of an officer of the noticee from being employed or associated with any registered intermediary or other person associated with the securities market for such period as may be specified;
- (vi) debarment of a branch or an office of the noticee from carrying out activities for such period as may be specified;
- (vii) issuance of a regulatory censure to the noticee.

Provided that in respect of the same certificate of registration, not more than five regulatory censures under these regulations may be recommended to be issued, thereafter, the action as detailed in clause (ii) to (vi) of this sub-regulation may be considered.

Stock Brokers Regulations, 1992

Liability for action under the Enquiry Proceeding Regulations.



27. A stock broker or a sub-broker shall be liable for any action as specified in Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 including suspension or cancellation of his certificate of registration as a stock broker or a sub-broker, as the case may be, if he—

(ii) has been declared defaulter by a stock exchange and not re-admitted as a member within a period of six months; or

(iii) surrenders his certificate of registration to the Board; or

(iv) has been found to be not a fit and proper person by the Board under these or any other regulations; or

(viii) fails to comply with the rules, regulations and bye-laws of the stock exchange of which he is a member; or

(ix) fails to co-operate with the inspecting or investigating authority; or

(xiv) violates Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003; or

(xv) commits violation of any of the provisions for which monetary penalty or other penalties could be imposed; or

(xvi) fails to comply with the circulars issued by the Board; or

(xvii) commits violations specified in regulation 26 which in the opinion of the Board are of a grievous nature.

PFUTP Regulations, 2003

Suspension or cancellation of registration.

12. (1) The Board may, without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) of section 11 and section 11B of the Act, by an order, for reasons to be recorded in writing, in the interests of investors and securities market take the following action against an intermediary:

(a) issue a warning or censure

(b) suspend the registration of the intermediary; or

(c) cancel of the registration of the intermediary

Provided that no final order of suspension or cancellation of an intermediary for violation of these regulations shall be passed unless the procedure specified in the regulations applicable to such intermediary under the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 is complied with.

13. Accordingly, a Notice dated July 15, 2020 (hereinafter referred to as "**the Notice**") was issued to the Noticee under Regulation 25(1) of the Intermediaries Regulations. The Notice was duly served upon the Noticee by sending it at address *via* speed post. The Noticee was asked to file his written representation within 21 days from the receipt of the Notice. However, due to covid 19 pandemic situation postal services across the nation remain suspended for more than two months and



thereafter, restricted services resumed. As observed from the website of Indian Post, status of delivery of Notice to the Noticee was "Party Shifted" and therefore, the notice to the Noticee remains undelivered. Further, it was learned that the show cause notice in parallel 11B proceeding against the Noticee was delivered *via* Paper Publication. Accordingly, the Notice to the Noticee in the instant proceedings was served *via* Paper Publication on January 18, 2021 in newspapers Times of India and Navbharat Times of New Delhi edition. However, no reply to the notice was received from the Noticee till date.

14. Thereafter, in terms of Regulation 25(6) of the Intermediaries Regulations (*amended as on 21.01.2021*) and considering the material on record, erstwhile DA granted an opportunity of hearing granted to the Noticee on June 08, 2021 and notice of hearing was served to the Noticee *via* Paper Publication on May 21, 2021 in newspapers Times of India and Navbharat Times of New Delhi edition. Vide e-mail dated June 07, 2021, Mr. Vijay Shingnapurkar, Advocate submitted that, he has received oral instructions from Mrs. Vandana Sinha wife of Mr. Sanjeev Kumar Sinha, Director, AATPL to represent the Noticee in said hearing. He also stated that, he is yet to receive detailed instructions and authority letter from the Noticee. Therefore, he requested for adjournment of hearing and sought inspection of various documents in custody of the SEBI. Vide e-mail dated June 16, 2021, Mr. Vijay Shingnapurkar, Advocate forwarded a letter stating that Mr. Sanjeev Kumar Sinha, Director, AATPL is lodged in Tihar Jail from 2017 and he is still waiting for Vakalatnama. He also stated that till the time Vakalatnama is received by him, he may be granted inspection of documents. Considering his request, vide e-mail dated June 16, 2021, Mr. Vijay Shingnapurkar was informed that in absence of an authorised letter/ vakalatnama regarding his appointment as legal authorised representative of the concerned noticee, the erstwhile DA cannot considered request for the inspection of documents.
15. Subsequently, upon the transfer of erstwhile DA, this case has been transferred to the undersigned and vides *communiqué* dated June 18, 2021, undersigned has been appointed as the Designated Authority in the concerned matter.
16. On considering the material available on record and on elapsing of more than a month since first communication made by the Mr. Vijay Shingnapurkar, Advocate, it was noted that Mr. Shingnapurkar failed to provide any authorized letter or vakalatnama in his favor to represent the Noticee. However, considering the principle of natural justice, vide e-mail dated July 12, 2021, a last opportunity was granted to Mr. Shingnapurkar to produce said authorized letter or



vakalatnama within 3 days' i.e. till 15.07.2021. Mr. Shingnapurkar again reiterated that Mr. Sanjeev Kumar Sinha, Director, AATIPIL is in Tihar Jail and due to covid related protocols obtaining authorization is taking time. In this regard, I note that even one week after the e-mail dated July 12, 2021, Mr. Shingnapurkar failed to provide authorized letter or vakalatnama. I further, note that sufficient time and opportunity has been provided to the Noticee as well as to Mr. Vijay Shingnapurkar, Advocate to produce the requisite document and to file reply to the Notice. However, till date nothing has been brought on record or no reply has been filed by the Noticee to rebut the charges made against him. In these facts and circumstances, I am of the view that the matter can be proceeded *ex-parte* on the basis of material available on record in terms of Regulation 26 (2) of the Intermediaries Regulations which reads as under:-

26(2) If the noticee does not reply to the show cause notice, the designated authority may proceed with the matter ex-parte recording the reasons for doing so and make recommendation as the case may be on the basis of material facts available before it.

17. I note that the Noticee has failed to file any response and have not co-operated during the inspection and even in the instant proceedings. In the fact and circumstances of the case, I am of the view that the Noticee defied the regulatory and supervisory process which is very important tool for supervision and regulation of the intermediaries. It is also unbecoming on the part of an intermediary to avoid the information requisition during the supervisory process and to keep away from the proceedings before the SEBI. I, therefore, deem it fit to draw an adverse inference against the Noticee. Further, in absence of any response from the Noticee, it is presumed that it has admitted the charge of provisions as alleged in the case. In this regard, it is pertinent to note that the Hon'ble Securities Appellate Tribunal ("SAT") in the matter of *Classic Credit Ltd. vs. SEBI* (Appeal No. 68 of 2003 decided on December 08, 2006) has, *inter-alia*, observed that, "..... the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them". It is also pertinent to note that the Hon'ble SAT in the matter of *Sanjay Kumar Tayal & Others vs SEBI* (Appeal No. 68 of 2013 decided on February 11, 2014), has also, *inter alia*, observed that: "..... appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices..."

18. I note that, in the instant proceedings it was alleged that the Noticee has:



- a. Failed to submit of the information sought through summons.
 - b. Failed to segregate clients's funds and securities.
 - c. Sold the clients securities from the employee's account.
 - d. Moved funds and securities to its sister concern, ACPL.
 - e. Transferred funds from its business bank account to its related/ group entities.
 - f. Mis-utilised client's securities by pledging.
 - g. Indulged in activities other than stock broking such as - withdrawal/ deposits of cash from various bank accounts and providing assured returns to clients/ investors.
 - h. Not disclosed it's demat accounts to NSE.
 - i. Indulged in falsification of its accounts to conceal the pledging, cash withdrawal and funds movement to related entities
 - j. Failed to carry out running account settlement.
 - k. Failed to redress grievances of its clients.
19. Before moving forward, it will be appropriate to refer to the relevant provisions of the SEBI Act, 1992, SCRA, Stock Brokers Regulations, PFUTP Regulations, SCR Rules and SEBI Circulars alleged to have been violated by the Noticee.

SEBI Act, 1992

Registration of stock brokers, sub-brokers, share transfer agents, etc.

12(1) *No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:*

Provided that a person buying or selling securities or otherwise dealing with the securities market as a stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market immediately before the establishment of the Board for which no registration certificate was necessary prior to such establishment, may continue to do so for a period of three months from such establishment or, if he has made an application for such registration within the said period of three months, till the disposal of such application:

Provided further that any certificate of registration, obtained immediately before the commencement of the Securities Laws (Amendment) Act, 1995, shall be deemed to have been obtained from the Board in accordance with the regulations providing for such registration.



(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

(p) an intermediary predating or otherwise falsifying records such as contract notes;

Stock Broker Regulations, 1992

Conditions of registration.

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-

(b) he shall abide by the rules, regulations and bye-laws of the stock exchange which are applicable to him;

(e) he shall take adequate steps for redressal of grievances, of the investors within one month of the date of receipt of the complaint and inform the Board as and when required by the Board;

(f) he shall at all times abide by the Code of Conduct as specified in Schedule II; and

Liability for monetary penalty.

26. A stock broker or a sub-broker shall be liable for monetary penalty in respect of the following violations, namely—

(ii) Failure to furnish any information, books or other documents within 15 days of issue of notice by the Board.

(iii) Failure to maintain books of account or records as per the Act, rules or regulations framed thereunder.

(iv) Failure to redress the grievances of investors within 30 days of receipts of notice from the Board.

(vi) Failure to deliver any security or make payment of the amount due to the investor within 48 hours of the settlement of trade unless the client has agreed in writing otherwise.

(xi) Indulging in fraudulent and unfair trade practices relating to securities.

(xiii) Failure to segregate his own funds or securities from the client's funds or securities or using the securities or funds of the client for his own purpose or for purpose of any other client.



- (xv) Failure to comply with directions issued by the Board under the Act or the regulations framed thereunder.
- (xvi) Failure to exercise due skill, care and diligence.
- (xx) Violations for which no separate penalty has been provided under these regulations.

SCHEDULE II

Stock Brokers Regulations, 1992

CODE OF CONDUCT FOR STOCK BROKERS [Regulation 9]

A. General.

- (1) **Integrity:** A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.
- (2) **Exercise of due skill and care:** A stock-broker shall act with due skill, care and diligence in the conduct of all his business.
- (3) **Manipulation:** A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.
- (4) **Malpractices:** A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stockbroker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.
- (5) **Compliance with statutory requirements:** A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.

Circular No. SMD/SED/CIR/93/23321 dated November 18, 1993

Regulation Of Transactions Between Clients And Brokers

1. It shall be compulsory for all Member brokers to keep the money of the clients in a separate account and their own money in a separate account. No payment for transactions in which the Member broker is taking a position as a principal will be allowed to be made from the client's account. The above principles and the circumstances under which transfer from client's account to Member broker's account would be allowed are enumerated below.

A] Member Broker to keep Accounts: Every member broker shall keep such books of accounts, as will be necessary, to show and distinguish in connection with his business as a member -

- i. Moneys received from or on account of each of his clients and,
- ii. the moneys received and the moneys paid on Member's own account.

B] Obligation to pay money into "clients accounts". Every member broker who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the member in the title of which the word "clients" shall appear (hereinafter referred to as "clients account"). Member broker may keep one consolidated clients account for all the clients or accounts in the name of each client, as he



thinks fit: Provided that when a Member broker receives a cheque or draft representing in part money belonging to the client and in part money due to the Member, he shall pay the whole of such cheque or draft into the clients account and effect subsequent transfer as laid down below in para D (ii).

C] What moneys to be paid into "clients account". No money shall be paid into clients account other than -

- i. money held or received on account of clients;*
- ii. such money belonging to the Member as may be necessary for the purpose of opening or maintaining the account;*
- iii. money for replacement of any sum which may by mistake or accident have been drawn from the account in contravention of para D given below;*
- iv. a cheque or draft received by the Member representing in part money belonging to the client and in part money due to the Member.*

D] What moneys to be withdrawn from "clients account". No money shall be drawn from clients account other than -

- i. money properly required for payment to or on behalf of clients or for or towards payment of a debt due to the Member from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each client;*
- ii. such money belonging to the Member as may have been paid into the client account under para 1 C [ii] or 1 C [iv] given above;*
- iii. money which may by mistake or accident have been paid into such account in contravention of para C above.*

E] Right to lien, set-off etc., not affected. Nothing in this para 1 shall deprive a Member broker of any recourse or right, whether by way of lien, set-off, counter-claim charge or otherwise against moneys standing to the credit of clients account.

2. It shall be compulsory for all Member brokers to keep separate accounts for client's securities and to keep such books of accounts, as may be necessary, to distinguish such securities from his/their own securities. Such accounts for client's securities shall, inter-alia provide for the following:-

- a. Securities received for sale or kept pending delivery in the market;*
- b. Securities fully paid for, pending delivery to clients;*
- c. Securities received for transfer or sent for transfer by the Member, in the name of client or his nominee(s);*
- d. Securities that are fully paid for and are held in custody by the Member as security/margin etc. Proper authorization from client for the same shall be obtained by Member;*
- e. Fully paid for client's securities registered in the name of Member, if any, towards margin requirements etc.;*
- f. Securities given on Vyaj-badla. Member shall obtain authorization from clients for the same.*

3. Member Brokers shall make payment to their clients or deliver the securities purchased within two working days of pay-out unless the client has requested otherwise. Stock Exchange shall issue a Press Release immediately after the pay-out.

4. Member Brokers shall buy securities on behalf of client only on receipt of margin of minimum 20 percent on the price of the securities proposed to be purchased, unless the client already has an equivalent credit with the broker. Member may not, if they so desire, collect such a margin from Financial Institutions, Mutual Funds and FII's.

5. Member brokers shall sell securities on behalf of client only on receipt of a minimum margin of 20 percent on the price of securities proposed to be sold, unless the member has received the securities to be sold with valid transfer documents to his satisfaction prior to such sale. Member may not, if they so desire, collect such a margin from Financial Institutions, Mutual Funds and FII's.

6. Member brokers shall issue the contract note for purchase/sale of securities to a client within 24 hours of the execution of the contract.

7. In case of purchases on behalf of clients, Member brokers shall be at liberty to close out the transactions by selling the securities, in case the client fails to make the full payment to the Member Broker for the execution of the contract within two days of contract note having been delivered for cash shares and seven days for specified shares or before pay-in day (as fixed by Stock Exchange for the concerned settlement period), whichever is earlier; unless the client already has an equivalent credit with the Member. The loss incurred in this regard, if any, will be met from the margin money of that client.

8. In case of sales on behalf of clients, Member broker shall be at liberty to close out the contract by effecting purchases if the client fails to deliver the securities sold with valid transfer documents within 48 hours of the contract note having been delivered or before delivery day (as fixed by Stock Exchange authorities for the concerned settlement period), whichever is earlier. Loss on the transaction, if any, will be deductible from the margin money of that client."

Circular No. SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003

Mode of payment and delivery

"2. It is reiterated that brokers and sub-brokers should not accept cash from the client whether against obligations or as margin for purchase of securities and / or give cash against sale of securities to the clients.

3. All payments shall be received / made by the brokers from / to the clients strictly by account payee crossed cheques / demand drafts or by way of direct credit into the bank account through EFT, or any other mode allowed by RBI. The brokers shall accept cheques drawn only by the clients and also issue cheques in favour of the clients only, for their transactions. However, in exceptional circumstances the broker or sub-broker may receive the amount in cash, to the extent not in violation of the Income Tax requirement as may be in force from time to time.

4. Similarly in the case of securities also giving / taking delivery of securities in "demat mode" should be directly to / from the "beneficiary accounts" of the clients except delivery of securities to a recognized entity under the approved scheme of the stock exchange and / or SEBI."

Circular No. CIR/MIRSD/16/2011 dated August 22, 2011

Simplification and Rationalization of Trading Account Opening Process.

Annexure 4 - Document stating the Rights & Obligations of stock broker, sub-broker and client for trading on exchanges (including additional rights & obligations in case of internet / wireless technology based trading)

"TRANSACTIONS AND SETTLEMENTS



15. The stock broker shall ensure that the money/securities deposited by the client shall be kept in a separate account, distinct from his/its own account or account of any other client and shall not be used by the stock broker for himself/itself or for any other client or for any purpose other than the purposes mentioned in Rules, Regulations, circulars, notices, guidelines of SEBI and/or Rules, Regulations, Bye-laws, circulars and notices of Exchange.

ADDITIONAL RIGHTS AND OBLIGATIONS

33. The stock broker shall make pay out of funds or delivery of securities, as the case may be, to the Client within one working day of receipt of the payout from the relevant Exchange where the trade is executed unless otherwise specified by the client and subject to such terms and conditions as may be prescribed by the relevant Exchange from time to time where the trade is executed.”

Circular No. MIRSD/ SE /Cir-19/2009 dated December 03, 2009
Requirements relating to dealings between a Client and Stock Broker
Running Account Authorization

“12. Unless otherwise specifically agreed to by a Client, the settlement of funds/securities shall be done within 24 hours of the payout. However, a client may specifically authorize the stock broker to maintain a running account subject to the following conditions:

e. The actual settlement of funds and securities shall be done by the broker, at least once in a calendar quarter or month, depending on the preference of the client. While settling the account, the broker shall send to the client a ‘statement of accounts’ containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts/deliveries of funds/securities. The statement shall also explain the retention of funds/securities and the details of the pledge, if any.

h. The stock broker shall transfer the funds / securities lying in the credit of the client within one working day of the request if the same are lying with him and within three working days from the request if the same are lying with the Clearing Member/ Clearing Corporation.

i. There shall be no inter-client adjustments for the purpose of settlement of the ‘running account’.”

Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
Enhanced Supervision of Stock Brokers/Depository Participants

1. SEBI constituted a committee on “Enhanced Supervision of Stock Brokers”, which included representatives from Stock Exchanges, Depositories and Brokers. With a view to implement the recommendations, the guidelines as Annexed to this circular are being issued. These guidelines cover the following broad areas:

I. Uniform nomenclature to be followed by stock brokers for Naming/Tagging of Bank and Demat Accounts and the reporting of such accounts to the Stock Exchanges/Depositories.



II. Monitoring of Clients' Funds lying with the Stock Broker by the Stock Exchanges, through a sophisticated alerting and reconciliation mechanism, to detect any misutilisation of clients fund.

III. Changes in the existing system of internal audit for stock brokers/depository participants viz. appointment, rotation of Internal Auditors, formulation of objective sample criteria, monitoring of quality of Internal Audit Reports, timeline for submissions of Internal Audit Reports, etc.

IV. Monitoring of Financial Strength of Stock Brokers by Stock Exchanges so as to detect any signs of deteriorating financial health of stock brokers and serve as an early warning system to take preemptive and remedial measures.

V. Imposition of uniform penal action on stock brokers/depository participants by the Stock Exchanges/Depositories in the event of non-compliance with specified requirements.

VI. Other Requirements:

- a. Uploading client's funds and securities balances by Stock Brokers to Stock Exchange System and onwards transmission of the same to the clients for better transparency.
- b. Clarification on Running Account Settlement
- c. Providing PAN details of Directors, Key Management Personnel and Dealers, to Stock Exchanges and any change thereof.

2. The Stock Exchanges/Depositories are directed to:

- a. bring the provisions of this circular to the notice of the Stock Brokers/depository participants and also disseminate the same on their websites.
- b. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above directions in co-ordination with one another to achieve uniformity in approach.
- c. communicate to SEBI, the status of the implementation of the provisions of this circular in their Monthly Development Reports.

Circular No. CIR/MRD/ICC/30/2013 dated September 26, 2013

Investor Grievance Redressal Mechanism

2) With a view to streamline and make more effective the investor grievance redressal mechanism at Stock Exchanges, and consequent to discussions with Stock Exchanges and Depositories, it has been decided to shorten the time taken for the proceedings as well as to give monetary relief to the investors, during the course of pendency of proceedings. In this regard, Stock Exchanges are advised as under:

- a) Stock Exchanges shall ensure that all complaints are resolved at their end within 15 days as mentioned in the circular no. CIR/MRD/ICC/16/2012 dated June 15, 2012. The correspondence with the Member & investor (who is client of a Member) may be done on email if the email id of the investor is available in the UCC database. The Member (Stock Broker, Trading Member and Clearing Member) shall provide a dedicated email id to the stock exchange for this purpose.



- b) *In case the matter does not get resolved, conciliation process of the exchange would start immediately after the time lines stated in sub-para (a) above.*
- c) *Investor Grievance Redressal Committee (IGRC) shall be allowed a time of 15 days to amicably resolve the investor complaint.*
- d) *IGRC shall adopt a two-fold approach i.e. for proceedings leading to direction to the Member to render required service in case of service related complaints and proceedings leading to an order concluding admissibility of the complaint or otherwise in case of trade related complaints.*
- e) *In case the matter is not resolved through the conciliation process, IGRC would ascertain the claim value admissible to the investor.*
- f) *Upon conclusion of the proceedings of IGRC, i.e. in case claim is admissible to the investor, Stock Exchanges shall block the admissible claim value from the deposit of the Member.*
- g) *The Stock Exchange shall give a time of 7 days to the Member from the date of signing of IGRC directions as mentioned under sub-para (d) above to inform the Stock Exchange whether the Member intends to pursue the next level of resolution i.e. Arbitration.”*

20. I have considered the material available on record and the allegations brought out in the notice and from the same, I note as follows:

- a. During the investigation the Noticee was issued summons under Section 11(2), 11(3) and 11C(3) read with 11C (5) of the SEBI Act, 1992 on 31.08.2017. Thereafter, subsequent summons dated 09.10.2017, 24.01.2018 & 07.02.2018 were issued to the Noticee and same were duly served upon it. However, the Noticee failed to provide any information despite repeated reminders. Such an act of the Noticee has hampered the fact finding exercise of a regulator. I also note that, as per the condition of registration for a broker, he is required to abide by the rules, regulations and bye-laws of the stock exchange which are applicable to him and shall at all times abide by the Code of Conduct as specified in Schedule II. However, in this case, the Noticee has failed in abiding with the same and therefore, I found that, such act of the Noticee is in violation of provisions of Clauses A (1), (2), (3) and (5) of the Code of Conduct specified in Schedule II of Regulation 9 and Regulations 9(b) and 9(f) of the Stock Brokers Regulations.
- b. From above paras 5.2 and 5.3 and from Table No. 5 to 15, it has been noted that the Noticee has failed in segregating the clients's funds and securities and also siphoned of client's funds and securities. As shown in Table 5, the Noticee has sold the clients securities from its



employee's account during 01-Apr-16 to 10-Aug-17, amounting to Rs. 130.85 crore. As illustrated in above para 5.4 and Table No. 6 and 7, it was observed that as on March 31, 2017, securities amounting to Rs. 68 crores were pledged by the Noticee and total outstanding fund amounting to Rs. 51.63 crores were raised through pledge. It is noted that, the securities which were pledged by the Noticee belonged to its clients and the securities were either transferred in the pledgee a/c or transferred to own pledge a/c and when the securities were released, same were credited in the client beneficiary a/c of the Noticee. Further, as referred in para 5.6, on verification of deposits available with exchange, clearing member and bank balances, it was observed that funds available with AAT IPL were short by Rs. 71.91 Crores as against the amounts payable to clients as on March 31, 2017. Also, on examination of bank accounts and business accounts of the Noticee, its sister concerns and associates, it is noted that the Noticee and its sister concern ACPL transferred Rs. 37.69 crore to third parties, which belongs to its clients'.

- c. It has been noted from above para 5.7 and Table 15 that the Noticee had transferred net amount of Rs. 32.62 crores during the period of investigation to its related entities and its directors. It has also been noted that the Noticee and its directors failed to respond to the summons of SEBI, when details of aforesaid fund transfers were sought from them. Therefore, I am of a view that the Noticee and its directors have deliberately avoided sharing crucial information regarding siphoning of fund of tune of Rs 33.72 crores to its related entities and thus, I am of a opinion that the Noticee has siphoned off the aforesaid funds to its related entities and its directors in fraudulent manner.
- d. From above para 6 and Table No. 16, it has been noted that the client's securities amounting to Rs. 411.3 crores recorded in the back office books as on August 10, 2017 were not available in the beneficiary accounts of the Noticee or with the clearing member. Therefore, I note that the Noticee has routed its clients' securities out of the system by pledging with NBFCs and by selling the same from its employees account.
- e. In view of the findings in above sub-paras (b), (c) and (d), I am of an opinion that the Noticee has mis-used the client's securities by pledging/transferring the same with the NBFCs and its sister concern ACPL. The Noticee has pledged and sold client's securities and the funds raised were routed out of the system indicating non-segregation of client's funds and misutilization of client's funds and diversion of the proceeds to itself and its associates. Thus, such a



fraudulent act of mis-utilisation of client funds and securities by the Noticee has been found in violation of the provisions of Sections 12A (a), (b) & (c) of the SEBI Act, Regulations 3(a), (b), (c) and (d) of the PFUTP Regulations, Circular no. SMD/SED/CIR/93/23321 dated 18 Nov, 1993, SEBI/MRD/SE/Cir- 33/2003/27/08 dated Aug 27, 2003, Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011, Clause A (1), (4) and (5) of the Code of Conduct prescribed for the Stock brokers under Regulation 9 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.

- f. It has been noted from above para 5.6 and Table 14 that the broker was making payment towards interest (fixed return) to its clients as per the pre-agreed terms of interest payment on monthly basis. Therefore, I am of a view that the that the Noticee was running fixed return scheme for some of its clients and was making interest payments on regular basis and thus, it has violated the provisions of Sections 12 (1) and (1A) of the SEBI Act and Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.
- g. It has also been noted that the Noticee has not disclosed the demat accounts to NSE. I note that such an act of non-disclosure by the Noticee is in violation of provision specified under SEBI Circular SEBI/HO/MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016.
- h. Upon examination of the bank statements and accounts of the Noticee, as brought out in para 7 above, it is noted that the Noticee receipt of funds by way of pledge was concealed in the trial balance and bank books provided by the Noticee. On examination of the trial balance submitted, it was observed that the trial balance was falsified in respect of the entries relating to the debtors. Therefore, I found that the Noticee has falsified its back office, bank books, accounts etc. to conceal the pledging, cash withdrawal and funds movement to related entities. Through such a forged act, the Noticee has violated the provisions of the 12A (a), (b) & (c) of the SEBI Act, Regulations 3(a), (b), (c) and (d) of the PFUTP Regulations and Clauses A (1), (4) and (5) of the Code of Conduct specified in Schedule II of Regulation 9 of the Stock Brokers Regulations.
- i. It is noted from the verification of records of sample clients that the Noticee has not done actual settlement of funds & securities in case of 2296 clients amounting to Rs 32.80 Crore for the period April 01, 2016 to March 31, 2017. Further, from the 1,975 complaint on SCORES,



it has been noted that the clients' securities/funds have not been settled by the Noticee. Therefore, I found that the Noticee has failed to carry out running account settlement in violation of the provisions of the Clause 12 of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009 and Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.

- j. As noted in above para 10, it is found that total 2,565 complaints were received against the Noticee by exchanges and depositories involving Rs 230.42 crores of claim by the Noticee's clients as on March 15, 2018. It is noted that the aforementioned complaints pertain to non-receipt of funds and securities by clients and majority of the complaints were received during August 2017 till March 2018. Therefore, I note that the Noticee did not settle funds and/or securities of the clients who were demanding the same and thus, the Noticee failed to address the grievances of its clients. I found that the aforementioned non-redressal of the grievances is in violation of the Circular no. CIR/MRD/ICC/ 30/2013 dated Sept 26, 2013 and Conditions of registration as specified under Regulations 9(e) of the Stock Brokers Regulations.

21. In view of the foregoing, in my considered opinion in a situation, like the one in present case, involving compliance imperative so as to assist in regulatory process, fraudulent act of misappropriation of clients' fund and securities and transferring of proceeds to itself and its associates and directors, falsification of books and accounts and non redressal of investors grievances, no allowance is permitted in law for such immoral acts. A broker is instrumental to the confidence of securities market, as it acts as a bridge between investors and stock exchange. Considering the same, abidance by a broker to the Act, Regulations, Rules, Circulars and Code of Conduct has been strictly prescribed from time to time by SEBI, to infuse confidence in the securities market. Further, in terms of Regulation 9(f) of the Stock Brokers Regulations, one of the conditions of grant of registration to a stock broker is that it shall at all times abide by the Code of Conduct as specified in Schedule II of the Stock Brokers Regulations, which *inter alia* prescribes that the stock broker shall –

- a. maintain high standards of integrity, promptitude and fairness in the conduct of all his business; [Clause A(1)]
b. act with due skill, care and diligence in the conduct of all his business; [Clause A(2)]



- c. a stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains. [Clause A(3)]
- d. A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stockbroker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness. [Clause A(4)]
- e. abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him. [Clause A(5)]
22. I note that, the present case is not a case where the contravention is on account of any doubt or invincible disability of the Noticee to perform the mandatory requirements laid down in the Regulations. Instead, it is a case, wherein the Noticee, being stock broker has acted in fraudulent and *mala fide* manner and caused huge losses to its clients. The fraudulent act as found in this case, had clearly defeated the purposes of the Acts and Regulations i.e. investor protection and orderly development of the securities markets. Considering the role and responsibility of the Noticee in these regards, in my view, the default by the Noticee is grave and the gravity of this matter cannot be ignored. Further, I have taken note of the fact that vide order dated October 11, 2017, NSE has declared the Noticee as “defaulter”.
6. Considering the above facts and circumstances of the case, in terms of the provisions of Regulation 26(1)(ii) of the Intermediaries Regulations read with Regulation 12(1) of the PFUTP Regulations and Regulations 27 (ii), (iii), (iv), (vii), (ix), (xiv), (xv), (xvi) and (xvii) of Stock Brokers Regulations, I hereby recommend cancellation of the certificate of registration granted to the following Noticee:

Noticee No.	Registration No. -
AmrapaliAadya Trading & Investment Pvt. Ltd. (AAECA3909P)	Registration No. - INE231183436, INF231183436, INB231183436, INF011183432, INB011183432, INF261183439 and INB261183439

Date: July 20, 2021
Place: Mumbai



V.K. Verma
Vijayant Kumar Verma
Designated Authority