



भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

General Manager
Market Intermediaries Regulation and Supervision Department
Division of Post Inspection and Enforcement Action

SEBI/HO/MIRSD/DPIEA/P/OW/2021/12653/4
June 17, 2021

Noticee No.	Name of the Noticee	Address
1	BRH Wealth Kreators Limited	Vishwakarma II, 29-5A, Dr. Ambedkar Sarani, Topsia Road, Kolkata – 700 046
2	BRH Commodities Private Limited	Vishwakarma II, 29-5A, Dr. Ambedkar Sarani, Topsia Road, Kolkata – 700 046
3	Anubhav Bhatler	14A, Rowland Road, Kolkata - 700 020
4	Shiv Kumar Damani	106, Gange Garden, Kiron Chand Singh Road, Shibpur, Howrah – 711 102
5	Mrugesh Devashrayi	4C, Kumudini Apt., 4th Floor, 1 Dover Lane, P.O. Gariahat, Kolkata- 700029
6	Asit Kumar Ghosh	1A Rupchand Mukherjee Lane P.O. Bhawanipore Kolkata-700 025
7	Prosperous Vyapaar Private Limited	6th Floor, Vishwakarma Building, 86C, Topsia Road (S), Kolkata – 700 046
8	Polo-Setco Tie Up Private Limited	Vishwakarma, 86C Topsia Road, South West Block, 4th floor, Kolkata-700 046
9	Parton Commercial Private Limited	Flat No.2, 1st floor, 83/2B Topsia Road (South), Kolkata – 700 046
10	AB Investments	14/1 Paul Mansion 1st Floor, 6 Bishop Lefroy Road, Kolkata – 700 020
11	Bluesnow Supplier Private Limited	F- 3 Circular Mansion, 222 AJC Bose Road, Kolkata – 700 017

Subject: Show Cause Notice under Sections 11(1), 11(4), 11B(1), 11B(2) and 11D of Securities and Exchange Board of India Act, 1992 read with Section 15HA of Securities and Exchange Board of India Act, 1992 and Section 12A(1) and 12A(2) of Securities Contracts (Regulation) Act, 1956 read with Section 23D of Securities Contracts (Regulation) Act, 1956 in the matter of BRH Wealth Kreators Limited

1. BRH Wealth Kreators Limited (formerly BMA Wealth Creators Limited) (herein after referred to as “BRH” / “Noticee No. 1”) is registered as a Stock Broker with SEBI registration number INZ000184733. BRH is a member of National Stock

SCN in the matter of BRH Wealth Kreators Limited

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सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051

दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in





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Exchange of India Limited ("NSE") in Equity, Equity Derivatives, Currency Derivatives and MFSS segments and BSE Limited ("BSE"), in Equity, Equity Derivatives, and Currency Derivatives. Its subsidiary company, BRH Commodities Private Limited (formerly BMA Commodities Private Limited) (herein after referred to as "BRHCPL" / "Noticee No. 2") is a member of Multi Commodity Exchange of India Limited ("MCX") and National Commodity & Derivatives Exchange Limited ("NCDEX").

2. The details of Directors of BRH obtained by the forensic auditor from MCA website on December 22, 2019 are as under:

Sr. No.	Director Name	DIN	Appointment Date	Cessation Date
1	Anubhav Bhatler	00939656	15-12-2004	Active
2	Shiv Kumar Damani	00587424	30-12-2004	Active
3	Murgesh Devashrayi	06642394	24-08-2018	Active
4	Avinash Agarwalla	00339797	15-12-2004	17-09-2018
5	Saikat Ganguly	02952287	01-04-2016	01-10-2016
6	Asit Kumar Ghosh	02231628	01-10-2010	14-03-2014
7	Sudhanshu Agarwalla	00339679	15-12-2004	01-05-2010

3. The details of shareholding pattern of BRH as on March 31, 2018 obtained from MCA website by the forensic auditor on December 22, 2019 are as under:

Sr. No.	Name of Shareholder	No. of Shares	% of Total
Body Corporates			
1	Snowtex Investment Ltd	5,87,45,731	27.10
2	Polo-Setco Tie Up Pvt Ltd	5,64,77,357	26.06
3	Snowtex Securities Ltd	1,50,00,000	6.92
4	Sumeet Trading Pvt Ltd	1,00,00,000	4.61
5	Shakti Auto Finance Pvt Ltd	60,34,000	2.79
6	Bhagwati Syndicate Pvt Ltd	41,84,000	1.93
7	Bliss Paper Mills Pvt Ltd	8,00,000	0.37
8	Parton Commercial Pvt Ltd	1,67,985	0.08
	Total	15,14,09,073	69.86
Individuals			
1	Anubhav Bhatler	5,00,00,000	23.07
2	Avinash Agarwalla	1,20,00,000	5.54
3	Sudhanshu Agarwalla	30,00,000	1.38
	Total	6,50,00,000	29.99

4. The details of Directors of BRHCPL obtained by the forensic auditor from MCA website on December 22, 2019 are as under:





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Sr. No.	Director Name	DIN	Appointment Date	Cessation Date
1	Anubhav Bhatler	00939656	15-12-2004	Active
2	Asit Kumar Ghosh	02231628	01-04-2016	Active
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4	Avinash Agarwalla	00339797	15-12-2004	17-09-2018
5	Saikat Ganguly	02952287	01-04-2016	01-10-2016
6	Asit Kumar Ghosh	02231628	01-10-2010	14-03-2014
7	Sudhanshu Agarwalla	00339679	15-12-2004	01-05-2010

5. The details of shareholding pattern of BRHCPL as on March 31, 2018 obtained by the forensic auditor from MCA website on December 22, 2019 are as under:

Sr. No.	Name of Shareholder	No. of Shares	% of Total
Body Corporates			
1	Snowtex Investment Ltd	1,14,31,700	49
2	Polo-Setco Tie Up Pvt Ltd	1,14,31,700	49
3	Total	2,28,63,400	98
Individuals			
1	Anubhav Bhatler	2,33,300	1
2	Avinash Agarwalla	2,33,300	1
	Total	4,66,600	2

Connection amongst the Noticees

6. Based on the forensic audit report ("FAR") submitted by NSE, the connection amongst the Noticees and the basis of their connections are as under:

Noticee No.	Name of the Noticee	Basis of Connection
1	BRH Wealth Kreators Ltd.	1. Noticees no. 3, 4 & 5 are Directors. 2. Noticees no. 8 & 9 are shareholders
2	BRH Commodities Pvt. Ltd.	1. Noticees no. 3, 5 & 6 are Directors 2. Subsidiary company of Noticee no. 1.
3	Anubhav Bhatler	1. Director in Noticees no. 1 & 2
4	Shiv Kumar Damani	1. Director in Noticee no. 1
5	Mrugesh Devashrayi	1. Director in Noticees no. 1 & 2
6	Asit Kumar Ghosh	1. Director in Noticee no. 2
7	Prosperous Vyapaar Pvt. Ltd.	1. Received Loan Against Securities (LAS) of Rs. 5 crore 2. Debiprasad Ganguly and Uma Bhaduri are directors. It appears both are employees of Noticee no. 1 as certain payments such as advance against Salary, reimbursement of travelling expense, etc. were observed in the books of Noticee no. 1.





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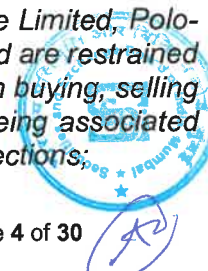
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8	Polo-Setco Tie Up Pvt. Ltd.	1. Received LAS of Rs. 80.61 crore. 2. Holds 26.06% shares in Noticee no. 1 and 49% shares in Noticee no. 2. 3. Ram Kishore Sharma and Vinay Dujari are directors. It appears both are employees of Noticee no. 1 as certain payments such as reimbursement of travelling, telephone expenses, advance against salary, reimbursement of expenses towards postage, training cost were observed in the books of Noticee no. 1.
9	Parton Commercial Pvt. Ltd.	1. Received LAS of Rs. 50.67 crore. 2. Holds 0.08% shares in Noticee no. 1. 3. Vinay Dujari and Netre Thapa are directors. It appears both are employees of Noticee no. 1 as certain payments like reimbursement of expenses towards postage, training cost, advance against salary paid were observed in the books of Noticee no. 1.
10	AB Investments	1. Received LAS of Rs. 1.80 crore. 2. Related party of Noticee no. 1 as disclosed by Noticee no. 1 in its audited financials for FY 17-18. 3. Entity Name in UCC master is stated as "AB Investments Anubhav Bhatte", Noticee no. 3, where Noticee no. 3 is able to exercise significant influence (Partnership firm).
11	Bluesnow Supplier Pvt. Ltd.	1. Ram Kishore Sharma is one of the directors. He is also director in Noticee no. 8. It appears he is employee of Noticee no. 1 as payments towards salary, advance, travelling expenses being paid as per the books of Noticee no. 1.

7. BRH, BRHCPL, directors of BRH and BRHCPL and related entities of BRH are hereinafter referred to by their individual names and collectively referred to as **"the Noticees"**)

8. Based on prima facie violations observed in a report submitted by NSE vide email dated October 04, 2019, SEBI had passed an ex parte ad interim order dated October 07, 2019 against BRH, BRHCPL, Shri Anubhav Bhatte, Shri Shiv Kumar Damani, Shri Murgesh Devashrayi, Prosperous Vyapaar Private Limited, Polo-Setco Tie Up Private Limited and Parton Commercial Private Limited issuing directions including restraining access to securities markets, dealing in securities, disposal of assets and freezing of bank and demat accounts. The directions issued in the aforesaid order at paragraph 9 therein are as under:

- i. *"BRH Wealth Kreators Limited (formerly BMA Wealth Creators Limited), Shiv Kumar Damani, Anubhav Bhatte, Murgesh Devashrayi, BRH Commodities Private Ltd. (formerly BMA Commodities Pvt. Ltd.), Prosperous Vyapaar Private Limited, Polo-Setco Tie Up Private Limited and Parton Commercial Private Limited are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, till further directions;*





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- ii. *The aforesaid Noticees shall cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions;*
 - iii. *The aforesaid Noticees are directed not to dispose of or alienate any assets, whether movable or immovable, or to create or invoke or release any interest or charge in any of such assets except with the prior permission of National Stock Exchange of India Limited ("NSE") and BSE;*
 - iv. *The aforesaid Noticees are directed to provide a full inventory of all their assets, whether movable or immovable, or any interest or investment or charge in any of such assets, including details of all their bank accounts, demat accounts and mutual fund investments immediately to NSE and BSE but not later than 5 working days from the date of receipt of this Order;*
 - v. *Till further directions in this regard, the assets of the Noticees shall be utilized only for the purpose of payment of money and/or delivery of securities, as the case may be, to the clients/investors under the supervision of the concerned Exchanges/depositories;*
 - vi. *The depositories are directed to ensure that no debits are made in the demat accounts, held jointly or severally, of the aforesaid Noticees and persons except for the purpose mentioned in sub-para (v) above, after confirmation from NSE/BSE;*
 - vii. *The banks are directed to ensure that no debits are made in the bank accounts held jointly or severally by the Noticees except for the purpose of payment of money to the clients/investors under the written confirmation of NSE/BSE;*
 - viii. *The Exchanges, clearing corporations and depositories shall appoint forensic auditor to track misuse of client's funds/securities and to identify the net assets/liabilities of Noticee no. 1 (BRH Wealth Kreators Limited) and Noticee no. 5 (BRH Commodities Private Ltd.) and submit the report to SEBI within 90 days;*
 - ix. *The Exchanges shall deal with the complaints/claims of the clients against the member and may return the amount of client fund and securities to the clients and may also use assets of the Noticee no. 1 to meet clients'/Exchanges'/clearing members'/clearing corporations', obligations."*
9. The exchanges, clearing corporations and depositories were also directed to appoint forensic auditor to track misuse of client's funds/securities and to identify the net assets/liabilities of BRH and BRHCPL and submit the report to SEBI within 90 days.
10. NSE submitted the FAR in the matter to SEBI on March 03, 2020 (**Annexure A**). The period of audit was April 01, 2016 to September 30, 2019. Some data sets in the audit were extracted and analysed for period beyond September 30, 2019.
11. SEBI along with BSE, NSE, CDSL and NSDL had also conducted inspection of the books of accounts and other records of BRH during October 01-05, 2018 for the period April 01, 2017 to July 25, 2018. (**Inspection Report at Annexure B**)





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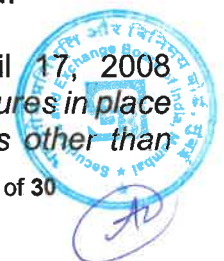
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12. Further, SEBI along with MCX and NCDEX also conducted inspection of the books of accounts and other records of BRHCPL during November 26-28, 2018 for the period April 01, 2017 to October 30, 2018. (**Inspection Report at Annexure C**)

13. The allegations based on the findings of these reports are as under:

a. Misutilisation of clients' securities

- i. To prevent the misuse of clients' securities by the stock broker, Clause 2 of SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 provides that *"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."*
- ii. Also, SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, on enhanced supervision provides for uploading of clients' fund balance and securities balance by the Stock Brokers on Stock Exchange system. The Circular also provides that *"Transfer of securities between "Name of the Stock Broker - Client Account" and individual client's BO account, "Name of the Stock Broker – Pool Account" and "Name of the Stock Broker – Collateral Account" is permitted. Transfer of securities between "Name of the Stock Broker - Client Account" to "Name of the Stock Broker - Proprietary Account" is permitted only for legitimate purposes such as, implementation of any Government/Regulatory directions or orders, in case of erroneous transfers pertaining to client's securities, for meeting legitimate dues of the stock broker, etc. For such transfer of securities, stock broker shall maintain a stock transfer register clearly indicating the day-wise details of securities transferred."*
- iii. SEBI Circular No. MRD/DOP/SE/Cir-11/2008 dated April 17, 2008 provides *"Brokers should have adequate systems and procedures in place to ensure that client collateral is not used for any purposes other than*





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meeting the respective client's margin requirements / pay-ins. Brokers should also maintain records to ensure proper audit trail of use of client collateral."

- iv. Clause 2(B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011 provides for the guidelines related to uploading of mobile number and e-mail address by stock brokers. As per the said clause,
- "i. Stock exchanges shall provide a platform to stock brokers to upload the details of their clients, preferably, in sync with the UCC updation module.*
 - ii. Stock brokers shall upload the details of clients, such as, name, mobile number, address for correspondence and E-mail address.*
 - iii. Stock brokers shall ensure that the mobile numbers/E-mail addresses of their employees/sub-brokers/remisiers/authorized persons are not uploaded on behalf of clients.*
 - iv. Stock Brokers shall ensure that separate mobile number/E-mail address is uploaded for each client. However, under exceptional circumstances, the stock broker may, at the specific written request of a client, upload the same mobile number/E-mail address for more than one client provided such clients belong to one family. 'Family' for this purpose would mean self, spouse, dependent children and dependent parents."*
- v. SEBI Circular CIR/MRD/DMS/13/2010 dated April 23, 2010 provides for the detailed guidelines for execution of Power of Attorney by Clients favouring Stock Brokers / Stock Broker and Depository Participants.
- vi. Regulation 37 of SEBI (Depositories and Participants) Regulations, 2018 provides that a Depository Participant shall at all times abide by the Code of Conduct as specified in Part A of Third Schedule. Clause 3 of Part-A of Third Schedule provides that a Depository Participant shall maintain high standards of integrity in all its dealings with its clients and other intermediaries, in the conduct of its business.
- vii. **Pledging of clients' securities by BRH and BRHCPL**
- a) Based on the pledge information of BRH, there was a substantial increase in pledge from Rs. 169 crore in quarter end (QE) June 2018 to Rs. 448 crore as on quarter end (QE) December 2018. The debtors balance was Rs. 156 crore in QE December 2018 and BRH did not have any investment as on December 31, 2018 indicating that securities pledged as at QE December 2018 were more than client's





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indebtedness to BRH amounting to Rs. 292 crore (Rs. 448 crore – Rs. 156 crore).

- b) For sample two dates (28 September 2018 and 30 September 2019), it was observed that securities of clients having credit balance were also pledged:
- As on 28 September 2018, there were 9,493 clients that had credit balance totaling to approximately Rs.45 crore and whose securities were pledged.
 - As on 28 September 2018, BRH pledged approximately Rs.130 crore which was more than the client indebtedness amounting to approximately Rs.35 crore (5,965 debit balance clients).
 - As on 30 September 2019, there were 7,451 Clients that had credit balance totaling to approximately Rs. 107 crore and whose securities were pledged.
 - As on 30 September 2019, BRH pledged approximately Rs.68 crore which was more than the client indebtedness amounting to approximately Rs.7 crore (2,819 debit balance clients)
- c) As on September 30, 2019, there was a shortfall (i.e. holding as per back office system of BRH was higher than actual holding as per CDSL and NSDL statements) in client securities for 649 scrips (total quantity of 0.63 crore) valued at approx. Rs. 139 crore. Scrips were also noted for which holding as per back office system was lower than actual holding as per DP statements. The excess was pertaining to 612 scrips having quantity in excess by 0.46 crore and valued at Rs. 1.67 crore. The net shortfall in client securities as per BRH DP statements was approx. Rs. 137 crore.
- d) In certain instances, clients' securities were actually transferred from clients' demat accounts to demat account of BRH and those securities were ultimately transferred to BRHCPL for pledging. Such clients, whose securities had been thus pledged, were either not a client of commodity segment or not traded in commodity segment during the pledging period.
- e) The detailed findings in this regard are given in Para 6.1 and Para 6.4 of FAR and Para 4.1.2 of Inspection Reports of BRH and BRHCPL.



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viii. Diversion of funds by BRH and BRHCPL through loan against securities (LAS) of the clients

- a) Based on securities pledged data received from CDSL through NSE, it was observed that BRH had pledged client securities with six institutions for availing the LAS facility. Based on the review of LAS statements made available (LAS statements were not received from three out of six banks/NBFCs), it was noted that total LAS disbursement of Rs.513 crore was made to BRH during the period April 01, 2016 till September 30, 2019.
- b) On analysis of utilization of funds raised through LAS from JM Financial Products Limited, Axis Bank Limited and Bajaj Finance Limited, it was observed that in 23 receipts by BRH totalling to Rs. 150.13 crore, LAS funds were transferred to seven related parties of BRH as shown below:
- Rs. 80.61 crore (54%) to Polo-Setco Tie Up Private Limited (Polo)
 - Rs. 50.67 crore (34%) to Parton Commercial Private Limited (Parton)
 - Rs. 8 crore (5%) to Agarwallas (Subodh Agarwalla, Subhas Chandra Agarwalla and Prahlad Rai Agarwalla)
 - Rs. 5 crore (3%) to Prosperous Vyapaar Private Limited (Prosperous)
 - Rs. 4 crore (3%) to BRH Stainless Limited
 - Rs. 1.80 crore (1%) to AB Investments
 - Rs. 0.05 crore to East West Infra Projects Private Limited
- c) From the analysis, it was further observed that the funds were being initially transferred from BRH bank account to multiple bank accounts of BRHCPL before being transferred to the related entities.
- d) The detailed findings in this regard are given in Para 6.2 and Para 6.3 of FAR.

ix. Discrepancies in Email ids and Mobile numbers data of clients

- a) As per the inspection report of BRH, it was observed that single email id/mobile number were mapped to multiple clients, mobile number of clients were not uploaded in UCC, mismatches in Email ID/ mobile number/ PAN uploaded to exchange and as per back office records.





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- i. 5558 instances of mobile number not uploaded in UCC.
 - ii. Single Email ID mapped to multiple clients - 470 Email IDs mapped to 1155 clients.
 - iii. Single mobile number mapped to multiple clients – 569 mobile numbers mapped to 1373 clients.
 - iv. 7654 instances of mismatches in Email ID/ mobile number/ PAN uploaded to exchange and as per back office records.
 - v. Since single email id mapped to multiple clients / no email ID mapped to clients, contract notes deemed not been issued to ultimate client in 424 instances.
- b) As per the inspection report of BRHCPL, it was observed that in multiple instances single email id & single mobile no. updated for clients were uploaded for multiple clients.
- i. Single Email ID mapped to multiple clients – 2353 Email IDs mapped to 12818 clients.
 - ii. Single mobile number mapped to multiple clients – 4059 mobile numbers mapped to 9842 clients.
- c) Such large number of discrepancies in email ids and mobile numbers data of clients indicates that this method has been used for misuse of funds/securities of clients by BRH / BRHCPL.
- d) The detailed findings in this regard are given in Para 4.5.4 of Inspection report of BRH and Para 4.4.5 of Inspection Report of BRHCPL.
- x. Misuse of Power of Attorney (POA) as DP by BRH**
- a) It was also observed that out of sample of 50 clients, DP was unable to furnish POA documents for 48 clients. It was observed that without any information about linking of POA to the clients or from the client, DP has mapped such POA to debit the shares from Clients' accounts for pledging purpose. DP has also not served any notice/ information to 26,373 clients to revoke POA.





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- b) Such discrepancies in POA indicates that POAs have been used as a method for misuse of funds/securities of clients by BRH / BRHCPL.
- c) The detailed findings in this regard are given in Para 3 of Inspection report (Depository Operations) of BRH.

Thus, it is alleged that BRH and BRHCPL has pledged securities of credit balance clients and of debit balance clients beyond their indebtedness, BRH had a net shortfall in client securities amounting to Rs. 137 crore as on September 30, 2019, BRH and BRHCPL diverted funds raised through loan against client securities, discrepancies in email ids and mobile numbers data of clients of BRH and BRHCPL and misuse of power of attorney by BRH have enabled BRH and BRHCPL in misutilisation of clients' funds and securities.

In view of the above, it is alleged that BRH and BRHCPL have misappropriated client securities and diverted funds raised through such misappropriation and thus violated SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993, SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, SEBI Circular No. MRD/DOP/SE/Cir-11/2008 dated 17 April 2008, Clause 2(B) of SEBI Circular CIR/MIRSD/15/2011 dated August 02, 2011, SEBI Circular CIR/MRD/DMS/13/2010 dated April 23, 2010 and Regulation 37 read with clause 3 of Part-A of Code of Conduct for Participants as specified under Third Schedule of SEBI (Depositories and Participants) Regulations, 2018.

b. Misutilisation of clients' funds by BRH

- i. To prevent the misuse of clients' funds by the stock broker, Clause 1 of SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 provides that "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.*





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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."





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- ii. Also, SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, on enhanced supervision provides for uploading of clients' fund balance and securities balance by the Stock Brokers on Stock Exchange system. The Circular also provides that "Transfer of funds between "Name of Stock Broker -Client Account" and "Name of Stock Broker -Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stock Broker -Client Account" to "Name of Stock Broker -Proprietary Account" is permitted only for legitimate purposes, such as, recovery of brokerage, statutory dues, funds shortfall of debit balance clients which has been met by the stock broker, etc. For such transfer of funds, stock broker shall maintain daily reconciliation statement clearly indicating the amount of funds transferred."
- iii. As per the inspection report of BRH, on 37 out of 38 sample instances, funds of credit balance clients were misutilized for meeting the obligations of debit balance clients and/or for its own purpose. The amount of misutilization ranges from Rs. 1.45 crore to Rs. 8.00 crore.

Date	Total (client bank balance + settlement a/c balance	Aggregate value of collaterals (cash/FD/(BG/2)) (Rs.)	Aggregate value of credit balance of all clients (as per trial balance after adjustments) (Rs.)	A+B-C
	[A]	[B]	[C]	[G]
01.02.2018	3,21,10,105	38,26,00,928	49,47,08,672	-7,99,97,640
02.02.2018	31,99,41,111	38,26,00,928	78,25,39,379	-7,99,97,340
05.02.2018	2,10,67,257	38,26,00,928	48,36,65,480	-7,99,97,295
06.02.2018	2,70,94,985	38,26,00,928	48,96,93,130	-7,99,97,217
07.02.2018	2,71,49,798	38,26,00,928	48,97,47,445	-7,99,96,719
08.02.2018	2,41,79,213	38,26,00,928	48,67,76,765	-7,99,96,625
09.02.2018	4,95,85,903	38,26,00,928	51,21,83,427	-7,99,96,596
12.02.2018	5,27,29,961	38,26,00,928	51,53,27,201	-7,99,96,313
14.02.2018	1,28,36,442	38,26,00,928	47,54,33,662	-7,99,96,292
15.02.2018	1,72,66,727	38,26,00,928	47,98,63,520	-7,99,95,865
16.02.2018	1,53,07,478	51,76,00,928	61,29,03,942	-7,99,95,537
19.02.2018	1,10,86,268	53,76,00,928	62,86,82,731	-7,99,95,536
20.02.2018	1,19,31,290	53,76,00,928	62,95,26,784	-7,99,94,566
21.02.2018	1,68,10,735	38,26,00,928	47,94,06,227	-7,99,94,565
22.02.2018	1,68,60,421	38,26,00,928	47,94,55,058	-7,99,93,710
23.02.2018	2,07,67,435	38,26,00,928	48,33,61,975	-7,99,93,613
26.02.2018	2,94,19,501	51,76,00,928	62,70,13,232	-7,99,92,804



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27.02.2018	4,57,20,622	51,76,00,928	64,33,14,104	-7,99,92,555
28.02.2018	47,11,36,837	38,26,00,928	86,82,44,994	-1,45,07,229
01.03.2018	1,95,00,669	38,26,00,928	48,20,92,740	-7,99,91,144
05.03.2018	82,92,573	38,26,00,928	47,08,84,543	-7,99,91,042
06.03.2018	1,00,71,986	38,26,00,928	47,26,63,011	-7,99,90,098
07.03.2018	2,03,01,215	38,26,00,928	48,28,91,812	-7,99,89,670
08.03.2018	2,43,98,172	38,26,00,928	48,69,87,262	-7,99,88,163
09.03.2018	1,60,27,216	38,26,00,928	47,86,16,092	-7,99,87,949
12.03.2018	2,70,50,502	38,26,00,928	48,96,38,454	-7,99,87,025
13.03.2018	2,90,81,388	38,26,00,928	49,16,69,278	-7,99,86,962
14.03.2018	1,91,48,959	38,26,00,928	48,17,36,697	-7,99,86,810
15.03.2018	1,41,86,187	38,26,00,928	47,67,73,804	-7,99,86,690
16.03.2018	2,34,02,281	49,61,00,928	59,94,89,624	-7,99,86,415
19.03.2018	1,10,18,729	50,61,00,928	59,71,06,048	-7,99,86,391
20.03.2018	1,52,06,850	38,26,00,928	47,77,92,655	-7,99,84,878
21.03.2018	1,36,03,505	38,26,00,928	47,61,88,606	-7,99,84,173
22.03.2018	1,16,17,665	39,26,00,928	48,42,00,873	-7,99,82,280
23.03.2018	91,51,258	43,26,00,928	52,17,33,677	-7,99,81,491
26.03.2018	1,49,26,473	42,26,00,928	51,75,06,751	-7,99,79,350
27.03.2018	2,01,90,039	39,26,00,928	49,27,68,574	-7,99,77,607
28.03.2018	39,95,94,303	44,82,00,928	72,41,58,928	12,36,36,303

iv. The detailed findings in this regard are given in Para 4.1.1 of Inspection report of BRH.

c. Misutilisation of clients' funds by BRHCPL

- i. As per the inspection report of BRH, on 20 out of 20 sample instances, funds of credit balance clients were misutilized for meeting the obligations of debit balance clients and/or for its own purpose. The amount of misutilization ranges from Rs. 4.42 crore to Rs. 7.30 crore.

Date	Total (client bank balance + settlement a/c balance)	Aggregate value of collaterals (cash/FD/(BG/2)) (Rs.)	Aggregate value of credit balance of all clients (as per trial balance after adjustments) (Rs.)	A+B-C
	[A]	[B]	[C]	[G]
16-08-17	2053911.66	88431591.59	163284524.44	-72799021.19
04-09-17	2312918.53	88431591.59	163729501.45	-72984991.33
18-04-17	2572072.16	88321591.59	142540078.22	-51646414.47





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15-05-17	3463280.55	88321591.59	141541706.95	-49756834.81
13-06-17	3553883.22	88321591.59	136085324.21	-44209849.40
07-07-17	8240858.10	98321591.59	155569627.57	-49007177.88
18-07-17	1280027.86	88431591.59	160792641.04	-71081021.59
19-07-17	2417987.63	88431591.59	161797298.11	-70947718.89
10-08-17	3040163.38	88431591.59	161831051.10	-70359296.13
31-08-17	144261234.8	88431591.59	296317648.33	-63624821.92
29-08-17	4384708.75	88181591.59	156042471.89	-63476171.54
08-08-17	3576515.34	88431591.59	157497530.34	-65489423.41
11-07-17	4359814.84	135431591.59	193589037.40	-53797630.97
27-07-17	3148261.03	87581591.59	162145060.19	-71415207.57
18-08-17	3800993.52	84081591.59	153526199.33	-65643614.22
23-08-17	1704768.21	85681591.59	152317815.90	-64931456.10
12-07-17	4074234.59	98431591.59	156331937.14	-53826110.96
14-07-17	981321.92	88431591.59	158584249.23	-69171335.72
11-08-17	2131102.45	88431591.59	156690878.20	-66128184.16
04-08-17	3399276.13	88431591.59	159746921.10	-67916053.38

- ii. The detailed findings in this regard are given in Para 4.1.1 of Inspection report of BRHCPL.

Thus, it is alleged that BRH has misutilized funds of credit balance clients on 37 days with amount of misutilisation ranging from Rs. 1.45 crore to Rs. 8.00 crore and BRHCPL has misutilized funds of credit balance clients on 20 days with amount of misutilisation ranging from Rs. 4.42 crore to Rs. 7.30 crore.

In view of the above, it is alleged that BRH and BRHCPL have misappropriated client funds and thus violated SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

d. Misuse and diversion of client securities and funds by BRH through Related Parties

- i. To prevent the misuse of clients' funds by the stock broker, Clause 1 of SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 provides that *"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*





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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;





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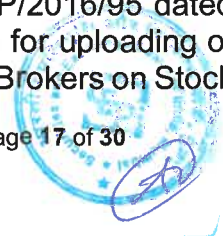
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ii. such money belonging to the Member as may have been paid into the client account under para 1 C [ii] or 1 C [iv] given above;

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."

- ii. Also, SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, on enhanced supervision provides for uploading of clients' fund balance and securities balance by the Stock Brokers on Stock Exchange system. The Circular also provides that "Transfer of funds between "Name of Stock Broker -Client Account" and "Name of Stock Broker -Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stock Broker -Client Account" to "Name of Stock Broker -Proprietary Account" is permitted only for legitimate purposes, such as, recovery of brokerage, statutory dues, funds shortfall of debit balance clients which has been met by the stock broker, etc. For such transfer of funds, stock broker shall maintain daily reconciliation statement clearly indicating the amount of funds transferred."
- iii. To prevent the misuse of clients' securities by the stock broker, Clause 2 of SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 provides that "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:-
- f. Securities received for sale or kept pending delivery in the market;
 - g. Securities fully paid for, pending delivery to clients;
 - h. Securities received for transfer or sent for transfer by the Member, in the name of client or his nominee(s);
 - i. 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;
 - j. Fully paid for client's securities registered in the name of Member, if any, towards margin requirements etc."
- iv. Also, SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, on enhanced supervision provides for uploading of clients' fund balance and securities balance by the Stock Brokers on Stock





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Exchange system. The Circular also provides that "Transfer of securities between "Name of the Stock Broker - Client Account" and individual client's BO account, "Name of the Stock Broker – Pool Account" and "Name of the Stock Broker – Collateral Account" is permitted. Transfer of securities between "Name of the Stock Broker - Client Account" to "Name of the Stock Broker - Proprietary Account" is permitted only for legitimate purposes such as, implementation of any Government/Regulatory directions or orders, in case of erroneous transfers pertaining to client's securities, for meeting legitimate dues of the stock broker, etc. For such transfer of securities, stock broker shall maintain a stock transfer register clearly indicating the day-wise details of securities transferred."

- v. Complaints were received alleging that Anubhav Bhatte, director of BRH had siphoned off funds from BRH to related parties. Based on the observations of forensic report and replies obtained from the related parties, NSE submitted their analysis and observations vide emails dated December 31, 2020 and January 01, 2021 (**Annexure D**). The summary of observations made by NSE is as follows:
- a) **AB Investments** – AB Investments is registered as a client of BRH. As per the transactions made by AB Investments on exchange platform, an amount of Rs. 2.90 crore is payable to AB Investments, however, as per audit report, net outflow of funds amounting to Rs. 5.48 crore from BRH to AB Investments was observed. Thus, it is observed that excess amount of Rs. 2.58 crore has been transferred to AB Investments by BRH.
- b) **Polo Setco Tie Up Pvt. Ltd ('Polo')** – Polo is registered as a client of BRH. During the inspection conducted by NSE, it was observed that securities of other clients worth Rs. 31.10 crore were misappropriated through Polo. The same was also mentioned in SEBI order dated October 07, 2019. Further, Polo had a loss of approx. Rs. 17 crore in F&O segment during the period of forensic audit. Despite losses in F&O segment, net outflow of funds amounting to Rs. 150.54 crore (including funds amounting to Rs. 80.61 crore from LAS account) from BRH to Polo was observed by the forensic auditor.
- c) **Prosperous Vyapaar Pvt Ltd ('Prosperous')** – Prosperous is registered as a client of BRH. It was observed that securities worth Rs.105.69 crore were sold in the account of Prosperous. Since, BRH has not reported any securities in the account of Prosperous (except for one ISIN in the month of August 2018, which was sold subsequently





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in the month of September 2018) hence, it can be construed that securities of other clients were sold.

As per the holding reported by the Forensic auditor as on September 30, 2019, securities amounting to Rs.8.31 crore are payable to Prosperous. During the audit period, F&O loss amounting to Rs.0.60 crore was observed in the account of Prosperous. Despite losses in F&O, there has been an outflow of funds from BRH to Prosperous amounting to Rs. 20.14 crore (including funds amounting to Rs. 5 crore from LAS account).

- d) **Bluesnow Suppliers Private Limited ('Bluesnow')** - Bluesnow is not a client of BRH. Bluesnow has received a total amount of Rs. 5.27 crore as license fees from BRH. However, Forensic auditor has pointed out total outflow of funds amounting to Rs. 6.95 crore from BRH to Bluesnow. Thus, a difference in amount of Rs.1.68 crore was observed in the total amount credited to Bluesnow.

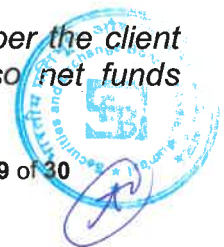
- vi. From the aforesaid observations made by NSE, it is seen that there has been net outflow of funds by BRH to AB Investments, Polo, Prosperous and Bluesnow beyond their individual obligations indicating misuse and diversion of client securities and funds by BRH through these related entities.

Thus, it is alleged that clients' funds and securities have been misappropriated by BRH through its related parties namely. AB Investments, Polo Setco Tie Up Pvt. Ltd, Prosperous Vyapaar Pvt Ltd and Bluesnow Suppliers Private Limited.

In view of the above, it is alleged that BRH has misappropriated client funds and securities through its related parties and thus violated SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

e. Wrong/Non-submission of data by BRH and BRHCPL

- i. SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, on enhanced supervision provides that *"The Stock Exchanges shall put in place a mechanism and ensure that stock brokers upload the following data on a monthly basis for every client onto each Stock Exchange system where the broker is a member*
7.1.1. *Exchange-wise end of day fund balance as per the client ledger, consolidated across all segments and also net funds*





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payable or receivable by the broker to/from the client across all Exchanges

7.1.2. End of day securities balances (as on last trading day of the month) consolidated ISIN wise (i.e., total number of ISINs and number of securities across all ISINs)

7.1.3. For every client, number of securities pledged, if any, and the funds raised from the pledging of such securities

7.1.4. The data at Para 7.1.1, 7.1.2 and 7.1.3 pertains to the last trading day of the month. The stock broker shall submit the aforesaid data within seven days of the last trading day of the month."

- ii. Also, Clause 2 of Annexure to SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 provides that stock brokers shall inform the stock exchanges of existing and new bank and demat accounts in the specified format.
- iii. SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 also provides that stock brokers shall submit half yearly Risk Based Supervision data within the time specified by the stock exchange.
- iv. Clause 9.1 of SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 provides that *"the stock brokers shall provide Permanent Account Numbers of all their Directors, Key Management Personnel and dealers to the Stock Exchanges within three months from the date of this circular. Any change in the aforesaid details/information shall be intimated to the Stock Exchanges within seven days of such change."*
- v. Clause 3.2 of Annexure of SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 provides that *"Stock brokers shall submit the following data as on last trading day of every week to the Stock Exchanges on or before the next trading day:*
 - A - Aggregate of fund balances available in all Client Bank Accounts including the Settlement Account, maintained by the stock broker across stock exchanges*
 - B - Aggregate value of collateral deposited with clearing corporations and/or clearing member (in cases where the trades are settled through clearing member) in form of Cash and Cash Equivalents (Fixed deposit (FD), Bank guarantee (BG), etc.) (across Stock Exchanges)*
 - Only funded portion of the BG, i.e. the amount deposited by stock*





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broker with the bank to obtain the BG, shall be considered as part of B.

C - Aggregate value of Credit Balances of all clients as obtained from trial balance across Stock Exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligations)

D - Aggregate value of Debit Balances of all clients as obtained from trial balance across Stock Exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients, uncleared cheques issued to clients and the margin obligations)

E - Aggregate value of proprietary non-cash collaterals i.e. securities which have been deposited with the clearing corporations and/or clearing member (across Stock Exchanges)

F - Aggregate value of Non-funded part of the BG across Stock Exchanges

P-Aggregate value of Proprietary Margin Obligation across Stock Exchanges

MC - Aggregate value of Margin utilized for positions of Credit Balance Clients across Stock Exchanges

MF - Aggregate value of Unutilized collateral lying with the clearing corporations and/or clearing member across Stock Exchanges"

- vi. As on September 30, 2019, as per CDSL data, total pledge of BRH amounted to approximately Rs.175 crore whereas as per BRH's submission to NSE, it amounted to Rs. 246 crore.
- vii. The detailed findings in this regard are given in Para 6.1 of FAR.
- viii. As on September 30, 2019, the value of securities as per the back office statement of holding was Rs.320 crore (25,631 Clients holding 2,653 scrips) whereas in the submission made to NSE, the value of securities amounted to Rs.278 crore (28,666 Clients holding 2,661 scrips).
- ix. The detailed findings in this regard are given in Para 6.4 of FAR.
- x. Incorrect client balances submitted to NSE as on September 30, 2019:

Particulars	As per back office	As per BRH submission to NSE
Total Client Count	1,22,935	2,30,511
Client having credit balances (payable to Clients)	Rs.205 crore	Rs.152 crore
Client having debit balances (receivable from Clients)	Rs.88 crore	Rs.73 crore





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- xi. The detailed findings in this regard are given in Para 6.4 of FAR.
- xii. On verification of list of DP accounts reported by BRH to the exchange as on November 05, 2019 with the back office master data, it was observed that BRH had not reported 6 DP accounts to the exchanges.

DP Id	Active date	Closed date	Ben Account Type
1204630000000032	09-09-2006	NA	CM Principal
1204630000000047	09-09-2006	NA	CM Pool
2204630000000090	11-11-2008	NA	POA
2204630000000107	10-08-2011	NA	POA
1204630000739121	15-06-2011	08-08-2018	Regular BO
1204630000739153	15-06-2011	08-08-2018	Regular BO

- xiii. The detailed findings in this regard are given in Para 6.6 of FAR.
- xiv. 25 bank accounts of BRH and 11 bank accounts of BRHCPL were not reported by BRH and BRHCPL to the exchanges.

Sr No	Account Number	Bank Name	Customer Name
1	00080130000483	HDFC Bank	BMA Wealth Creators Ltd
2	00080340021447	HDFC Bank	BMA Wealth Creators Ltd-BSE Client A/C
3	00080340042644	HDFC Bank	BMA Wealth Creators Ltd
4	00080340045019	HDFC Bank	BMA Wealth Creators Ltd - PMS - Wealth Prudent
5	00080340045043	HDFC Bank	BMA Wealth Creators Ltd Pms Maximus
6	00080340047696	HDFC Bank	BMA Wealth Creators Ltd
7	00080340051166	HDFC Bank	BMA Wealth Creators Ltd
8	319010200001458	Axis Bank Ltd	BMA Wealth Creators Ltd. Self A/C
9	57500000031362	HDFC Bank	BMA Wealth Creators Ltd - S.A A/C
10	57500000043213	HDFC Bank	BRH Wealth Kreators Ltd
11	912020004827218	Axis Bank Ltd	BRH Wealth Kreators Ltd
12	912020024625623	Axis Bank Ltd	BRH Wealth Kreators Ltd-NSE Client Account
13	912020025293207	Axis Bank Ltd	BRH Wealth Kreators Ltd-F & O Client Account
14	912030020538308	Axis Bank Ltd	BRH Wealth Kreators Ltd
15	913020020740776	Axis Bank Ltd	BRH Wealth Kreators Ltd
16	917040021535832	Axis Bank Ltd	BMA Wealth Creators Ltd
17	917040021538297	Axis Bank Ltd	BMA Wealth Creators Ltd
18	917040021538912	Axis Bank Ltd	BMA Wealth Creators Ltd





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19	917040021878582	Axis Bank Ltd	BMA Wealth Creators Ltd
20	917040021880145	Axis Bank Ltd	BMA Wealth Creators Ltd
21	917040021881575	Axis Bank Ltd	BMA Wealth Creators Ltd
22	917040022476264	Axis Bank Ltd	BMA Wealth Creators Ltd
23	917040022478613	Axis Bank Ltd	BMA Wealth Creators Ltd
24	917040022480056	Axis Bank Ltd	BMA Wealth Creators Ltd
25	990620005727	HDFC Bank	BMA Wealth Creators Ltd
26	00080340045979	HDFC Bank	BMA Commodities Pvt Ltd
27	00080340057055	HDFC Bank	BMA Commodities Pvt Ltd
28	00140340004370	HDFC Bank	BMA Commodities (P) Ltd - MCX Client A/C
29	00140340004387	HDFC Bank	BMA Commodities P Ltd - Self A/C
30	142000018559	HDFC Bank	BMA Commodities Pvt Ltd
31	912020006190196	Axis Bank Ltd	BMA Commodities Private Limited
32	990680005055	HDFC Bank	BMA Commodities (P) Ltd - MCX Sett A/C
33	00140340004360	HDFC Bank	BMA Commodities Pvt. Ltd-Client A/C
34	912020023508550	Axis Bank	BMA Commodities Pvt. Ltd-Settlement A/C
35	912020046147372	Axis Bank	BMA Commodities Pvt Ltd-Exchange Dues A/C
36	00990690006560	HDFC Bank	BMA Commodities Pvt Ltd-Exchange Dues A/C

- xv. The detailed findings in this regard are given in Para 6.6 of FAR and 4.6 of Inspection Report of BRHCPL.
- xvi. It was observed during the inspection that BRH has not complied with RBS requirements reported to the Exchange for the year 2017-18.

Particular	As per Member Submission			As per Details provided by the Member			Difference
	NSE	BSE	Total	NSE	BSE	Total	
Total no. of Branches	507	332	839	359	228	587	252
Number of Branches Inspected by Member during the FY 2017-18	302	302	604	230	203	433	171
Number of APs Inspected by Member during the FY 2017-18	333	27	360	177	20	197	163
Number of Sub-brokers Inspected by Member during the FY 2017-18	7	1	8	4	1	5	3
Number of branches with voice recording facility	106	106	212	46	80	126	86
Total amount of delayed payment charges collected from the clients (in Rs.)	22,89,08,306.00			31,45,34,508.00			8,56,26,202.00





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- xvii. The detailed findings in this regard are given in Para 4.4 of Inspection Report of BRH.
- xviii. It is observed that BRHCPL has not reported the PAN and other required information of following Director and Key Managerial Personnel under enhanced supervision submission to the exchange:

Sr. No	Name	Designation
1	Mrugesh Bhaskarbhai Devashrayi	Additional Director
2	Sushanta Chakraborty	Compliance Officer

- xix. It is also observed from the submissions made by BRHCPL on 11 instances, that "G" is negative and thus, the broker has been making incorrect submission to exchanges for the said dates.
- xx. The detailed findings with regard to (xviii) and (xix) above are given in Para 4.6 of Inspection Report of BRHCPL.

Thus, it is alleged that BRH and BRHCPL has wrongly reported or not reported pledge data, funds and securities balance of clients, details of bank and demat accounts, PAN of directors and Key Managerial Personnel and weekly enhanced supervision data.

In view of the above, it is alleged that BRH and BRHCPL has mis-reported/non-reported data under enhanced supervision and thus violated SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

f. Non-cooperation by BRH:

- i. Regulation 21 of the SEBI (Stock Brokers) Regulations, 1992 provides for following obligations of stock broker on inspection by the Board:
- "(1) It shall be the duty of every director, proprietor, partner, officer and employee of the stock-broker, who is being inspected, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with the statements and information relating to the transactions in securities market within such time as the said officer may require.*
- (2) The stock-broker shall allow the inspecting authority to have reasonable access to the premises occupied by such stock-broker or by any other person on his behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the stock-broker or any other person and also*



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provide copies of documents or other materials which, in the opinion of the inspecting authority are relevant.

(3) The inspecting authority, in the course of inspection, shall be entitled to examine or record statements of any member, director, partner, proprietor and employee of the stock-broker.

(4) It shall be the duty of every director, proprietor, partner, officer and employee of the stock broker to give to the inspecting authority all assistance in connection with the inspection, which the stock broker may reasonably be expected to give."

- ii. Also, Regulation 24 of the SEBI (Stock Brokers) Regulations, 1992 provides that "Board may appoint a qualified auditor to investigate into the books of account or the affairs of the stock – broker:
Provided that, the auditor so appointed shall have the same powers of the inspecting authority as mentioned in regulation 19 and the obligations of the stockbroker in regulation 21 shall be applicable to the investigation under this regulation."
- iii. As per the FAR, forensic auditor had requested for the data / information during review from November 06, 2019 to December 24, 2019 along with the access to the employees/directors for obtaining the necessary information / clarification. However, following information was not provided after repeated follow-ups:
- a) Audited financials with groupings for the FY ending 2017, 2018, 2019 and unaudited financials with groupings as on 30 September 2019.
 - b) List of bank accounts operated by member and corresponding bank statements
 - c) Employee master data
 - d) BRH did not provide access to any of the employees or process owners for walk through of the processes being followed at BRH and BRHCPL for providing any clarifications.
 - e) KYC documents for select Clients
 - f) Loan sanction letters / agreements with various banks for all facilities (LAS, OD, term loans, WC, etc.)
 - g) Financial data for BRHCPL
 - h) Net worth of BRH as on 30 September 2019
 - i) BRH did not provide access to finance and operations personnel during our on-site visit on 6 November 2019 to 9 November 2019. Further, the CEO and key management personnel were not available for discussion. The officials who were available mentioned that they were not aware of the business operations and were not able to provide any understanding on the processes that were followed at BRH.





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- j) BRH has taken significant time to provide the data. BRH was unable to provide support for generating reports through the back office vendors. Subsequently, NSE facilitated access to the auditor to the concerned vendor to understand various database, tables and queries.

- iv. The detailed findings in this regard are given in Para 6.7 of FAR.

Thus, it is alleged that BRH has failed to produce to the inspecting authority such books, accounts and other documents in its custody or control and failed to furnish inspecting authority with the statements and information relating to the transactions in securities market.

In view of the above, it is alleged that BRH has not furnished documents/information to the auditor and thus violated Regulation 21 read with Regulation 24 of the SEBI (Stock Brokers) Regulations, 1992.

g. Non-redressal of grievances of investors by BRH

- i. Regulation 9(e) of SEBI (Stock Brokers) Regulations, 1992 provides that any registration granted by the Board to a stock broker shall be subject to the stock broker taking adequate steps for redressal of grievances of the investors within one month of the date of receipt of the complaint.
- ii. It is observed that BRH has not redressed grievances of investors within one month from date of receipt of the complaint in 19 instances.

Complaint Date	Client Code	Complain Sub Type	Response Date to Client	No. of days
07-May-18	SS659006	Unauthorized trade	-	Date not provided by member
17-Jul-18	13350873	Unauthorized trade	-	Date not provided by member
20-Jul-18	17922177	Service	-	Date not provided by member
13-Jun-18	88380119	Unauthorized trade	17-Aug-18	65
04-Oct-17	33210169	Service	30-Nov-17	57
30-Dec-17	79100035	Unauthorized trade	20-Feb-18	52
19-Jan-18	46003593	Unauthorized trade	12-Mar-18	52
10-Apr-17	20000022	Unauthorized trade	31-May-17	51
24-Jul-18	17920226	Unauthorized trade	13-Sep-18	51
12-Sep-17	SS156061	Unauthorized trade	01-Nov-17	50
23-Jul-18	58500598	DPC	10-Sep-18	49
17-Apr-17	20000689	Unauthorized trade	31-May-17	44
18-May-17	79360269	Unauthorized trade	28-Jun-17	41
22-Apr-17	38720036	Unauthorized trade	31-May-17	39
22-Apr-17	82130008	Unauthorized trade	31-May-17	39





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22-Apr-17	84530082	Unauthorized trade	31-May-17	39
22-Apr-17	60930081	Unauthorized trade	31-May-17	39
22-Jul-18	S9230823	Shares Sold Out Problem	29-Aug-18	38
07-Mar-18	46003976	Unauthorized trade	10-Apr-18	34

- iii. The detailed findings in this regard are given in Para 4.5.3 of Inspection Report of BRH.

Thus, it is alleged that BRH has not redressed 19 investor grievances within one month from date of receipt of the complaint.

In view of the above, it is alleged that BRH has not redressed investor complaints and thus violated Regulation 9(e) of SEBI (Stock Brokers) Regulations, 1992.

h. Register of pledge not maintained and details of pledged shares of clients not provided by BRHCPL

- i. SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, on enhanced supervision provides that *"The Stock Exchanges shall put in place a mechanism and ensure that stock brokers upload the following data on a monthly basis for every client onto each Stock Exchange system where the broker is a member*

7.1.1. Exchange-wise end of day fund balance as per the client ledger, consolidated across all segments and also net funds payable or receivable by the broker to/from the client across all Exchanges

7.1.2. End of day securities balances (as on last trading day of the month) consolidated ISIN wise (i.e., total number of ISINs and number of securities across all ISINs)

7.1.3. For every client, number of securities pledged, if any, and the funds raised from the pledging of such securities

7.1.4. The data at Para 7.1.1, 7.1.2 and 7.1.3 pertains to the last trading day of the month. The stock broker shall submit the aforesaid data within seven days of the last trading day of the month."

- ii. It is observed that as of March 28, 2018, BRHCPL does not have any shares in its DP as per the statements provided, however, BRHCPL has pledged and unpledged many shares during April-17 to September-17 in its DP having client ID 54842194 but has been unable to provide register of pledge and details of clients whose securities has been pledged by them along with purpose of such pledge.





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- iii. The detailed findings in this regard are given in Para 4.1.4 of Inspection Report of BRHCPL.

Thus, it is alleged that BRHCPL has not provided details of pledge of securities of clients.

In view of the above, it is alleged that BRH has not provided details of pledge of clients' securities and thus violated SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

i. Bounce mail notification of Electronic Contract Notes not provided by BRHCPL

- i. Clause 2.4 of SEBI Circular MRD/DoP/SE/Cir-20/2005 dated September 8, 2005 regarding electronic contract notes provides for the "Requirements for acknowledgement, proof of delivery, log report etc.

2.4.1 Acknowledgement

The acknowledgement of the e-mail shall be retained by the member in a soft and non-tamperable form.

2.4.2 Proof of delivery

i. *The proof of delivery i.e., log report generated by the system at the time of sending the contract notes shall be maintained by the member for the specified period under the extant regulations of SEBI/stock exchanges and shall be made available during inspection, audit, etc.*

ii. *The member shall clearly communicate to the client in the agreement executed with the client for this purpose that non-receipt of bounced mail notification by the member shall amount to delivery of the contract note at the e-mail ID of the client.*

2.4.3 Log Report for rejected or bounced mails

i. *The log report shall also provide the details of the contract notes that are not delivered to the client/e-mails rejected or bounced back.*

ii. *Also, the member shall take all possible steps (including settings of mail servers, etc) to ensure receipt of notification of bounced mails by the member at all times within the stipulated time period under the extant regulations of SEBI/stock exchanges."*

- ii. It is observed for the sample examined during the inspection of BRHCPL that no bounce mail notification has been provided for the electronic contract notes sent to clients.





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- iii. The detailed findings in this regard are given in Para 4.4.2 of Inspection Report of BRHCPL.

Thus, it is alleged that BRHCPL has not provided bounce mail notification of electronic contract notes.

In view of the above, it is alleged that BRH has not provided bounce mail notification of electronic contract notes and thus violated SEBI Circular MRD/DoP/SE/Cir-20/2005.

14. In view of the allegations as stated above, BRH is alleged to have violated Section 12A of SEBI Act, 1992 read with Regulation 3(d), 4(1), 4(2)(m) and 4(2)(p) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market), Regulations, 2003.
15. Section 27 of SEBI Act, 1992 provides that "Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly:
Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention."
16. In view of the same, the Noticees, mentioned at Para 6 - BRH and BRHCPL, their directors and related parties are alleged to have engaged/indulged in the misappropriation of client funds and securities and diversion of proceeds from such misappropriation.
17. In view of the above, Noticees are hereby called upon to show cause as to why suitable directions under sections 11(1), 11(4), 11B(1), 11B(2) and 11D of SEBI Act, 1992 read with Section 15HA and Section 27 of SEBI Act, 1992 and Section 12A(1) and 12A(2) of SC(R) Act, 1956 read with Section 23D of SC(R) Act, 1956 should not be issued against them for the violations alleged herein above.
18. This show cause notice has been issued without prejudice to right of SEBI to take any other action as it deems fit in accordance with law.
19. The Noticees are advised to submit a photocopy of their Income Tax Permanent Account Number Card (PAN card), bank account details, demat account details,





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mutual fund investment details, etc. along with details of all other movable and immovable assets including details of encumbrances, if any, created on such assets for SEBI's record.

20. Your reply to the show cause notice, together with supporting documents, if any, that you may choose to rely upon in support of their reply, should reach the undersigned, at the address given below, as well as through email at rachnaa@sebi.gov.in and abhishekk@sebi.gov.in, within 21 days from the date of receipt of this show cause notice, failing which it shall be construed that the Noticees have no reply to submit and the matter shall be proceeded on the basis of the material available on record.

Securities and Exchange Board of India
SEBI Bhavan II,
Plot No. C-7, 'G' Block, Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051

21. If the Noticees are of desirous of a personal hearing before the Whole Time Member, SEBI the same may be intimated accordingly. The Noticees are also advised to keep SEBI informed about the change in the correspondence addresses, if any, and provide updated email-id and phone numbers, till the proceedings are complete. You are also advised to submit a photocopy of your identification documents for our records.
22. You may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If you wish to opt for the settlement process, you may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned.
23. All documents relied upon have been annexed to this show cause notice.


Rachna Anand

Enclosures in CD

- Annexure A : Forensic Audit Report and Annexures
Annexure B : Inspection Report of BRH and Annexures
Annexure C : Inspection Report of BRHCPL and Annexures
Annexure D : NSE emails dated December 31, 2020 and January 01, 2021

