BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. AO/SKS/DL/AO-1/2021]

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995 AND SECTION 23-I OF THE SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH RULE 5 OF THE (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES), RULES, 2005.

In the Matter of:
KASSA FINVEST PRIVATE LIMITED

In Respect of:

S. No.	Noticee Name	PAN
1.	Kassa Finvest Private Limited	AAACK1206B
2.	Mr. Ashok Kumar	AAFPK7362N
3.	Mr. Umashankar Sharan Srivastava	AGKPS7923C
4.	Ms. Anjana Kumar	AHOPK6281C
5.	Mr. Siddharth Shankar	AAMPS8754R
6.	Ms. NItika Shankar	AADPB9990K
7.	Mr. Anil Kumar Dhawan	AGZPD4794P
8.	Mr. Manoj Kumar Agarwal	AAKPA9123E

The aforesaid entities are hereinafter individually referred to by their respective names/notice numbers and collectively as "**the Noticees**"

I. BACKGROUND

1) Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') received several complaints against Kassa Finvest Private Limited (hereinafter referred to as "Kassa Finvest"/ "Noticee No. 1") from its clients during the year 2014. The said complaints inter alia alleged non- receipt/delay in payment of funds and securities of clients from Kassa Finvest and also that Kassa Finvest had raised funds by way of illegally selling the securities of its clients/investors and such funds were purportedly used for meeting the operational expansion of Kassa Finvest and for the economic benefit of its group persons/ entities. Considering the serious prima facie violation of various provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the '**SEBI Act'**), Securities Contracts (Regulation Act), 1956 (hereinafter referred to as '**SCRA**'), Rules and Regulation made and various circulars issued thereunder, an investigation was ordered under Section 11C of the SEBI Act, 1992 vide order dated February 23, 2015.

2) Based on the findings of investigation, *inter alia*, SEBI initiated Adjudication proceedings to inquire and adjudge for alleged violations of various provisions of the **SCRA**', **SEBI Act'**, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, (hereinafter referred to as the '**PFUTP Regulations**') ,SEBI (Portfolio Managers) Regulations, 1993 (hereinafter referred to as **'PM Regulations'**), SEBI Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as **'Broker Regulations'**) and circulars made thereunder against Kassa Finvest, Mr. Ashok Kumar, Director, Mr. Umashankar Sharan Srivastava, Director and Ms. Anjana Kumar (Promoter with 51.56% shareholding), Mr. Siddharth Shankar(son of Mr. Ashok Kumar), Ms. Neetika Shankar (daughter-in-law of Mr. Ashok Kumar), Mr. Anil Kumar Dhawan (employee of the Broker) and Mr. Manoj Kumar Agarwal (Compliance officer of the Broker) (hereinafter individually referred to by their

respective names /notice number and collectively referred to as the "**Noticees**") in the matter of **Kassa Finvest Private Limited.**

II. APPOINTMENT OF ADJUDICATING OFFICER

3) The undersigned was appointed as Adjudicating Officer, vide order of SEBI dated July 24, 2015, as amended by the orders dated January 21, 2016 and April 20, 2016 respectively in terms of Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred as "Adjudication **Rules, 1995** ") and Section 23-I of the SCRA read with Rule 3 of Securities Contract (Regulation) (Procedure of Holding inquiry and imposing penalties) Rules, 2005 (hereinafter referred as "Adjudication **Rules, 2005**") to inquire and adjudge the alleged violations committed by the Noticees.

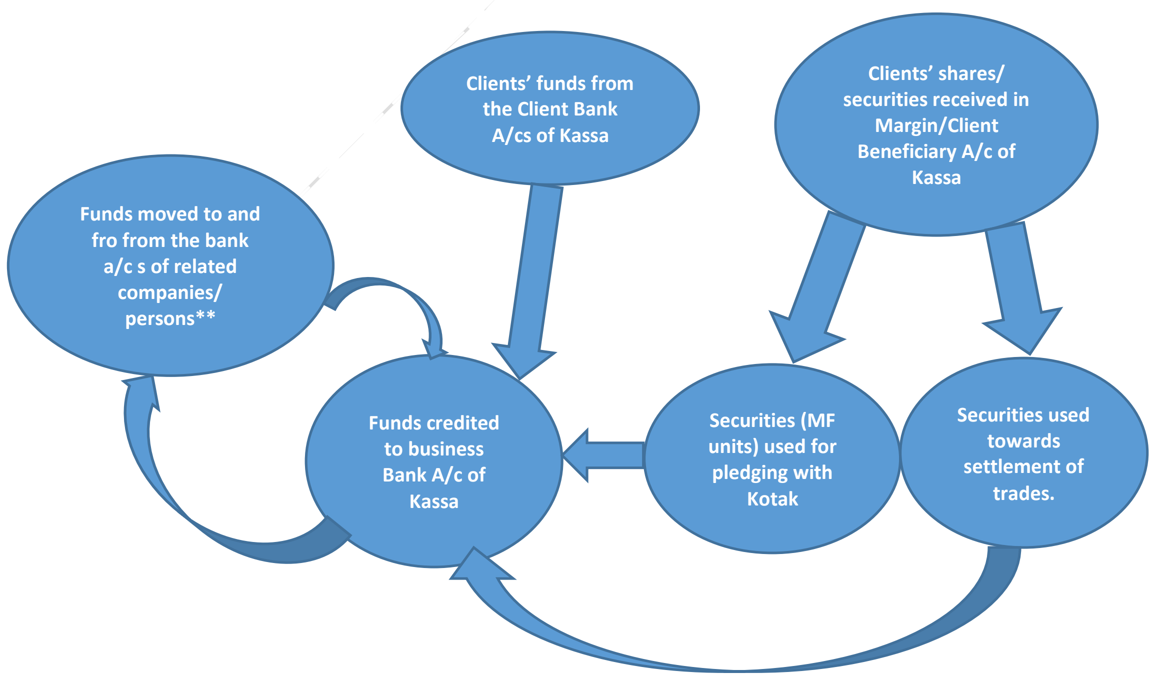
III. SHOW CAUSE NOTICE, WRITTEN SUBMISSIONS, AND PERSONAL HEARING

4) A show cause notice dated November 04, 2016 bearing ref. no. SEBI/NRO/OW/AO/SKS/2047/2016 (hereinafter referred to as **SCN**) was issued to the Noticee No. 1 in terms of Rule 4(1) of the Adjudication Rules, 1995 and Rule 4(1) of the Adjudication Rules, 2005, to show cause as to why adjudication should not be held against them and why penalty under sections 15A (b), 15C, 15F (b), 15HA and 15HB of the SEBI Act, 1992 and Section 23A, 23C, 23D and 23H of the SCRA, 1956 be not imposed on them for the violations alleged and specified in the said SCN. The relevant copies of documents such as fund movements, statements of concerned persons etc. were provided along with the SCN in a compact disc. Similarly, show cause notice dated November 04, 2016 bearing ref. no. SEBI/NRO/OW/AO/SKS/2046/2016 was issued to Noticee No. 2-4 in terms of Rule 4(1) of the Adjudication Rules, 1995 and Rule 4(1) of the Adjudication Rules, 2005, to show cause as to why adjudication should not be held against them and why penalty under sections 15A (b), 15C, 15F (b), 15HA

and 15HB of the SEBI Act, 1992 and Section 23A, 23C, 23D and 23H of the SCRA, 1956 be not imposed on them for the violations alleged and specified in the said SCN. Further, another show cause notice dated November 04, 2016 bearing ref. no. SEBI/NRO/OW/AO/SKS/2040/2016 was issued to Noticee No. 5-8 in terms of Rule 4(1) of the Adjudication Rules, 1995 and Rule 4(1) of the Adjudication Rules, 2005, to show cause as to why adjudication should not be held against them and why penalty under sections 15HA and 15HB of the SEBI Act, 1992 be not imposed on them for the violations alleged and specified in the said SCN. In these SCNs dated November 04, 2016, inadvertently, reference was made to Rule 3 of the Adjudication Rules 1995 and 2005.

5) The allegations made in the SCN is as below:

<u>Modus Operandi adopted by the Noticee-</u> *The pictorial representation of the modus operandi adopted by the Noticee for siphoning of clients' funds/ securities is placed as below:*



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i. Kassa Holdings and Consultants Private Limited
ii. Kassa Financial Advisors Pvt. Ltd.
iii. Mystic Cures Ltd.

iv. *Mr. Siddharth Shankar*
v. *Ms. Neetika Shankar*

The description of the above pictorial representation of the modus operandi is summarised as below:

5.1. The Noticee issued letters to clients promising fixed/ assured returns to its clients in lieu of shares and/or funds (money).

5.2. In case of shares, the rate of interest promised by the Noticee varied from 9%-13% whereas in case of funds the rate of interest promised was in the range of 18-27%.

5.3. The Noticee inter-alia mentioned in the said letters that only the Noticee will execute trades on behalf of clients and the margin money can be used for trading in any segment/ exchange. Aforesaid clause of the letter issued by the Noticee to fixed return clients was not only limited to securities market/ share trading but was also extended to commodities business undertaken by its associate/group company, namely, Kassa Holdings & Consultants Pvt. Ltd.

5.4. Payment towards interest (assured/ fixed return) was made to clients through cheques as per the pre-agreed terms of interest payment (monthly/ quarterly etc).

5.5. The securities of the clients were received/ transferred/ kept in the client beneficiary account with the Stock Holding Corporation of India Limited bearing account number IN301330 - 20743522 in the name of Kassa Finvest Pvt. Ltd. and were sold/ pledged from thereon. The mutual funds units received in this account were used for pledging. From the e-mail dated April 28, 2015 received from Kotak Mahindra Bank, Karol Bagh Branch, it is evident that subsequent to creation of pledge, funds were transferred to bank account number 8111213081 in the name of the Noticee maintained at the said branch.

5.6. The funds/ cheques received from clients in HDFC Client bank account no. 3132740000029 were transferred to other accounts including HDFC Business bank account no.3132740000012.The interest payments to assured return clients was mainly done from HDFC Business bank account no. 3132740000012.

5.7. *From the analysis of bank account statements, it is also observed that the funds had been transferred to different group/ related entities/ person(s).*

5.8. *The securities as and when demanded by the clients were returned either from the client beneficiary account/margin account or after purchasing from the market. (submission of Mr. Ashok Kumar)*

5.9. *Since the income from broking was not substantial, the money/ funds raised by promising fixed/assured return and selling clients' securities were utilised towards the business expenses, payment of salaries, monthly interest payment to assured return clients etc. (submissions of Mr. Vivek Agrawal, Ashok Kumar)*

5.10. *Siphoning off the clients' funds and securities resulted in liquidity problem for the Noticee and it failed to return the funds and securities payable by him to the clients.*

<u>Movement of Funds and Securities</u>

5.11. ***Movement of funds from the Noticee to other group/ associate entities/person(s)*** *–*

From the Table 2 below it is clearly evident that the Noticee indulged in providing funds to the tune of approximately ***Rs. 26.45 crores*** *to group/ associate/related entities/ person(s) namely, Kassa Holdings & Consultants Pvt. Ltd., Kassa Financial Advisors Pvt. Ltd., Mystic Cures Pvt. Ltd., Mr. Ashok Kumar, Mr. Siddharth Shankar and Ms. Neetika Shankar. This includes transfer of funds to family owned entities such as Gugu Trading, GVC Capital, AARB and G&G Impex (companies owned by Ms. Neetika Shankar as admitted by Mr. Siddharth Shankar) and Durgamaya Advisors Pvt. Ltd. and Primavalue Capital Advisors Pvt. Ltd. (companies owned by Mr. Ashok Kumar as admitted by Mr. Siddharth Shankar).*

Given below is the table showing net payments to group/related entity/person of the Noticee for the period 2008 onwards. The detailed transaction wise movement of funds from 2008 onwards. It is therefore evident that the group/ related/ associate entities/person(s) of the Noticee are indirectly involved in arising economic benefits (in terms of loans/ money) from the funds/securities of clients of the Noticee.

Table 2: Movement of funds from the Noticee to other group/ related entities/person(s)

S. No.	Name of group/ related entity/person of the Noticee to whom funds transferred	Business/ Client Bank Account of the Noticee through which funds transferred	Year	Total Payments to related entity(s)/ person(s) (Rs.)	Total Receipts to related entity(s)/ person(s) (Rs.)	Net Payment/ Receipt (Rs.)	Net Total (Rs.)
	(A)	(B)		(C)	(D)	E = (D) -(C)	
				Where Movement is From (B) to (A)	Where Movement is From (A) to (B)		
1	KASSA FINANCIAL ADVISORS	KASSA FINVEST AXIS Client Bank 223010200017028	2013	1,250,000		-1,250,000	-100,460,000
			2011	7,685,000	-	-7,685,000	
			2012	17,315,000	-	-17,315,000	
		KASSA FINVEST CANARA BUSINESS AC - 2577201017174	2013	850,000	-	-850,000	
		KASSA FINVEST INDUSIND Business Bank 200998895217	2014	5,460,000	4,000,000	-1,460,000	
		KASSA FINVEST KOTAK Bank Business 8111216136	2014	2,600,000		-2,600,000	
		KASSA FINVEST KOTAK Bank OD 8111213081	2013	4,675,000		-4,675,000	
		KASSA FIVEST HDFC BUSINESS AC - 03132740000012	2010	50,000		-50,000	
			2011	4,025,000		-4,025,000	
			2012	15,075,000		-15,075,000	
			2013	34,990,000	840,000	-34,150,000	
			2014	12,125,000	800,000	-11,325,000	
2	KASSA HOLDINGS	KASSA FINVEST AXIS Business Bank 9120200495430130	2012	100,000		-100,000	-36,744,000
			2014		2,600,000	2,600,000	
		KASSA FINVEST AXIS Client Bank 223010200017028	2010	3,000,000		-3,000,000	
			2011		2,400,000	2,400,000	
			2012	1,000,000		-1,000,000	
			2013	4,705,000		-4,705,000	
		KASSA FINVEST CANARA BUSINESS AC - 2577201017174	2012	865,000		-865,000	
			2013	1,890,000		-1,890,000	
			2014	3,890,000		-3,890,000	
		KASSA FINVEST HDFC Client Bank 00030340019675	2009		1,200,000	1,200,000	
			2010		600,000	600,000	
			2011	1,260,000	8,300,000	7,040,000	
			2013		4,150,000	4,150,000	
			2014		2,100,000	2,100,000	
			2010		3,600,000	3,600,000	

		KASSA FINVEST INDUSIND Business Bank 200000820286	2011	11,875,000	8,200,000	-3,675,000	
			2012	3,200,000	2,010,000	-1,190,000	
			2013	8,950,000	4,430,000	-4,520,000	
			2014	3,750,000	3,230,000	-520,000	
			2015	100,000	1,600,000	1,500,000	
		KASSA FINVEST INDUSIND Business Bank 200998895217	2013	3,525,000	10,610,000	7,085,000	
			2014	4,965,000	940,000	-4,025,000	
			2015	875,000	300,000	-575,000	
		KASSA FINVEST KOTAK Bank OD 8111213081	2012	1,500,000		-1,500,000	
			2013	4,150,000		-4,150,000	
			2014	1,000,000		-1,000,000	
			2015	350,000		-350,000	
		KASSA FIVEST HDFC BUSINESS AC - 03132740000012	2008	4,400,000		-4,400,000	
			2009		300,000	300,000	
			2010	12,500,000		-12,500,000	
			2011	30,250,000	4,000,000	-26,250,000	
			2012	10,400,000	5,700,000	-4,700,000	
			2013	14,750,000	50,200,000	35,450,000	
			2014	13,855,000	6,050,000	-7,805,000	
			2015	984,000		-984,000	
		KASSA FIVEST HDFC CLIENT AC - 03132740000029	2009	1,550,000		-1,550,000	
			2010	3,000,000		-3,000,000	
			2011	2,650,000	11,000,000	8,350,000	
			2012	5,750,000	700,000	-5,050,000	
			2013	12,425,000	4,500,000	-7,925,000	
			2014	3,000,000	1,000,000	-2,000,000	
3	**ASHOK KUMAR**	KASSA FINVEST CANARA CLIENT AC - 2577201016473	2009	1,000,000		-1,000,000	**-33,522,009**
			2011	1,000,000		-1,000,000	
			2012	5,000,000		-5,000,000	
		KASSA FIVEST HDFC BUSINESS AC - 03132740000012	2008	3,650,000	243,750	-3,406,250	
			2009	2,750,000	35,845	-2,714,155	
			2010	2,463,046	3,500,000	1,036,954	
			2011	9,550,000	1,900,000	-7,650,000	
			2012	3,985,000		-3,985,000	
			2013	2,598,857	1,376,193	-1,222,664	
			2014	7,895,894		-7,895,894	
			2015	495,000		-495,000	
		KASSA FIVEST HDFC CLIENT AC - 03132740000029	2009	190,000		-190,000	
4	**MYSTIC CURES LIMITED**	KASSA FINVEST CANARA BUSINESS AC - 2577201017174	2011	1,500,000		-1,500,000	**-17,440,750**
		KASSA FINVEST HDFC Client Bank 00030340019675	2012	3,600,000		-3,600,000	
			2013	3,695,000		-3,695,000	
		KASSA FINVEST KOTAK Bank OD 8111213081	2014	425,000		-425,000	

		KASSA FIVEST HDFC BUSINESS AC - 03132740000012	2013	8,700,000	1,150,000	-7,550,000	
			2014	765,000	800,000	35,000	
		KASSA FIVEST HDFC CLIENT AC - 03132740000029	2012	1,000,000		-1,000,000	
			2013	500,000		-500,000	
			2014		794,250	794,250	
5	SIDDHARTH SHANKAR	KASSA FINVEST CANARA BUSINESS AC - 2577201017174	2011	1,350,000		-1,350,000	-20,604,330
		KASSA FINVEST INDUSIND Business Bank 200998895217	2015		1,000,000	1,000,000	
		KASSA FIVEST HDFC BUSINESS AC - 03132740000012	2008	1,136,758		-1,136,758	
			2009	1,004,872		-1,004,872	
			2010	846,000		-846,000	
			2011	3,049,500		-3,049,500	
			2012	2,221,200		-2,221,200	
			2013	4,917,000		-4,917,000	
			2014	12,861,000	2,782,000	-10,079,000	
			2015		2,000,000	2,000,000	
		KASSA FIVEST HDFC CLIENT AC - 03132740000029	2014		1,000,000	1,000,000	
6	NITIKA SHANKAR	KASSA FINVEST HDFC Client Bank 00030340019675	2011	125,000		-125,000	-6,220,000
			2012	1,700,000		-1,700,000	
			2013	3,850,000		-3,850,000	
		KASSA FINVEST INDUSIND Business Bank 200000820286	2014	50,000	1,175,000	1,125,000	
		KASSA FINVEST INDUSIND Business Bank 200998895217	2014		1,150,000	1,150,000	
		KASSA FIVEST HDFC BUSINESS AC - 03132740000012	2012	850,000		-850,000	
			2013	5,340,000		-5,340,000	
			2014	2,130,000		-2,130,000	
		KASSA FIVEST HDFC CLIENT AC - 03132740000029	2011	1,075,000		-1,075,000	
			2013		5,475,000	5,475,000	
			2014		1,100,000	1,100,000	
7	AARB CAPITAL	KASSA FINVEST HDFC Client Bank 00030340019675	2011	1,070,000		-1,070,000	-4,530,000
			2012	2,710,000		-2,710,000	
			2013	750,000		-750,000	
8	DURGAMAYA A	KASSA FINVEST HDFC Client Bank 00030340019675	2013	450,000		-450,000	-3,075,000
			2014	2,515,000		-2,515,000	
		KASSA FIVEST HDFC CLIENT AC - 03132740000029	2014	110,000		-110,000	
9	G AND G IMPEX	KASSA FINVEST HDFC Client Bank 00030340019675	2008	330,000		-330,000	-14,230,000
			2009	3,505,000		-3,505,000	
			2010	300,000		-300,000	
			2011	1,650,000		-1,650,000	
			2012	5,830,000		-5,830,000	
			2013	2,325,000		-2,325,000	
			2008	440,000		-440,000	

		KASSA FIVEST HDFC CLIENT AC - 03132740000029	*2010*	*350,000*		*-350,000*	
			2014		*500,000*	*500,000*	
10	***GUGU TRADING***	*KASSA FINVEST HDFC Client Bank 00030340019675*	*2008*	*520,000*		*-520,000*	***-10,625,000***
			2009	*3,120,000*		*-3,120,000*	
			2010	*300,000*		*-300,000*	
			2011	*1,425,000*		*-1,425,000*	
			2012	*4,175,000*		*-4,175,000*	
			2013	*1,085,000*		*-1,085,000*	
11	***GVC CAPITAL***	*KASSA FINVEST HDFC Client Bank 00030340019675*	*2008*	*225,000*		*-225,000*	***-13,775,000***
			2009	*1,660,000*		*-1,660,000*	
			2010	*200,000*		*-200,000*	
			2011	*1,650,000*		*-1,650,000*	
			2012	*6,725,000*		*-6,725,000*	
			2013	*2,715,000*		*-2,715,000*	
			2014	*225,000*		*-225,000*	
		KASSA FIVEST HDFC BUSINESS AC - 03132740000012	*2013*	*175,000*		*-175,000*	
			2014	*200,000*		*-200,000*	
12	***PRIMAVALUE***	*KASSA FINVEST HDFC Client Bank 00030340019675*	*2013*	*450,000*		*-450,000*	***-3,300,000***
			2014	*2,695,000*		*-2,695,000*	
		KASSA FIVEST HDFC CLIENT AC - 03132740000029	*2014*	*155,000*		*-155,000*	
	Grand Total			***435,868,127***	***171,342,038***	***264,526,089***	***264,526,089***

5.12. ***Movement of funds from Client bank account to business bank account*** *- From Table 3 below it is evident that the funds to the tune of* ***Rs. 46.82 crores*** *have been transferred from client bank accounts to the business bank accounts of the Noticee from 2008 onwards.*

Table 3: Movement of funds from Client bank account to Business bank account

S No.	***Client Bank Account***	***Business Bank Account***	***Year***	***Payments from Business to Client Bank Account (Rs.)***	***Receipts from Client to Business Bank Account (Rs.)***	***Net Payment/ Receipt (Rs.)***	***Net Total (Rs.)***
	(A)	***(B)***		***(C)***	***(D)***	***E = (D) -(C)***	
				Where Movement is From (B) to (A)	***Where Movement is From (A) to (B)***		
1	***00030340019675 HDFC KASSA FINVEST CLIENT ACCOUNT***	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*	*2008*	*800,000*		*-800,000*	*-33,844,000*
			2009	*1,000,000*		*-1,000,000*	
			2010	*1,500,000*		*-1,500,000*	
			2011	*9,095,000*	*2,500,000*	*-6,595,000*	

			2012	*5,800,000*	*2,000,000*	*-3,800,000*	
			2013	*9,175,000*		*-9,175,000*	
			2014	*11,645,000*	*825,000*	*-10,820,000*	
			2015	*154,000*		*-154,000*	
2	***03132740000029 - HDFC KASSA FINVEST CLIENT ACCOUNT***	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*	*2008*	*3,000,000*	*38,405,000*	*35,405,000*	*484,445,584*
			2009	*17,900,000*	*61,595,000*	*43,695,000*	
			2010	*4,950,000*	*67,085,000*	*62,135,000*	
			2011	*11,000,000*	*117,265,000*	*106,265,000*	
			2012	*2,654,416*	*43,675,000*	*41,020,584*	
			2013		*108,280,000*	*108,280,000*	
			2014	*9,010,000*	*93,945,000*	*84,935,000*	
			2015	*250,000*	*2,960,000*	*2,710,000*	
3	***KASSA FINVEST CANARA CLIENT AC - 2577201016473***	*KASSA FINVEST CANARA BUSINESS AC - 2577201017174*	*2008*		*1,202,000*	*1,202,000*	*17,677,000*
			2009	*200,000*	*7,775,000*	*7,575,000*	
			2010	*450,000*		*-450,000*	
			2011		*3,250,000*	*3,250,000*	
		KASSA FIVEST HDFC BUSINESS AC - 03132740000012	*2009*		*2,200,000*	*2,200,000*	
			2011		*3,900,000*	*3,900,000*	
	Grand Total			***88,583,416***	***556,862,000***	***468,278,584***	***468,278,584***

5.13. ***Receipt of cash in client and business bank account(s) of the Noticee -*** *From Table 4 below it is evident that the Noticee has received cash to the tune of* ***Rs. 4.91 crores*** *in its business and client accounts from 2008 onwards.*

Table 4: Receipt of cash in business/ client accounts of the Noticee

Account Type	***BANK ACCOUNT***	***Year***	***Total Receipts (Rs.)***	***Account Type Total (Rs.)***
Client	*KASSA FINVEST AXIS Client Bank 223010200017028*	*2008*	*1,000*	***1,407,910***
	KASSA FINVEST CANARA CLIENT AC - 2577201016473	*2009*	*300,000*	
	KASSA FINVEST PNB CLIENT BANK - 133002100063276	*2011*	*570,000*	
	KASSA FIVEST HDFC CLIENT AC - 03132740000029	*2009*	*215,000*	
		2011	*70,000*	
		2012	*230,900*	
		2013	*21,010*	
Business	*KASSA FINVEST AXIS Business Bank 9120200495430130*	*2014*	*50,000*	***47,703,000***
	KASSA FINVEST CANARA BUSINESS AC - 2577201017174	*2008*	*440,000*	
		2010	*200,000*	

		2011	400,000	
		2012	5,050,000	
		2013	2,375,000	
		2014	1,750,000	
	KASSA FINVEST INDUSIND Business Bank 200000820286	2014	500,000	
	KASSA FINVEST INDUSIND Business Bank 200998895217	2013	3,715,000	
		2014	2,110,000	
	KASSA FINVEST KOTAK Bank Business 8111216136	2012	499,500	
		2013	2,500,000	
		2014	3,198,500	
	KASSA FIVEST HDFC BUSINESS AC - 03132740000012	2008	450,000	
		2010	500,000	
		2011	3,749,000	
		2012	6,349,000	
		2013	3,125,000	
		2014	4,339,500	
		2015	336,500	
Business Overdraft	KASSA FINVEST KOTAK Bank OD 8111213081	2013	4,516,000	
		2014	1,550,000	
Grand Total			**49,110,910**	**49,110,910**

5.14. ***Payments to clients in the nature of Assured returns -*** *From the analysis of bank account statements it is observed that the payments were being made by the Noticee from its business/ client bank accounts to the clients on a regular basis (mainly monthly or quarterly). These clients appear to be in the nature of assured return/ fixed return clients. Table 5 below excludes clients which have already been identified by the exchange to be in the nature of assured/ fixed return clients (refer analysis of complaints further below).*

Table 5: Payments to assured/ fixed returns clients from business/ clients' accounts

Client Name	Bank Account of the Noticee	2011	2012	2013	2014	2015	Grand Total
ABHAS KHANDELWAL	KASSA FIVEST HDFC BUSINESS AC - 03132740000012	7,575,200	453,600	315,000	126,000	10,000,000	18,469,800
ABHISHEK LOHTIA	KASSA FIVEST HDFC BUSINESS AC - 03132740000012		96,738	249,123	63,754		409,615
AJAY SINGH	KASSA FIVEST HDFC BUSINESS AC - 03132740000012			270,922	539,119		810,041
AKANKSHA LOHTIA	KASSA FIVEST HDFC BUSINESS AC - 03132740000012		379,559	783,276	28,950		1,191,785
ANIL KUMAR SARJE	KASSA FIVEST HDFC BUSINESS AC - 03132740000012			26,357	71,698		98,055

ANIMA AKHOURI	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*			*218,266*			*218,266*
ANURADHA LOHTIA	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*	*113,493*	*1,048,281*	*568,271*			*1,730,045*
ASHVINI PURI	*KASSA FINVEST HDFC Client Bank 00030340019675*				*11,799*		*11,799*
ATUL CHANDRA	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*	*92,000*	*43,833*	*57,078*	*48,600*		*241,511*
DEVINDER NATH LOHTIA	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*	*136,503*	*1,018,011*	*519,411*			*1,673,925*
DWARKA NATH LOHTIA	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*	*105,171*	*641,839*	*525,236*			*1,272,246*
FAREED AHMAD	*KASSA FINVEST HDFC Client Bank 00030340019675*			*2,895,000*	*343,468*		*3,238,468*
GURVINDER SINGH	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*		*17,985*	*40,688*	*31,231*		*89,904*
HIRA JAIN	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*			*67,812*	*345,747*		*413,559*
JAVED AHMAD	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*		*13,742*	*34,497*	*215,076*		*263,315*
KABIR OBEROI	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*			*404,625*	*690,816*	*165,845*	*1,261,286*
KEDAR PRASSAD SINHA	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*		*121,089*	*1,314,577*	*398,557*	*20,250*	*1,854,473*
KUMAR TRIPURARI SINHA	*KASSA FINVEST HDFC Client Bank 00030340019675*		*106,226*	*289,000*	*312,800*		*708,026*
KUSUM LATA	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*			*60,376*	*296,130*		*356,506*
MOHAMMAD ALI ZAFAR	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*		*59,400*	*172,227*	*189,000*		*420,627*
NATASHA OBEROI	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*		*27,000*	*195,000*	*366,000*	*66,000*	*654,000*
NAVEEN JAIN	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*				*22,500*	*9,000*	*31,500*
NEERJA LADHA	*KASSA FINVEST HDFC Client Bank 00030340019675*	*364,682*	*7,150*	*330,542*	*161,500*		*1,347,874*

PADMA SHARMA	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*		*50,062*	*70,600*	*89,314*		*209,976*
POONAM AGARWAL	*KASSA FINVEST HDFC Client Bank 00030340019675*	*32,513*	*234,146*	*210,000*	*229,763*		*1,222,337*
PRASHANT BAJAJ	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*		*123,044*	*163,545*	*162,307*		*448,896*
RAM BILAS AGARWAL	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*			*123,101*	*88,884*		*211,985*
RAMESH CHANDRA GUPTA	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*			*66,454*	*59,654*		*126,108*
SANGEETA SINGH	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*		*118,333*	*232,003*	*305,009*		*655,345*
SAROJ DEVI AGARWAL	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*			*142,832*	*94,407*		*237,239*
SATYA FINVEST CO.	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*				*155,388*		*155,388*
SRG EQUITY INVESTME	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*			*124,643*	*48,908*		*173,551*
SUBHASH BABU GUPTA	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*		*13,677*	*31,295*	*34,490*		*79,462*
SUBHASH CHAND JAIN	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*	*162,000*	*270,000*	*427,500*	*270,000*		*1,129,500*
SUBROTO KUMAR CHATT	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*				*148,977*		*148,977*
SUNITA JAIN	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*	*40,500*	*67,500*	*73,125*	*67,500*		*248,625*
SUSHANT LOHTIA	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*	*148,251*	*907,591*	*401,618*	*68,439*		*1,525,899*
VIJAY KHETAWAT	*KASSA FINVEST HDFC Client Bank 00030340019675*	*1,879,860*	*394,158*	*216,386*	*2,651,300*		*6,862,237*
VIKRAM GARG	*KASSA FIVEST HDFC BUSINESS AC - 03132740000012*				*260,620*		*260,620*
Grand Total		***10,650,173***	***6,212,964***	***11,620,386***	***8,997,705***	***10,261,095***	***50,462,771***

5.15. ***Movement of funds received after pledging securities of clients -*** *From the analysis of statement of bank account (overdraft) in the name of the Noticee held with Kotak Mahindra Bank, Karol Bagh, it is observed that the funds raised by pledging securities/ mutual fund units of the Noticee's clients* *were transferred from the said account to the Noticee's related/ group entities/ person(s). The details of the same are already covered above in Table 2. The details of the securities/ mutual fund units pledged with Kotak Mahindra Bank are placed below as Table 6.*

Table 6: Current status of securities/mutual fund units still pledged with Kotak Bank

Demat account no (i)	***Name of scrip /Mutual Fund units in the demat account (Providing Details of Scrips Pledged with Kotak Mahindra Bank (ii)***	***No. of Securities/ mutual funds units (Scrip /mutual funds wise pledge) (iii)***
20743522	*ICICI PRUDENTIAL MUTUAL FUND DYN BD FU REGULAR GROWTH*	*38461.834*
20743522	*RELIANCE LIQUID FUND-CASH PLAN-GROWTH*	*257.986*
20743522	*UTI DYNAMIC BOND FUND - GROWTH OPTION*	*38269.602*
20743522	*DSP BLACKROCK DUAL ADVANTAGE FUND - SERIES 3 - 36M - GROWTH OPTION*	*100000*
20743522	*RELIANCE REGULAR SAVINGS FUND - DEBT OPTION - GROWTH*	*8746.815*
20743522	*HSBC INCOME FUND - SHORT TERM - REGULAR - GROWTH*	*15409.93*
20743522	*BIRLA SUN LIFE MONTHLY INCOME-PLAN B(GROWTH*	*4802.685*
20743522	*RELIANCE FIXED HORIZON FUND - XXV - SERIES 13 - GROWTH OPTION*	*150000*
20743522	*UTI INCOME OPPORTUNITIES FUND - GROWTH OPTION*	*13439.656*
20743522	*FRANKLIN INDIA CORPORATE BOND OPPORTUNITIES FUND - GROWTH*	*32444.659*
20743522	*BIRLA SUN LIFE DYNAMIC BOND FUND-RETAIL PLAN - GROWTH*	*29567.131*
20743522	*BIRLA SUN LIFE INCOME PLUS-GROWTH-REGULAR PLAN*	*2028.228*
20743522	*DSP BLACKROCK BOND FUND-REGULAR PLAN-GROWTH*	*13363.619*
20743522	*HSBC INCOME FUND - SHORT TERM - REGULAR - GROWTH*	*5136.644*
20743522	*IDFC - SUPER SAVER INCOME FUND (SSIF) - INVESTMENT PLAN-REGULAR PLAN-GROWTH OPTION*	*11158.307*
20743522	*IDFC - SUPER SAVER INCOME FUND (SSIF) - MEDIUM TERM -REGULAR PLAN- GROWTH OPTION*	*24342.035*

Role and the allegations:

5.16. ***Non segregation of own and clients' funds and securities and Mis-utilisation of clients funds/securities***

a) From the bank account statement analysis (refer paras 5.1, 5.2 Tables 2&3 above) it is clearly established that funds have moved from client bank *account(s) to business bank account(s), from client bank account(s) to related entities/ persons and from business bank account(s) to related entities/persons.*

b) *From para above, it is established that the clients' securities had been mis-appropriated by the Noticee by pledging them and then mis-utilising the funds thereof.*

c) *From the above para(s), it is clearly established that the Noticee has not only failed to segregate between own and clients' funds/ securities but has also mis-utilised the same.*

5.17. ***Indulging in activities other that stock broking business such as providing assured returns to clients/ investors***

a) *The admittance of running assured/ fixed return scheme was done by Mr. Anil Kumar Dhawn, Mr. Manoj Kumar Agrawal and Mr. Vivek Agrawal during their statement recording.*

b) *In the Sample letter(s), it is mentioned that:*

"in case the profits in your account are insufficient to the tune of 27% per annum (2.25% per month), then Kassa Finvest Pvt. Ltd. will pay as loyalty bonus to the tune of minimum 2.25% per month of the capital lying with Kassa Finvest Pvt. Ltd."

c) *"Kassa office will execute trades on your behalf and you won't execute any trade yourself (Using Odin Diet) ….."*

d) *From the analysis of bank account statements (refer Para 5.4) it is clearly evident that fixed amount was being paid to certain clients.*

e) *Based on the above, it is clearly established that assured/fixed return scheme was being run by the Noticee. Running of such scheme(s) is fraudulent in nature by virtue of their existence and such activities are not supposed to be carried out by a stock broker/noticee no. 01.*

f) *Moreover, the execution of trades only by the Noticee on behalf of clients is akin to running Portfolio Management Scheme (PMS). Since the Noticee did not have mandatory registration for operating PMS it was carrying out such activity in an illegitimate manner. Further, Regulation 14(3)(a) of the SEBI (Portfolio Managers Regulations, 1993) prohibits from guaranteeing or assuring any return.*

5.18. ***Dealing in Cash:*** *From the analysis of bank account statements cash deposits are observed in the client/ business bank accounts of Kassa.*

5.19. ***Non-redressal of investor grievance and failure to follow the directions of the Orders of IGRP of NSE*** *a) As on April 15, 2015, 421 complaints were pending against the Notice as against 255 pending complaints against Kassa (as per SCORES) as on March 11, 2015.*

b) From the above fact it is evident that the Noticee failed to redress investor complaints despite repeated reminders and directions within the stipulated time frame, thus violating the conditions of registration.

5.20. ***Non-compliance of the requirement of periodical settlement of client accounts and failure to return securities on clients' request***

a) The Noticee is required to ensure periodical settlement of clients' funds/ securities on a monthly/ quarterly basis.

b) From the sample complaints perused, it has been observed that the clients' securities/funds have not been settled by the Noticee.

5.21. ***Failure to furnish information:***

a) Mr. Ashok Kumar failed to furnish complete information/ details pertaining to financial ledgers, demat accounts/statements, details of bank accounts/ statements, etc. as sought from him vide summons dated March 3, 5 and 16, 2015. Further, Mr. Ashok Kumar also failed to furnish details pertaining to assets/ investments/ property held in his/ the Noticee's name since it was found during the course of investigation that securities/ mutual fund units other than those declared by Mr. Ashok Kumar were held by the Noticee.

b) Ms. Anjana Kumar failed to furnish PAN details and bank account details. Further, she denied any association of Mr. Siddharth Shankar with the Noticee & other family businesses such as Mystic Cures Limited. She also submitted that Mr. Siddharth Shankar had never joined the Noticee either as promoter/director/key employee. The information submitted by Ms. Anjana Kumar w.r.t. Mr. Siddharth Shankar not being associated with the Noticee in any capacity was also found to be incorrect, since he was Director in Kassa Finvest Pvt. Ltd. (Noticee) till 2005.

6) The SCNs were sent through speed post acknowledgment due at the last known addresses of the entities. The said SCN was duly served to one Noticee no. 07 (Mr. Manoj Kumar Agarwal), however for other Noticees the said SCN was undelivered. Further, another letter dated November 22, 2018 was issued to all

the entities to submit its response to the SCN issued. The chronology of the various communication held with the Noticees in the matter are stated below-

Name	Events
Kassa Finvest Private Limited	1. SCN Issued to the Noticee on 04 November 2016. 2. However, the SCN was undelivered and was received back on 09 November, 2016. 3. Letter issued to the Noticee on 22 November 2016, advising to collect the copy of the SCN dated 04 November 2016. 4. Letter received from Kassa Finvest on 24 January, 2017 for seeking clear annexures of the SCN. 5. Letter issued to Kassa Finvest on 25 January, 2017 for specifying not legible pages of annexures. However, the letter was undelivered dated 30 January 2017. 6. Letter issued to Kassa Finvest on 22 June, 2017 for specifying illegible pages of annexures and to peruse and collect required documents on 28 June, 2017 however, the letter was undelivered and returned on 24th June, 2017. 7. Letter dated 26 December, 2017, was sent to Kassa Finvest providing an opportunity to visit SEBI office to peruse the relevant documents on January 10, 2018 at 11 AM and also opportunity Personal hearing on-January 17, 2018 at 11 a.m. 8. Reply of letter dated 26 December, 2017 received on 09 January, 2018 from Kassa Finvest 9. Letter dated January 11, 2018 sent to Kassa Finvest reminding scheduled hearing in the matter scheduled on January 17, 2018 at 11am. 10. Letter issued to Kassa Finvest on 12 Jan 2018, however, the same was undelivered. 11. Kassa Finvest failed to appear on the scheduled date of Hearing I.e. January 17, 2018. 12. Letter dated 18 January, 2018 received from Kassa Finvest on 24 January, 2018.
Ashok Kumar (Director)	1. SCN Issued to the Noticee on 04 November 2016. 2. However, the SCN was undelivered and was received back on 09 November, 2016. 3. Letter issued to the Noticees on 22 November 2016, advising to collect the copy of the SCN dated 04 November 2016. 4. Letter dated 03.12.2016 received on 05.12.2016 from Mr. Ashok Kumar for collecting SCN stating to handover document mentioned in the letter. 5. Letter dated December 13, 2016 issued to Mr. Ashok Kumar for collecting SCN and document mentioned therein.

	6. Letter dated 20.12.2016 received on 28.12.2016 from Mr. Ashok Kumar for seeking new date for collecting SCN. 7. Letter issued to Mr. Ashok Kumar on 30 December, 2016 for collecting copy of SCN. 8. Letter received from Ashok Kumar on 24 January, 2017 requesting for clear annexures of the SCN. 9. Letter issued to Ashok Kumar on 25 January, 2017 for specifying illegible pages of annexures. 10. Letter dated 05.02.2017 received on 08.02.2017 from Mr. Ashok Kumar for providing few page nos. 11. Letter dated 10.02.2017 received on 13.02.2017 from Mr. Ashok Kumar for providing few page nos. 12. Letter dated 22.02.2017 received on 23.02.2017 from Mr. Ashok Kumar for specifying illegible pages of annexures. 13. Letter dated 16.03.2017 received on 23.03.2017 from Mr. Ashok Kumar regarding the complaints that have been received by SEBI and NSE. 14. Letter issued to Mr. Ashok Kumar 22 June, 2017 for specifying illegible pages of annexures and to peruse and collect required documents on 28 June, 2017. 15. Letter dated 27.06.2017 received on 28.06.2017 from Mr. Ashok Kumar regarding SCN. 16. Vide Letter dated 26 December, 2017, CD containing copies of the complaints sought by vide letter dated March 16, 2017 along an opportunity to visit SEBI office to peruse the relevant documents on January 10, 2018 at 11 AM and also opportunity Personal hearing -January 17, 2018 at 11 a.m. 17. Reply of letter dated 26 December, 2017 received on 09 January, 2018 from Mr Ashok Kumar. 18. Letter dated January 11, 2018 reminding scheduled hearing in the matter. 19. Failed to appear before the AO on the scheduled date of Hearing. 20. Reply of letter dated 11 January, 2018 received on 18 January, 2018 from Mr. Ashok Kumar.
Umashankar Saran Srivastava (Director)	1. SCN Issued to the Noticee on 04 November 2016. 2. SCN returned undelivered and was received back on 09 November, 2016. 3. Letter issued to the Notices on 22 November 2016, advising to collect the copy of the SCN dated 04 November 2016. 4. Public Notice directing to collect the copy of the SCN from SEBI office. 5. No response till date.

Anjana Kumar (Promoter with 51.56% shareholding)	1. SCN Issued to the Noticee on 04 November 2016. 2. SCN returned undelivered and was received back on 09 November, 2016. 3. Letter issued to the Noticees on 22 November 2016, advising to collect the copy of the SCN dated 04 November 2016. 4. Letter dated 07.12.2016 received on 14.12.2016 from Ms. Anjana Kumar for collecting annexures of SCN. 5. Letter issued to Ms. Anjana Kumar on 22 December, 2016 for collecting copy of SCN. 6. Letter dated 19.01.2017 received on 20.01.2017 from Ms. Anjana Kumar for giving clear annexures of the SCN. 7. Letter issued to Ms. Anjana Kumar on 25 January, 2017 for specifying illegible pages of annexures. 8. Letter dated 05.02.2017 received on 08.02.2017 from Ms. Anjana Kumar seeking certain documents. 9. Letter dated 9th February, 2017 from Ms. Anjana Kumar for providing few pages nos. 10. Letter issued to Ms. Anjana Kumar on 20 June, 2017 with advice to peruse and collect required documents on 28 June, 2017. 11. Letter dated 27.06.2017 from Ms. Anjana Kumar requesting to handover the documents to her representative. 12. Letter issued to Ms. Anjana Kumar on 27 June, 2017 to personally peruse and collect required documents on June 29, 2017. 13. Letter dated 29.06.2017 received on 05.07.2017 from Ms. Anjana Kumar seeking documents. 14. Letter dated 06.07.2017 received on 06.07.2017 from Ms. Anjna Kumar seeking documents. 15. Letter dated 26 December, 2017, providing an opportunity to visit SEBI office to peruse the relevant documents on January 10, 2018 at 11 AM and also granting opportunity Personal hearing - January 17, 2018 at 11 AM 16. Letter dated January 10, 2018 from Ms. Anjana Kumar in response to SEBI letter dated 26 December, 2017. 17. The Noticee failed to appear before the AO on the scheduled date of Hearing. 18. Reply of letter dated 11 January, 2018 received on 16 January, 2018 from Ms. Anjna Kumar. 19. Letter dated 16 February, 2018 received from Anjana Kumar on 16 February, 2018.
Siddharth Shankar	1. SCN Issued to the Noticee on 04 November 2016. However, the SCN was undelivered and was received back on 09 November, 2016.

	2. Letter issued to the Notices' on 22 November 2016, advising to collect the copy of the SCN dated 04 November 2016. 3. Letter dated 03.12.2016 received on 13.12.2016 from Mr. Siddharth Shankar for collecting SCN. 4. Letter issued to Mr. Siddharth Shankar on 14 December 2016 for collecting copy of SCN. 5. Letter dated 22.12.2016 received on 28.12.2016 from Mr. Siddharth Shankar for seeking new date for collecting SCN. 6. Letter issued to Mr. Siddharth Shankar on 30 December, 2016 for collecting copy of SCN. 7. Letter received from Mr. Siddharth Shankar on 09. January, 2017 for handing over documents. 8. Letter dated 19.01.2017 received on 20.01.2017 from Mr. Siddharth Shankar seeking clear annexures of the SCN. 9. Letter issued to Mr. Siddharth Shankar on 25 January, 2017 for specifying illegible pages of annexures. 10. Letter dated 06.02.2017 received on 08.02.2017 from Mr. Siddharth Shankar seeking few page nos. 11. Letter dated 09.02.2017 received on 13.02.2017 from Mr. Siddharth Shankar seeking few page nos. 12. Letter issued to Mr. Siddarth Shankar 20 June, 2017 for specifying illegible pages of annexures and to peruse and collect required documents on 28 June, 2017. 13. Letter issued to Mr. Siddarth Shankar on 27 June, 2017 with advice to peruse and collect required documents on June 29, 2017. 14. Letter dated 27.06.2017 from Mr. Siddarth Shankar requesting to handover the documents. 15. Letter dated 04.07.2017 received on 05.07.2017 from Mr. Siddharth Shankar seeking documents. 16. Letter dated 06.07.2017 received on 06.07.2017 from Mr. Siddharth Shankar seeking documents. 17. Letter dated 26 December, 2017, providing an opportunity to visit SEBI office to peruse the relevant documents on January 10, 2018 at 11 AM and also opportunity Personal hearing -January 17, 2018 at 11 a.m. 18. Reply of letter dated 26 December, 2018 received on 10 January, 2018 from Mr. Siddharth Shankar. 19. Letter dated January 11, 2018 reminding scheduled hearing in the matter. 20. Failed to appear before the AO on the scheduled date of Hearing. 21. Reply of letter dated 11 January, 2018 received on 16 January, 2018 from Mr. Siddharth Shankar.

	22. Letter dated 11 February, 2018 received from Mr. Siddharh Shankar on 20 February, 2018.
Nitika Shankar	1. SCN Issued to the Noticee on 04 November 2016. 2. However, the SCN was undelivered and was received back on 09 November, 2016. 3. Letter issued to the Noticees on 22 November 2016, advising to collect the copy of the SCN dated 04 November 2016. 4. Letter dated 09.01.2017 received on 11.01.2017 from Ms. Neetika Shankar for handing over documents. 5. Letter dated 26 December, 2017, providing an opportunity of Personal hearing -January 09, 2018 at 11 a.m. 6. Reply of letter dated 26 December, 2017 received on 08 January, 2018 from Ms. Neetika Shankar 7. Letter dated January 09, 2018 granting Adjournment to the scheduled hearing and providing new hearing date scheduled on January 24, 2018 at 11 a.m. 8. Reply of letter dated 09 January, 2018 received on 24 January, 2018 from Ms. Neetika Shankar. 9. Letter dated 15 February, 2018 received from Nitika Shankar on 20 February, 2018.
Anil Kumar Dhawan	1. SCN Issued to the Noticee on 04 November 2016. 2. However, the SCN was undelivered. 3. Letter issued to the Noticees on 22 November 2016, advising to collect the copy of the SCN dated 04 November 2016. 4. Reply of the SCN was received from the Noticee Mr. Anil Kumar Dhawan (without signatures) on 1st December 2016. 5. Letter dated 26 December, 2017, providing an opportunity of Personal hearing -January 09, 2018 at 11 a.m. 6. Letter dated January 09, 2018 granting Adjournment to the scheduled hearing and providing new hearing date scheduled on January 17, 2018 at 11 AM
Manoj Kumar Agarwal (Compliance officer of the Broker)	1. SCN Issued to the Noticee on 04 November 2016. 2. The SCN was duly served to the Noticee. 3. Letter issued to the Noticee on 22 November 2016. 4. Reply dated 22 November, 2016 received on 25 November, 2016 from Manoj Kumar Agarwal of the SCN in the reference of letter dated 04 November, 2016. 5. Letter received by the Noticee's Mr. Manoj Kumar Agarwal for seeking annexures and time for filing reply. 6. Reply dated 09.12.2016 received on 15.12.2016 from Manoj Kumar Agarwal (Compliance officer of the Broker) of the SCN in the reference of letter dated 22 November, 2016.

	7. Letter dated 26 December, 2017, providing an opportunity of Personal Hearing-January 09, 2018 at 11 a.m. 8. Letter dated January 09, 2018 granting Adjournment to the scheduled hearing and providing new hearing date scheduled on January 24, 2018 at 11: 00 AM

IV. REPLY AND PERSONAL HEARING

7) The responses of Noticees pursuant to SCN and subsequent communication sent thereafter are stated below-

Response of Noticee no. 01- It is noted that despite giving several opportunities and reminders, the Noticee did not submit any reply of the SCN issued. Further, vide letters dated January 09, 2018 and January 19, 2018, Mr. Ashok Kumar, MD of Kassa Finvest Pvt. Ltd. filed the same response on behalf of Noticee no. 01 which inter alia, stated as under:

"….data is very voluminous and pertains to the Company. You would appreciate that the Company was managed by various department heads and each of them would require to analyze the data that pertains to each of their respective departments. As per sec 27 of SEBI act, every person who was in-charge of operations including Directors, managers, officers are responsible. You would be aware that the Company office is closed for almost 3 years and there is no executive or staff since then. All accounts were frozen by SEBI and hard disk and files were taken by EOW. In view of this it is imperative these officers be called along with me to peruse the data. I alone cannot figure out which data is relevant for the Company to deal with this matter…."

Response of Noticee no. 02- It is noted despite of giving several opportunities and reminders, the Noticee did not submit any reply of the SCN issued. Vide letters dated January 09, 2018 and January 16, 2018, the Noticee inter alia, stated as under:

"… You would appreciate that data is very voluminous and requires detailed analysis, first for the drafting of the reply and then for analysis as the proceedings

move. Perusal of data on one day would not be enough and would be denial of justice to me. Also the data would require referencing to various people and entities which would be a time consuming process…"

Response of Noticee no. 03- It is noted that the Noticee is not traceable on address available on record has not submitted any reply till date. Further, as per Rule 7(d) of the Adjudication rules, the SCN issued was attempted to be served by way of Publication in one English daily newspaper having nationwide circulation and another in a Hindi newspaper having wide circulation published in the language of the region where that person was last known to have resided or carried on business or personally worked for gain.

Response of Noticee no. 04- It is noted that despite giving several opportunities and reminders for making submission and to visit office to peruse the documents, the Noticee did not respond to the SCN issued. Vide letters dated January 10, 2018 and February 16, 2018, the Noticee inter alia, stated as under:

"…..there would be quite a number of data entries, each of which has to be analyzed, cross checked and cress referenced. It is imperative that legible data is provided to me so that I can respond to the SCN in an effective manner.

Could you provide me list of persons whose oral and written submissions have been recorded and/or whose documents have been relied. I/my lawyer would like to cross examine some or all of the said persons/entities. Any order passed without giving me the opportunity to cross examine would be denial of justice to me…."

Response of Noticee no. 05- It is noted despite of giving several opportunities and reminders for making submission and to visit office to peruse the documents, the Noticee failed to respond to the SCN issued. Vide letter dated January 19, 2017, the Phiroze N. Mehta, Advocate & Solicitors, the Legal Representative of the Noticee inter alia, stated as under:

"…..the SCN has been received by my client along with annexures, but instructs me to state that the Annexures, namely Annexure B to H are not legible and /or cannot be read/deciphered to enable my client to reply to the SCN effectively. Therefore, in order for my client to reply to the SCN, you are requested to furnish me, or in the alternative, directly to my client, with legible copies of Annexures B to H to enable my client to effectively reply to the SCN…"

Vide letter dated January 10, 2018, the Noticee inter alia, stated as under:

"…I would like to mention that analysis of data would not be merely looking at the figures/data/text that is mentioned in the annexures but would involve analysis, cross checking and cross referencing of figures/data/text. Further hard copies would be required for future reference, as the matter progresses. In view of the same perusal of documents would not serve any purpose and it is imperative that the legible prints are provided to me so that I can respond to the SCN in effective manner…"

Vide letter dated February 11, 2018, the Noticee inter alia, stated as under:

"….Could you kindly provide me list of persons who have been examined/made witness/whose statements have been recorded. Once I have the above list I shall formulate a list of witnesses whom I/my legal counsel would like to cross examine. Any hearing done/order passed without giving me the opportunity to cross examine and without the supply of legible copies of all the documents that have been relied in the SCN would be against the principles of justice…."

Response of Noticee no. 06- It is noted despite of giving several opportunities and reminders for making submission and to visit office to peruse the documents, the Noticee did not respond to the SCN issued. Vide letter dated January 04, 2018, the Noticee inter alia, stated as under:

"…..I am a housewife with practically no knowledge and understanding of the capital market or issues raised in the SCN. I am sure that you would appreciate that for me to file a reply and rebut the statements made against me, which according to me are baseless and false, I need to cross check and verify each entry and take help/refer of/to various entities. Hence, you would appreciate that for a housewife with no resources and no knowledge of the subject, it is very voluminous data and analyzing the data would be a time consuming process.

Therefore, in the interest of natural justice, and have the matter viewed in the right perspective, I would need adequate time to analyze the same, before I can put forward my defense. It would not be possible for me to use any data provided to me just before the hearing and trying to defend myself…."

Vide letter dated February 15, 2018, the Noticee inter alia, stated as under:

Could you provide me list of persons whose oral and written submissions have been recorded and/or whose documents have been relied upon. Once this list is provided I shall let you know who all would. I/my legal counsel would like to cross examine. Any order passed without giving me the opportunity to cross examine would be against the principles of justice…."

Response of Noticee no. 07 as submitted vide letter dated December, 01 2016.

- *"…….I was with kassa Finvest from April 16, 2001 to July 21, 2014.*
- *I started as consultant and ended up as president operations.*
- *I was looking after risk management branch operations and business development.*
- *I was not holding any statutory position like Compliance, Officer Director, and CEO etc.*
- *I was not authorized to sign any documents on behalf of the Company.*
- *I was not having any access to accounts department, back office department and depository Operations.*
- *I never signed any letter or agreements on behalf of the company including letters of fixed returns.*
- *I was attending investor complaints but there was no complaints of serious nature when I was in the Company.*
- *I never received any incentive or bonuses and worked on fixed salary only.*
- *I was not having any role in all the allegations except I was having knowledge of the fixed return scheme.*
- *This scheme was in operation since 2009 and when questions were raised about its validity (as I was not an expert in SEBI rules). I was assured that it was between Company and parties and had nothing to do with broking business…."*

Response of Noticee no. 08 as submitted vide letter dated December 09, 2016.

- *"…….Noticee was merely an employee drawing a fixed salary and has not drawn any benefit from the transactions of the Company allegedly violating provisions of SEBI (Prohibition of Fraudulent and Unfair trade Practices Relating to Securities Market) Regulations, 2003. As per findings of the learned Investigation officer appointed by SEBI and mentioned in Table 2 and also mentioned in para 5.1 of the referred SCN, the actual beneficiaries were Mr. Ashok Kumar, Mr. Siddharth Shankar, Mrs. Nitika Shankar and the entities related/owned and controlled by them. The name of the Noticee does not appear in list of beneficiaries. You would therefore conclusively appreciate that the Noticee has not been benefited by the unwanted activities of Kassa Finvest Pvt. Ltd.*

- *The Noticee wish to draw your kind attention towards letter attached as annexure C of the SCN to the client which is signed by the MD, Mr. Ashok Kumar, of the Company promising fixed returns. You would kindly appreciate that the Noticee was not in the picture of such undesired activities of the Company.*

- *The Noticee has not been named in any of the complaints. This establishes beyond doubt that the Noticee was not involved in the fraudulent and unfair trade practices of the Company.*

- *Para 6.2.1 of SCN mentions about the statement signed by the Noticee. The Noticee would like to submit here that at the time of taking statement, questions were asked by officers of SEBI and in reply to them the Noticee has disclosed what happened in Kassa to which Noticee was not party. All the decisions in Kassa were used to be taken by the MD in consultation with president of the Company. The Noticee was simply an employee drawing a fixed salary and nothing else. The job of Noticee was to finalize the financial statements, get them audited and take care of the taxation matters in consultation with Statutory Auditors of the Company.*

- *The Noticee had no role either in soliciting the clients or in execution of the prohibited transaction. These activities were directly under control and supervision of the MD of the company, who assisted by Heads of marketing Department, Wealth Management Department and Front Office…."*

V. PERSONAL HEARING

8) In the interest of natural justice and in order to conduct an inquiry in terms of rule 4(3) of the Adjudication Rules 1995 and 2005, the Noticees were granted an opportunity of personal hearing at SEBI-NRO, New Delhi as per following schedule. The said Notices of hearing were duly served to the Noticees. The schedule of the hearing granted to the Noticees along with attendance of Hearing is stated below-

Noticee no.	Name of the Entity	Date of Perusal of documents	Date of hearing	Time	Appearance
1	Kassa Finvest Private Limited	10-Jan-18	17-Jan-18	11 AM	No
2	Mr. Ashok Kumar	10-Jan-18	17-Jan-18	11 AM	No
3	Mr. Umashankar Saran Srivastava	Did not respond to Public Announcement			
4	Ms. Anjana Kumar	10-Jan-18	17-Jan-18	11 AM	No
5	Mr. Siddharth Shankar	10-Jan-18	17-Jan-18	11 AM	No
6	Ms. Nitika Shankar		09-Jan-18	11 AM	No
7	Mr. Anil Kumar Dhawan		09-Jan-18	11 AM	No
8	Mr. Manoj Kumar Agarwal		24-Jan-18	11 AM	Yes

9) On the scheduled date of personal hearing, only Noticee no. 08, Mr. Manoj Kumar Agarwal appeared before the Adjudicating Officer. During the hearing, the Noticee no. 08 made the following submissions, which *inter alia*, stated as under:

- *"…….The Noticee reiterated the submission made vide letter dated November 22, 2016.*
- *I was only an employee drawing fixed salary in the company. I had resigned in November 2014. I received salary only uptil July 2014*
- *I was Senior Vice President- Finance in the company and looked after general auditing, taxation matters and accounts finalization. I had no role in trading of the company.*
- *I have not drawn any benefit from the transactions carried out by the company.*
- *I have not signed the letter promising fixed returns to clients.*
- *I have not been named in any complaint by any client.*

- *I was not a signatory in the bank accounts of the company. I had no role in the fund management of the company.*
- *I have fully cooperated with all proceedings………"*

10) Therefore, I am of the view that the principles of natural justice have been complied with, since sufficient opportunities have been provided to the Noticees to submit reply and affording opportunity of being heard. As detailed in above paragraphs, Noticee No. 1, 2, 4-6 have not filed any reply on merit and instead have adopted delaying tactics by making evasive submissions. Noticee No. 3 has not filed any reply. Further, except Noticee No. 7, none of the Noticees appeared for availing the opportunity of hearing provided to them. Therefore, the present proceedings against the Noticees are undertaken on the basis of documents and information available on record.

11) Considering the facts and circumstances of the case, I am of the opinion that no prejudice would be caused to the Noticees in the given matter if any further opportunity of hearing is not provided to them and I deem it appropriate to decide the matter on the basis of facts/material available on record. In this context, I would like to rely upon the observations of 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) wherein Hon'ble SAT 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".

12) The Hon'ble SAT has again in the matter of Sanjay Kumar Tayal & Others v SEBI (Appeal No. 68 of 2013 decided on February 11, 2014), inter-alia, observed that –

"………………As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, 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 levelled against them in the show cause notices……………..".

13) During the instant proceedings, despite due notice to file reply to the SCN and to appear for personal hearing, Noticees no. 01 to 06 have neither submitted replies to the SCN till the date of passing of order in the current proceedings nor Noticees no. 01 to 07 availed opportunity of personal hearing on the scheduled date. In view of the same, the matter is being proceeded ex-parte in terms of Rule 4(7) of Adjudication Rules, 1995 and Rule 4(7) of Adjudication Rules, 2005.

VI. <u>ISSUES FOR CONSIDERATION</u>

14) Based on the perusal of the SCN and the material provided in the SCN, the following issues arise for consideration:

   i. *Whether the Noticees have violated the provisions of* SCRR, SEBI Act, PFUTP Regulations, PM Regulations, Broker Regulations and circulars made there under.
   ii. *Whether the Noticees are liable for monetary penalty under Sections 15A (b), 15C, 15F (b), 15HA and 15HB and Section 23A, 23C, 23D and 23H of the SCRA, 1956?*
   iii. *If the answer to issues at II is in affirmative, then what quantum of monetary penalty should be imposed on the Noticees?*

VII. <u>FINDINGS</u>

15) Before moving forward, it will be appropriate to refer to the relevant provisions of SCRR, SEBI Act, Broker Regulations, PFUTP Regulations, PM Regulations and the Circulars referred read as under: -

<u>Securities Contracts Regulations Rules, 1957</u>

8. The rules relating to admission of members of a stock exchange seeking recognition shall inter alia provide that:

(3) No person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if—

…

(f) he engages either as principal or employee in any business other than that of securities or commodity derivatives except as a broker or agent not involving any personal financial liability.

<u>SEBI Act, 1992</u>

12A. *No person shall directly or indirectly—*

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

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

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…

<u>SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003</u>

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

…

(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. <u>Prohibition of manipulative, fraudulent and unfair trade practices</u>

(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: —

…

(m) an intermediary not disclosing to his client transactions entered into on his behalf including taking an option position;

….

Explanation– For the purposes of this sub-regulation, for the removal of doubts, it is clarified that the acts or omissions listed in this sub-regulation are not exhaustive and that an act or omission is prohibited if it falls within the purview of regulation 3, notwithstanding that it is not included in this sub-regulation or is described as being committed only by a certain category of persons in this sub-regulation.

<u>SMD/SED/CIR/93/23321 dated November 18, 1993</u>

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.

<u>MRD/DoP/SE/Cir- 11/2008 dated April 17, 2008</u>

2.1 Brokers should have adequate systems and procedures in place to ensure that client collateral is not used for any purposes other than meeting the respective client's margin requirements / pay-ins. Brokers should also maintain records to ensure proper audit trail of use of client collateral.

Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed by SEBI Circular dated August 22, 2011

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.

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.

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

Investor Grievance Redressal Mechanism
1 *…….*

2 (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.*

SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009

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.

Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed by SEBI Circular dated August 22, 2011

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

SEBI (Stock Broker and Sub-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

Code of Conduct for Stock Brokers

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.
…
(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.

ISSUE I: Whether the Noticees have violated the provisions of SCRA, SEBI Act, PFTUP, PM Regulation, Broker Regulations and circulars made thereunder.

16) Before proceeding to examine the alleged violation committed by the Noticee No. 1, I note that the Noticee No. 2, on behalf of Noticee No. 1 has replied stating that data pertaining to the Company is voluminous, all accounts were frozen by SEBI and hard disk and files were taken by EOW and that he alone cannot figure out which data is relevant for dealing with the matter. I note that copies of all relevant documents, statement of persons and records of fund movements have been provided to the Noticees in a compact disc, along with the SCN, which discloses the alleged violation committed by the Noticee No. 1. Further, it has been established in the Investigation report that Noticee No. 2 i.e. Mr. Ashok Kumar was holding key position of Managing Director in the Company and as such he was well versed with the affairs of the Company. The submission of Noticee No. 02, Mr. Ashok Kumar cannot be accepted for another reason also, as reasonable time and opportunity was provided to him for perusing the documents and to submit the response of the SCN. Thus, the response received from the Noticee No.2, made on behalf of Noticee No. 1 is devoid of logic and deserves to be dismissed.

17) Rule 8(1)(f) of the SCRR provides that no person is eligible to be admitted as a member if he is engaged in any business other than that of securities except as a broker or agent not involving any personal financial liability. Further, Section 12 A (b) and (c) of the SEBI Act and Regulation 3 (a), (c) and (d) of the PFUTP Regulations states that no person shall directly or indirectly buy, sell or deal in securities in a fraudulent manner or to employ any device, scheme or artifice to defraud in connection with issue or dealing in securities. Regulation 4(1) and (2) (m) of the PFUTP Regulations prohibits and provides that dealing in securities shall be deemed to be fraudulent or an unfair trade practices, if an intermediary does not disclose to his client's transactions entered on their behalf.

18) In this respect, I note that the facts detailed in the SCN, as also brought out in above paras, referring to the letters issued by Noticee No. 1 to its clients clearly provides the assured returns and also that the Noticee will execute the trade on behalf of its clients. The relevant portion of the sample letter reads as under:

"….in case the profits in your account are insufficient to the tune of 27% per annum (2.25% per month), then Kassa Finvest Pvt. Ltd. will pay as loyalty bonus to the tune of minimum 2.25% per month of the capital lying with Kassa Finvest Pvt. Ltd. ….
Kassa office will execute trades on your behalf and you won't execute any trade yourself (Using Odin Diet)…."

19) I also note that the Noticee No. 1 has made payments of assured returns to the clients, as detailed in table 5 above and further the Noticee No. 7, 8 and one Mr. Vivek Agrawal (employee of Noticee no. 01) has admitted about the running assured/ fixed return scheme by Noticee No. 1. Thus, I find that the Noticee No. 1 indulged in business activities other than broking activities i.e. providing assured returns to clients/investors. I, further, note that the Noticee was also engaged in executing trades on behalf of its clients and thereby, the Noticee No. 1 has violated the provisions of Rule 8(1)(f) of SCRR and Section 12A (b) and

(c) of the SEBI Act read with Regulation 3(a), (c) and (d) and Regulation 4(1) and 4(2)(m) of PFUTP Regulations.

20) Further, the aforesaid activities of the Noticee No. 1 wherein it has executed trades on behalf of the clients with a condition that the margin money can be used for trading in any segment/ exchange and, subsequent, payments made to clients towards assured return establishes that Kassa Finvest had never been disclosed to his clients, the transactions entered on their behalf. These activities of Noticee No. 1 was in the nature of a "Portfolio Manager" and by acting as such without obtaining appropriate registration has acted in violation of Section 12(1) of the SEBI Act, 1992 read with Regulation 3 of the PM Regulations.

21) I note that SEBI Circular No. SMD/SED/CI/93/23321 dated 18 November, 1993 and Circular No. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008) provides the need for adequate systems and procedures in place to ensure that the collateral of the client is not used for any purposes other than meeting the respective client's margin requirements / pay-ins and the brokers should also maintain records to ensure proper audit trail of use of client collateral and also to ensure that the settlement of funds/securities is done within 24 hours of the payout. Further, as per the Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed by Annexure 4 of the SEBI Circular dated August 22, 2011, the stock broker is required to ensure that the money/securities deposited by the client are kept in a separate account, and are not 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. Further, 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 by SEBI Circular dated August 22, 2011 mandate that the settlement of funds/securities shall be done within 24 hours of the payout.

22) As brought out in the SCN, and also reproduced in above para no. 5.11, Noticee indulged in providing funds to the tune of approximately Rs. 26.45 crores to group/ associate/related entities/ person(s) inter alia to Kassa Holdings & Consultants Pvt. Ltd., Kassa Financial Advisors Pvt. Ltd., Mystic Cures Pvt. Ltd., Mr. Ashok Kumar, Mr. Siddharth Shankar and Ms. Neetika Shankar. Further, it is also noted from para no. 5.12, that funds to the tune of Rs. 46.82 crores have been transferred from client bank accounts to the business bank accounts of the Noticee from 2008 onwards. Payments made by the Noticee to its clients towards assured return and movement of funds after pledging securities of clients are also tabulated above. I note that, by such conduct and activities, the Noticee No. 1 has failed in segregating its own funds and clients' funds/securities, misutilized clients' moneys and also mis-appropriated the clients' securities/funds which resulted into violation of SEBI Circular No. SMD/SED/CI/93/23321 dated 18 November, 1993, Circular No. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008, Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed by Annexure 4 of the SEBI Circular dated August 22, 2011, 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 by SEBI Circular dated August 22, 2011.

23) I note that the SCN alleges that Kassa Finvest dealt in cash with its clients thereby violated the provisions of SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003 read with SEBI Master Circular on AML/ CFT dated December 31, 2010. I find that these two Circulars inter alia prohibits accepting/giving of cash by any brokers. In this context, I note that, as brought out in the SCN and also reproduced in Table no. 4 above, Noticee No. 1 has received cash to the tune of Rs. 4.91 crores in its business and clients' accounts from 2008 onwards. I, thus, find that the allegations made against Noticee No.1 stands established that it has violated the provisions of SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003 and SEBI Master Circular on AML/ CFT dated December 31, 2010.

24) The SCN has further alleged that the Notice No. 1 has violated the conditions of registration as provided under Regulation 9(e) of Stock Broker Regulations and SEBI Circular No. CIR/MRD/ICC/30/2013 dated September 26, 2013. Regulation 9(e) of Stock Broker Regulations requires stock broker to take adequate steps for redressal of investor grievances within period of one month from the date of receipt of complaint. Further, for effective and timely resolution of investor grievances, SEBI Circular No. CIR/MRD/ICC/30/2013 dated September 26, 2013 provided that the mechanism of Investor Grievance Redressal Committee (IGRC). In this context, I note that as on April 15, 2015, 421 complaints were pending against the Noticee as against 255 pending complaints against it (as per SCORES) as on March 11, 2015. Thus, I find that the Noticee No. 1 has violated the provisions of Regulation 9(e) of Stock Broker Regulations and SEBI Circular No. CIR/MRD/ICC/30/2013 dated September 26, 2013.

25) With regard to allegation made in the SCN for failure to furnish information, I observed that Mr. Ashok Kumar (on behalf of Notice no. 01) failed to furnish complete information/ details pertaining to financial ledgers, demat accounts/statements, details of bank accounts/ statements, etc. as sought from him vide summons dated March 3, 5 and 16, 2015. Further, Mr. Ashok Kumar also failed to furnish details pertaining to assets/ investments/ property held in his/ the Noticee's name since it was found during the course of investigation that securities/ mutual fund units other than those declared by Mr. Ashok Kumar were held by Noticee.

26) Regulation 9(b) and (f) of the Stock Broker Regulations read with Clause A(1), (2)(3)and (5) of the Code of Conduct as specified in Schedule II therein provides that a stock broker shall maintain high standard of integrity, promptitude and fairness in conduct of his dealing and he will exercise due skill and care and shall comply with the statutory requirements. Stock broker is also expected to not to indulge in manipulative and fraudulent transactions. I note the entire findings

against the Noticee No. 1, as recorded above, relate to non-segregation of own funds and clients' funds/securities, misutilization of clients' funds and securities, dealing in cash, failure to settle clients' accounts, failure to return securities on clients' request etc. etc. establishes the allegation that Noticee No. 1 has violated provisions Clauses A(1), (2), (3) and (5) of the Code of Conduct specified in Schedule II of Regulation 9(b) and (f) of the Stock Broker Regulations and also regulation 9(b) and (f) of the SEBI Broker Regulations.

27) The SCN dated November 04, 2016 bearing ref. no. SEBI/NRO/OW/AO/SKS/2046/2016 alleges that Noticee No. 2–4, as directors /promoters of Kassa Finvest are liable for the aforesaid acts and omissions committed by Kassa Finvest. In view of this, the aforesaid these Noticees are alleged to have violated Section 12A(b) &(c) of the SEBI Act and Regulation 3(a),(c) and (d) and Regulation 4(1) & 4(2)(m) of the PFUTP Regulations.

28) I note that the Noticee No. 2 has made a similar response as made by him on behalf of Noticee No. 1. Noticee No. 3 has not made any reply and Noticee No. 4 has also made similar response as made by Noticee No. 2 for himself and those made by him on behalf of Noticee No. 1. As mentioned in above paragraphs, the Noticee No. 2 was holding key position of Managing Director in the Company and this being so he was well versed with the affairs of the Company and, therefore, his submissions cannot be accepted. I further note that, in addition to the copies of relevant documents/ materials/ statement of persons provided along with the SCN, the Noticee No. 2 and Noticee No. 4 were also provided an opportunity for inspection of documents relied upon by SEBI and then to submit their reply to the SCN. Thus, the evasive response received from the Noticee No.2 and Noticee No. 4 deserves to be dismissed.

29) I note that the Noticee No. 2 is the Managing Director and Noticee No. 3 is a director of Kassa Finvest and they were in charge and responsible for its day to day affairs and business during the said period of violation. They together hold

10% of the shareholding in Noticee No. 1 whereas the Noticee 4; Ms. Anjana Kumar is wife of Noticee No. 2 and she is the major stakeholder/promoter of Kassa Finvest by holding 51.56% shareholdings. I note that Noticee No. 4 was also the director of Noticee No. 1 during the period from July 05, 1995 to November 15, 2003. Further, being a substantial shareholder, she exercises control and influence over the activities of Noticee No. 1. Further, as detailed in the above paragraphs, the Noticee No. 1 has violated various provisions of SCRR, SEBI Act, PFUTP Regulations, SEBI Broker Regulations, Portfolio Managers Regulations and various SEBI Circulars pertaining to the stock brokers and rights and obligations of the stock brokers. It is noted above that Noticee No. 2 along with his group entities including Noticee No. 5; Siddharth Shankar who is son of Noticee No. 2 and Noticee No. 4, and Noticee No. 6; Nikita Shankar who is daughter in law of Noticee No. 2 and Noticee No. 4, were the major beneficiary of siphoning off clients funds from the account of Noticee No.1 including the funds raised by pledging of securities of clients. I, thus, find that Noticee No. 2-4 are liable for the fraudulent and manipulative activities of Noticee No. 1 and thereby violated the provisions of Section 12 A(b) &(c) of the SEBI Act and Regulation 3(a),(c) and (d) and Regulation 4(1) & 4(2)(m) of the PFUTP Regulations.

30) In respect of the allegation made against Noticee No. 5-8 in the SCN dated November 04, 2016 bearing ref. no. SEBI/NRO/OW/AO/SKS/2040/2016 I note that the response made by Noticee No. 5 and 6 are evasive and deserves to be dismissed. I note that copies of all supporting documents/ materials and statements of concerned persons were provided to these Noticees along with the SCN, however, they have failed to file any reply on merit. I find that they have not denied the fact of receiving funds from the Noticee No. 1. As detailed in above paragraphs, the group persons/entities including Noticee No. 5; Siddharth Shankar and Noticee No. 6; Nitika Shankar have received funds/securities of the clients of Noticee No. 1 and were, thus, indulged in the fraudulent and manipulative scheme of Noticee No. 1 and its directors/promoters, who are also

close relatives, have violated the provisions of Regulation 3(a),(c) and (d) and Regulation 4(1) of the PFUTP Regulations.

31) Noticee No. 7; Mr. Anil Dhawan was the Vice President, Operations and Noticee No. 8; Mr. Manoj Agrawal was the Chief Financial Officer (CFO) of Noticee No. 1 during the relevant period. I note that the Noticee No. 7 has filed its reply vide letter dated December 01, 2016 and has submitted that he was acting as consultant during the relevant period and looking, looking after risk management branch operations and business development and that he was not holding any statutory position Compliance Officer, Director and CEO etc. nor was authorized to sign any paper/ document on behalf of Noticee No. 1. Noticee No. 7 has denied its role or knowledge about the ongoing fraud and submitted that he was not receiving any other incentive apart from the salary and that despite he was looking after investor complaints, no serious complaints was received. I, further, note that the Notice No. 8 has filed its reply and also appeared for hearing on January 24, 2018 and made submissions on the lines of reply filed to the SCN. The Noticee No. 8 has submitted that he was an employee of Noticee no. 1 till the year 2014 and was getting fixed salary. He has denied any role in the fraud committed by Noticee No. 1 and submitted that he was acting as a Senior Vice President and was looking as general auditing, taxation matters and accounts finalization. He has further submitted that he has not singed any paper/document for the Noticee No. 1 and that his name has not been mentioned in any of the complaint.

32) In respect of allegations made against Noticee No. 7 and 8, I note that as per statements made during the course of investigation, these Noticees were fully aware of the assured return scheme of Noticee No. 1 and also the transfer of funds to its group persons/entities. Noticee No. 8 has stated that the funds were siphoned off for the purpose of interest payments to fixed return clients, repurchase of sold shares, expansion of business, etc. He further stated that client-wise interest-rate was approved by Noticee No. 7. The replies made to the

SCN are afterthought. It is therefore evident that, despite Noticee No. 7 and 8 were not directly responsible for the fraudulent act of Noticee No. 1. These Noticees were aware of the same and failed in their duties to exercise diligence and did not taken any step to remedy the violations committed by Noticee No. 1 and its directors/ promoters. The conduct of the Noticee No. 7 and 8 indicate that these Noticees were in collusion with the Noticee No. 1 and its promoters/ directors and, thus, have violated the provisions of Section 12 A(b) &(c) of the SEBI Act and Regulation 3(a), (c) and (d) and Regulation 4(1) of the PFUTP Regulations.

33) I note that for the aforesaid defaults committed by the Noticees herein, Whole Time Member ("WTM") of SEBI has passed an order dated 05.09.2017 under Section 11(4), 11B and 11D of the SEBI Act prohibiting, among other, the Noticees herein from accessing the securities market and also from buying, selling or dealing in securities, either directly or indirectly or being associated with the securities market in any manner whatsoever, for specified period. Vide said order, the Noticee No. 1-6 were also directed to forthwith repay/refund the investors/clients' money with an interest of 15% per annum from the date when the repayment became due till the date of actual payment. I further note that, recovery proceedings were also initiated by SEBI. In Appeal filed before the Hon'ble SAT challenging the SEBI order dated 05.09.2017, the Hon'ble SAT vide its order dated 26.09.2019 has upheld the SEBI order on merit, however, remanded the matter back to SEBI directing *inter alia* Recovery Officer to crystallize the exact amount of liability of refund to be made to the investors/clients.

34) I note that the SCN has also alleged that *inter alia* Noticee No. 5-8 have violated the provisions of Regulation 4(2)(m) of PFUTP Regulations. IN this context, I note that the provision of Regulation 4(2)(m) of PFUTP Regulations provides that where an intermediary does not disclose his client transaction enter into his behalf, the same would amount to dealing in fraudulent manner and an unfair

trade practices in the securities market. As such, the said provision is not applicable on Noticee No. 5-8 and, therefore, I find that the Noticee No. 5-8 are not liable for the violation of Regulation 4(2)(m) of PFUTP Regulations.

ISSUE II. Whether the Noticees are liable for monetary penalty under Sections 15A (b), 15C, 15F (b), 15HA and 15HB and Section 23A, 23C, 23D and 23H of the SCRA, 1956?

35) The particulars of entire allegations are not in dispute as no reply is received from the Noticee no. 01 to 06 towards the SCN. The fact cannot be ignored that, the Noticees 01 to 06 were under bounden obligation to respond to SCN issued by SEBI and to appear for hearing in the instant proceedings. In absence of any reply/evidence from the Noticees refuting the allegations and/or any other evidence to the contrary, it is concluded that the Noticees have nothing to submit in their defense.

36) Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC) has also held that

"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant...".

37) As the violation of the statutory obligation under various provisions of Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957, Section 12A(b) & (c) of the SEBI Act, Regulation 3(a), (c) and (d) and Regulation 4(1) & 4(2)(m) (read with explanation given there under) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, Section 12(1) of the SEBI Act read with Regulation 3 of the SEBI (Portfolio Managers) Regulations, 1993, Circular no. SMD/SED/CI/93/23321 dated 18 November, 1993, Circular no. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008, Clause 15 of

Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed by SEBI Circular dated August 22, 2011, Conditions of registration as specified under Regulations 9 (b), (e) and (f) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992, Circular No. SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003, SEBI Master Circular on AML/ CFT dated December 31, 2010, Circular no. CIR/MRD/ICC/30/2013 dated September 26, 2013, 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 by SEBI Circular dated August 22, 2011, 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 has been established, it is a fit case for imposing monetary penalty under section 15A (b), 15C, 15F (b), 15HA and 15HB and Section 23A, 23C, 23D and 23H of the SCRA, 1956; which read as follows:-

SEBI Act, 1992

“Section 15 A (b) Penalty for failure to furnish information, return, etc

(a) ….

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.”

“15C Penalty for failure to redress investors' grievances:

If any listed company or any person who is registered as an intermediary, after having been called upon by the Board in writing, to redress the grievances of investors, fails to redress such grievances within the time specified by the Board, such company or intermediary shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less."

"Section 15 F (b), Penalty for default in case of stock Noticees

(a) ….
(b) fails to deliver any security or fails to make payment of the amount due to the investor in the manner within the period specified in the regulations, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which he sponsors or carries on any such collective investment scheme including mutual funds subject to a maximum of one crore rupees."

"Section 15HA Penalty for fraudulent and unfair trade practices

If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher"

"Section 15HB Penalty for contravention where no separate penalty has been provided

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be 86[liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."

SCRA Act, 1956

"Section 23A Penalty for failure to furnish information, return, etc

Any person, who is required under this Act or any rules made there under,—
(a) to furnish any information, document, books, returns or report to a recognized stock exchange, fails to furnish the same within the time specified therefore in the listing agreement or conditions or bye-laws of the recognised stock exchange, shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less for each such failure;

(b) to maintain books of account or records, as per the listing agreement or conditions, or bye-laws of a recognised stock exchange, fails to

maintain the same, shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less."

<u>"Section 23C Penalty for failure to redress investors' grievances</u>

If any stock Noticee or sub-Noticee or a company whose securities are listed or proposed to be listed in a recognised stock exchange, after having been called upon by the Securities and Exchange Board of India or a recognised stock exchange in writing, to redress the grievances of the investors, fails to redress such grievances within the time stipulated by the Securities and Exchange Board of India or a recognized stock exchange, he or it shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.

<u>"Section 23D Penalty for failure to segregate securities or moneys of client or clients</u>

If any person, who is registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) as a stock Noticee or sub-Noticee, fails to segregate securities or moneys of the client or clients or uses the securities or moneys of a client or clients for self or for any other client, he shall be liable to a penalty not exceeding one crore rupees."

<u>"Section 23H Penalty for contravention where no separate penalty has been provided</u>

Whoever fails to comply with any provision of this Act, the rules or articles or bye-laws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees."

<u>ISSUE III. If the answer to issue at II is in affirmative, then what quantum of monetary penalty should be imposed on the Noticees?</u>

38) While determining the quantum of penalty under sections 15A(b), 15C, 15F(b), 15HA and 15HB and Section 23A, 23C, 23D and 23H of the SCRA, 1956 it is

important to consider the factors stipulated in section 15J of SEBI Act, and 23J of SCRA, 1956 which reads as under: -

*"**15J -Factors to be taken into account by the adjudicating officer***

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) The repetitive nature of the default."

*"**23J -Factors to be taken into account by the adjudicating officer***

While adjudging the quantum of penalty under section 23-I, the adjudicating officer shall have due regard to the following factors, namely:—

(d) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(e) the amount of loss caused to an investor or group of investors as a result of the default;

(f) The repetitive nature of the default."

39) The amount of disproportionate gain or unfair advantage to the Noticees or loss caused to the investors/clients as a result of the default is approximately 47 crores as per the documents/material available on record. Considering that Noticee No. 1 had misused client's funds to the tune of Rs. 46.82 crores by transferring the same from client bank accounts to the business bank accounts from 2008 onwards. Further Noticee no. 1 also indulged in providing funds to the tune of approximately Rs. 26.45 crores to its group/associate/related entities/ person(s) wherein Noticee No. 5 and 6 are major beneficiaries. Due to these diversion/ mist-utilization of investors' money, defaults occurred and a large number of complaints were received by SEBI from the clients of the Noticee No. 1 in the nature of "*non- receipt/delay in payment of funds and securities* from December 2014 onwards as brought out in the SCN and, therefore, the same are treated as repetitive in nature.

40) Noticee No. 2 was acting as MD and he was in charge of the affairs of Noticee No. 1. I also note that the Noticee No. 6 Ms. Nikita Shankar, who is daughter in law of Noticee No. 2, has made statement to the effect that not only on matters of Kassa Finvest but even in the matters of the group entities, the Noticee No. 2 was fully in charge of their day-to-day affairs. Noticee No. 3 was director of Noticee No. 1 during the relevant period of time. Noticee No. 4 was holding majority stake of Kassa Finvest and she was a former Director of Kassa Finvest for a long period of 8 years during 1995 to 2003 and, moreover, she holds 51.65% of shares of Kassa by virtue of which she is in absolute control of the company. I further note that the Noticee No. 2 is her husband only who is the Managing Director of Kassa Finvest. I find that the Noticee Nos. 2 – 4 were the key persons behind the fraud and are liable for the acts and omissions committed by Kassa Finvest.

41) In respect of liability of the directors for the fraud committed by a Company, the Hon'ble Supreme Court, in the matter of N Narayanan v. Adjudicating Officer, SEBI (Civil Appeals No. 4112-4113 of 2013) has observed a sunder:

"33. Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. This Court while describing what is the duty of a Director of a company held in Official Liquidator v. P.A. Tendolkar (1973) 1 SCC 602 that a Director may be shown to be placed and to have been so closely and so long associated personally with the management of the company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of business of the company even though no specific act of dishonesty is provided against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially."

42) I note that Noticee No. 5 and 6 are close relative of Noticee No. 2 and Noticee No. 4 being their son and daughter in law. Moreover, the Noticee No. 5 and 6 are beneficiary of the funds misused and diverted from the accounts of Noticee No.

1. As such, I find that the Noticee No. 5 and 6 were hand in glove with the key persons who were behind the fraud. I also note that vide aforementioned SEBI order dated 05.09.2017 these Noticees were debarred from accessing the securities market for a period of ten years on the lines of Noticee No. 1 to 4 herein and they have also been directed to make refund to the investors.

43) I note that in respect of duty of SEBI as market regulator in dealing with frauds committed in the securities market, the Hon'be Supreme Court in the aforementioned matter (N Narayanan v. Adjudicating Officer, SEBI, Civil Appeals No. 4112-4113 of 2013) has further observed that:

43. SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto."

44) I note that Noticee No. 1 had misused client's funds to the tune of Rs. 46.82 crores and also indulged in providing funds to the tune of approximately Rs. 26.45 crores to its group/associate/related entities/ person(s) which resulted in loss to the investors' money and Noticee No. 5 and 6 are major beneficiaries of the same. The Noticee No. 2 and 3, being directors of Noticee No. 1, Noticee No. 4 being majority shareholders and in control of Noticee No1, and Noticee No. 5 and 6, who are also close relatives of Noticee Ns. 2 and 4, are liable for fraudulent conduct and affairs of Noticee No. 1. Further, as noted in above paras, Noticee No. 1 – 6 have not made any reply to the allegations made against them in the

SCN and despite several opportunities provided to them, none of these Notices appeared for hearing before me.

45) I note that Noticee No. 7 and 8 were employee of Noticee No. 1 and have not found to have made any illegal gain. I, further, note that pursuant to the directions issued by the Hon'ble SAT vide order dated 26.09.2019, SEBI reconsidered the matter qua Noticee No. 8 and noted that Noticee No. 8 was only an instrument in the hands of the KMPs who were perpetrating the fraud and, therefore, reduced the period of debarment form ten years to five years.

46) Further, it is of utmost importance that every registered intermediary shall maintain the required level of knowledge and competency and abide by the provisions of the Act, Rules, Regulations and circulars and directions issued by SEBI. In this regard, any omission on part of the registered intermediary is detrimental to the interest of investors in securities market.

47) I am of considered view as detailed above, that the Noticees have violated various provisions of SEBI Act, SCRA, Rules and Regulation made and various circulars issued thereunder and that it is a fit case for imposition of penalty for violation of the aforesaid Regulations and SEBI Circulars, it would be necessary to impose appropriate penalty to commensurate the gravity of violation committed by the Noticees to meet the ends of justice.

VIII. ORDER

48) After taking into consideration all the facts and circumstances of the case, gravity of violations, material available on record and the factors stipulated in Section 15J of the SEBI Act, 1992 and Section 23J of SCRA, 1956 I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules and Section 23-I read with Rule 5 of SCR Adjudication Rules, hereby impose a monetary penalty of ₹ 4,65,00,000/- (Rupees Four

Crores and Sixty Five Lakhs only) on all the Noticees no. 01 to 08 as enumerated below namely:

No.	Noticee Name	Provisions of law violated	Penalty levied under Section	Quantum of penalty
1	Kassa Finvest Private Limited	➢ Rule 8 (3) (f) of Securities Contracts (Regulation) Rules, 1957. ➢ Circular no. SMD/SED/CI /93/23321 dated 18 November, 1993 ➢ Circular no. MRD/DoP/SE /Cir-11/2008 dated April 17, 2008 ➢ Clause 15 of Rights and Obligations document for Stock Brokers, Sub-Brokers and Clients as prescribed by SEBI Circular dated August 22, 2011 ➢ Section 12A(b) & (c) of the SEBI Act. ➢ Regulation 3(a), (c) and (d) and Regulation 4(1) & 4(2)(m) (read with explanation given there under) of the SEBI PFUTP Relating to	**SEBI Act** Sections 15A (b), 15C, 15F (b), 15HA and 15HB **SCRA, 1956** Section 23A, 23C, 23D and 23H	₹ 4,50,00,000 jointly and severally (From Noticee nos. 01 to 06)

		Securities Market) Regulations, 2003. ➢ Section 12(1) of the SEBI Act read with Regulation 3 of the SEBI (Portfolio Managers) Regulations, 1993. ➢ SEBI/MRD/SE/Cir-33 /2003/27/08 dated August 27, 2003 ➢ SEBI Master Circular on AML/ CFT dated December 31, 2010 ➢ Circular no. CIR/MRD/ICC/ 30/2013 dated September 26, 2013. ➢ Conditions of registration as specified under Regulations 9(e) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992. ➢ Clause 12 of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009. ➢ Clause 33 of Rights and Obligations document for Stock Brokers, Sub-Brokers and Clients as		

		prescribed by SEBI Circular dated August 22, 2011. ➢ 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, ➢ Conditions of registration as specified under Regulation 9(b) and (f) of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.		
2	Mr. Ashok Kumar	➢ Section 12A(b) & (c) of the SEBI Act. ➢ Regulation 3(a), (c) and (d) and Regulation 4(1) & 4(2)(m) (read with explanation given there under) of the SEBI PFUTP Relating to Securities Market) Regulations, 2003.	**SEBI Act** Sections 15A (b), 15C, 15F (b), 15HA and 15HB **SCRA, 1956** Section 23A, 23C, 23D and 23H	
3	Mr. Umashankar Sharan Srivastava			
4	Ms. Anjana Kumar			
5	Mr. Siddharth Shankar	Regulation 3(a), (c) and (d) and Regulation 4(1) (read with explanation given there under) of the SEBI PFUTP	Sections 15HA and 15HB of the SEBI Act, 1992	
6	Ms. Nitika Shankar			

		Relating to Securities Market) Regulations, 2003.		
7	Mr. Anil Kumar Dhawan	Regulation 3(a), (c) and (d) and Regulation 4(1) (read with explanation given there under) of the SEBI PFUTP Relating to Securities Market) Regulations, 2003.	Sections 15HA and 15HB of the SEBI Act, 1992	₹ 7,50,000
8	Mr. Manoj Kumar Agarwal			₹ 7,50,000

49) I am of the view that the aforesaid penalty is commensurate with the violation committed by the Noticees and acts as a deterrent factor for the Noticees and others in protecting the interest of investors.

50) The amount of penalty shall be paid either by way of demand draft in favour of "SEBI-Penalties Remittable to Government of India", payable at Mumbai, or by e-payment in the account of "SEBI -Penalties Remittable to Government of India", A/c No. 31465271959, State Bank of India, Bandra Kurla Complex Branch, RTGS Code SBIN0004380 within 45 days of receipt of this order.

51) The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favor of "SEBI -Penalties Remittable to Government of India", payable either by OR through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW

or at link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html

52) The said demand draft or forwarding details and confirmations of e-payments made (in the format as given in table below) should be forwarded to Deputy General Manager, Market Intermediaries Regulation & Supervision Department

(MIRSD), Securities and Exchange Board of India, Northern Regional Office, NBCC Complex, Office Tower-1, 8th Floor, Plate B, East Kidwai Nagar, New Delhi - 110023.

Case Name	
Name of the payee	
Date of payment	
Amount paid	
Transaction No	
Bank Details in which payment is made	
Payment is made for: **(like penalties /disgorgement/ recovery /settlement amount and legal charges along with order details)**	

53) In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, consequential proceedings including, but not limited to, recovery proceedings may be initiated under Section 28A of the SEBI Act, for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties

54) In terms of the provisions of Rule 6 of the Rules, copy of this order is being sent to all the Noticees and also to the Securities and Exchange Board of India.

PLACE: NEW DELHI **SHARAD K SHARMA**

DATE: FEBUARY 24, 2021 **ADJUDICATING OFFICER**