

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER REGULATION 28(2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA
(INTERMEDIARIES) REGULATIONS, 2008.

IN RESPECT OF –

NOTICEE	M/s CORPORATE STRATEGIC ALLIANZ LTD. CATEGORY - I MERCHANT BANKER [SEBI REGN NO. INM00011260]
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BACKGROUND –

1. M/s. Corporate Strategic Allianz Ltd. (“CSAL/Noticee”) is a SEBI registered Category - I Merchant Banker (MB).
2. SEBI vide order dated August 12, 2016, had restrained CSAL from accessing the securities market, directly or indirectly, and had further prohibited it from dealing in securities, directly or indirectly, for a period of 3 years from the date of the said order, for conniving and conspiring to make illegal profit /gains in the matter of Platinum Corporation Ltd. Further, vide the said order, SEBI had also directed CSAL to disgorge illegal gains of Rs.20,64,745 made by it. While the restraint / prohibition directed under the abovementioned SEBI order was still in force, SEBI vide letter

dated December 22, 2016 had also advised CSAL to dissociate itself from open offer of Deepti Alloy Steel Limited as a manager, on the ground that CSAL was not eligible to discharge obligations as a manager to the said open offer due to the said restraint order.

3. In view of the above, it *prima facie* appeared to SEBI that CSAL was no longer fit and proper person to act as an intermediary and did not meet the condition of registration to act as a merchant banker, thereby violating the provisions of Schedule II of SEBI (Intermediaries) Regulations, 2008 ("*Intermediaries Regulations*") and Regulation 9A(1)(e) of the SEBI (Merchant Bankers) Regulations, 1992 ("*MB Regulations*") read with Section 12(1) of the SEBI Act, 1992 ("*SEBI Act*"). Accordingly, SEBI appointed a Designated Authority ("*DA*") to enquire into the aforesaid alleged violations under Section 12(3) of the SEBI Act read with Regulation 23(a) of Intermediaries Regulations and Regulation 35 of the MB Regulations. The DA issued a show cause notice to the Noticee and upon a consideration of the facts before him and after granting an opportunity of hearing, found the Noticee to be in violation of the abovementioned provisions of the Intermediaries Regulations, MB Regulations and the SEBI Act. Accordingly, the DA, vide his report dated November 27, 2018 submitted under Regulation 27 of the Intermediaries Regulations, recommended that the Noticee may be suspended for a period of 6 months and that the said suspension should run

concurrently with the restraint of three years imposed on the Noticee in the SEBI order dated August 12, 2016.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING –

4. A Show Cause Notice dated December 17, 2017 ("**post-enquiry SCN**") under Regulation 28(1) of the Intermediaries Regulations was issued by SEBI enclosing therewith a copy of the report of the DA and calling upon the Noticee to show cause as to why the action as recommended by the DA or passing of any other direction, as considered appropriate by the Competent Authority, should not be taken against it in terms of Regulation 28(2) of the Intermediaries Regulations.
5. Pursuant to receipt of post-enquiry SCN, the Noticee vide email dated July 31, 2019 submitted that it had misplaced the post-enquiry SCN and requested for a soft copy thereof. SEBI forwarded soft copy of the same to the Noticee on the same day (i.e. vide email dated July 31, 2019). However, subsequently, Noticee failed to file any reply to the post-enquiry SCN. Thereafter, two opportunities of personal hearing were granted to the Noticee by scheduling the same on August 27, 2019 and March 03, 2020 respectively. However, the Noticee has failed to attend any of the said hearings.

CONSIDERATION AND FINDINGS –

6. I have examined the facts of the case and the charges against the Noticee. I note that that the instant proceedings have been initiated against the Noticee on the ground that due to the Restraint order dated August 12, 2016 whereby the Noticee was restrained / prohibited from securities market for three years, the Noticee no longer remained a fit and proper person to continue its activities as a SEBI registered intermediary (i.e. Merchant Banker). As per Regulation 9A(1)(e) of the MB Regulations read with Section 12(1) of the SEBI Act, a Merchant Banker has to abide by the regulations made under the SEBI Act in respect of the activities carried on by it as merchant banker and it cannot buy, sell or deal in securities except, and in accordance with the conditions of the certificate of registration obtained from SEBI. In this regard, I note that the fit and proper person requirements have to be met on a continuous basis, since compliance with the same is mentioned as one of the conditions for grant of registration under sub-regulation (gg) of Regulation 6 of the MB Regulations. SEBI is empowered to take suitable action as it may deem fit, including suspension and cancellation of registration in the event the intermediary fails to comply with the said requirement.
7. In light of the above facts and position of law, now it is to be determined whether the Noticee, as a consequence of the restraint order dated August 12, 2016, has become

non-compliant with the fit and proper person requirements. In this regard, I note that Regulation 6A of the MB Regulations read with provisions of Schedule II of the Intermediaries Regulations provide the criteria for determining a 'fit and proper person'. The same is quoted as under:

"Schedule II of the Intermediaries Regulations

Criteria for determining a 'fit and proper person'

For the purpose of determining as to whether an applicant or the intermediary is a 'fit and proper person' the Board may take account of any consideration as it deems fit, including but not limited to the following criteria in relation to the applicant or the intermediary, the principal officer, the director, the promoter and the key management persons by whatever name called –

(a) integrity, reputation and character;

(b) absence of convictions and restraint orders;

(c) competence including financial solvency and networth;

(d) absence of categorization as a wilful defaulter."

8. From the above provisions, which specifically mention some of the important factors which are to be taken into account while deciding whether an entity qualifies to be a fit and proper person or not, it is clear that integrity, reputation, character and

absence of restraint orders in respect of an entity figure prominently among the above factors.

9. While determining whether the Noticee remains compliant with the fit and proper person requirements, I note that the abovementioned restraint order was passed against the Noticee for conniving and conspiring with Platinum Corporation Ltd and its directors / promoters and offloading shares in the wake of false and misleading corporate announcements, thereby making illegal gains. These acts of the Noticee were found to be fraudulent and manipulative practices under the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. Thus, I note that the violations established against the Noticee are serious in nature and these certainly give a hue of doubtfulness to the integrity, reputation and character of the Noticee. It is also pertinent to note that the Hon'ble Securities Appellate Tribunal (SAT) vide its order dated February 01, 2018, has already upheld the said SEBI order in respect of the Noticee in Appeal nos. 04 of 2017 and 20 of 2017 preferred by it. In fact, even the review petition filed by the Noticee in respect of the said order of the Hon'ble SAT has been dismissed by the Hon'ble SAT vide its order dated June 12, 2019.

10. While the integrity, reputation and character of the Noticee stand tainted due to the violations established in the order dated August 12, 2016 and direction of restraint contained therein raises a serious doubt on its continued compliance with the fit and proper person requirements, I note that the Noticee's subsequent conduct further fortifies such inference. I note that while the Noticee has already undergone the restraint period of three years directed in the abovementioned SEBI Order, it has failed to comply with the direction of disgorgement of Rs.20,64,745 as contained in the said order. This failure has compelled SEBI to initiate recovery proceedings against the Noticee and the same are pending.
11. I note that the Noticee, despite getting sufficient opportunities to defend his case, has failed to file his reply in respect of the post-enquiry SCN and has failed to appear before me during personal hearings. The same shows that the Noticee is not serious in defending its case to preserve its right to continue with its intermediary activities. Thus, in the absence of Noticee's response to the post-enquiry SCN, I am constrained to decide the matter on the basis of material available on record.
12. Considering the totality of the facts and circumstances, I am of the opinion that due to the Noticee's involvement in serious violations and the resultant restraint order, coupled with its failure to disgorge the illegal gains made by it, the Noticee no longer

qualifies to be a fit and proper person. I find that the Noticee is, therefore, non-compliant with the conditions of registration as mandated under Regulation 9A(1)(e) read with Regulation 6(gg) of the MB Regulations and Section 12(1) of the SEBI Act, which have to be met on a continuous basis. Thus, allowing the Noticee to continue its operations as a registered intermediary, particularly when it remains non-compliant with the direction for disgorgement as contained in the abovementioned SEBI order, would not be in the interest of the securities market.

13. In the instant case, the DA in his report has recommended suspension of certificate of registration of Noticee for a period of six months and such suspension to run concurrently with the restraint order of three years imposed vide order dated August 12, 2016. However, considering the Noticee's continued non-compliance with the direction of disgorgement as contained in the SEBI order dated August 12, 2016, along with his lack of enthusiasm to defend the current proceedings, I am inclined to differ with the recommendation of the DA and take a stricter action.

ORDER –

14. In view of the above, I, in exercise of powers conferred on me under Section 12 (3) read with Section 19 of the SEBI Act and Regulation 28 (2) of the Intermediaries Regulations, and upon consideration of the facts and circumstances as above, hereby suspend, with immediate effect, the certificate of registration of the Noticee as a

merchant banker, and such suspension shall continue till the end of one year from the date of actual receipt by SEBI of the disgorgement amount along with due interest, in full, which the Noticee is liable to pay as per the direction contained in the abovementioned SEBI order dated August 12, 2016.

Place: Mumbai

Date: August 24, 2020

**G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**