



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

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

SEBI/HO/MIRSD/DPIEA/OW/2021/30865
October 29, 2021

Noticee No.	Name of the Noticee	Address
1.	Allied Financial Services Private Limited (PAN - AAACA2020K)	Flat No 1206, 12th Floor, Vijaya Building, 17, Barakhamba Road, New Delhi- 110001
2.	Mr Awanish Kumar Mishra (PAN - AGOPM7538H)	Flat No 1807, Mahagun Maple, Gautam Budh Nagar, Sector- 50, Noida, Uttar Pradesh, 201301
3.	Mr Jitendra Kumar Tiwari (PAN - ALBPT6629A)	Shanti Kunj, Kankhal, Haridwar, Uttarakhand, 249401
4.	Money Mishra Financial Services (PAN - AAZFM1357R)	Flat No 1807, Mahagun Maple, Gautam Budh Nagar, Sector- 50, Noida, Uttar Pradesh, 201301
5.	Money Mishra Overseas Pvt. Ltd (PAN - AAJCM8612N)	B-2/266, Second Floor Yamuna Vihar Near Agarsen Park, Delhi- 110053
6.	M/s Digi locker (PAN - ABJFM9337L)	House No - C-5/9, Ground Floor, Back Side, Rana Pratap Bagh, North Delhi, Malka Ganj, Delhi- 110007
7.	Mr Pankaj Garg, Partner, M/s Digi locker (PAN - AERPG5388J)	House No - C-5/9, Ground Floor, Back Side, Rana Pratap Bagh, North Delhi, Malka Ganj, Delhi- 110007
8.	Mr Jitender Malhotra, Partner, M/s Digi locker (PAN - ALRPM2119G)	House No - 17, New Colony, Railway Road, Faridabad, Near Imperial Avto Ind., Faridabad, Haryana- 121001

(The aforesaid entities are hereinafter referred to by their respective names/serial numbers or collectively as "the Noticees")

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

1. Allied Financial Services Private Limited (hereinafter referred to as "AFSPL"/ "Noticee No. 1") is a registered member with the National Stock Exchange of India Limited

SCN in the matter of Allied Financial Services Private Limited

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सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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(hereinafter referred to as “NSE”) with registration number INZ000164832. AFSPL is also a Depository Participant of National Securities Depository Limited with registration number IN-DP-387-2018.

2. As detailed in subsequent paragraphs, the total period covered by inspection and audit is from April 01, 2017 to February 18, 2019 (hereinafter referred to as “**Examination Period**”).
3. The details of directors of AFSPL along with the date of appointment as obtained from the MCA website is as under:

Name	Date of Appointment
Mr. Rajeev Kumar Asopa	06/03/2002
Mr. Lalit Agarwal	07/06/2002
Mr. Rajendra Prashad Basia	24/01/1995
Mr. Awanish Kumar Mishra	19/07/2016
Mr. Jitendra Kumar Tiwari	15/12/2017

4. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) received an email dated February 23, 2019 from NSE, whereby NSE forwarded an interim report (hereinafter referred to as “**NSE-IR**”) (**Annexure A**) of its preliminary observation of the inspection of AFSPL along with summary of availability of funds and securities along with detailed workings. The period of inspection was from May 01, 2017 till date of inspection. Based on the observations made in NSE-IR, SEBI, by way of an ex parte-ad-interim order dated February 27, 2019 (**Annexure B**), pending completion of forensic audit by NSE, issued the following directions:

- “ a. Allied Financial Services Private Limited, Mr. Rajeev Kumar Asopa, Mr. Lalit Agarwal, Mr. Rajendra Prasad Basia, Mr. Awanish Kumar Mishra, Mr. Jitendra Kumar Tiwari, Money Mishra Financial Services, Money Mishra Overseas Pvt. Ltd., Pankaj Garg and Jitender Malhotra are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, till further directions;*
- b. The aforesaid Noticees shall cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions;*
- c. The aforesaid Noticees are directed not to dispose of or alienate any assets, whether movable or immovable, or to create or invoke or release any interest or charge in any of such assets except with the prior permission of SEBI/NSE.*
- d. The aforesaid Noticees are directed to provide a full inventory of all their assets, whether movable or immovable, or any interest or investment or charge in any of such assets, including details of all their bank accounts, demat accounts and mutual fund investments immediately but not later than 5 working days from the date of receipt of this order.*
- e. Till further directions in this regard, the assets of the Noticees mentioned at para 8(c) of this order shall be utilized only for the purpose of payment of money and/or delivery of securities, as the case may be, to the clients/investors under the supervision of the NSE.*





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- f. The depositories are directed to ensure that no debits are made in the demat accounts, held jointly or severally, of the aforesaid Noticees and persons except for the purpose mentioned in sub-para (e) after confirmation from NSE.*
- g. The banks are directed to ensure that no debits are made in the bank accounts held jointly or severally by the Noticees except for the purpose of payment of money to the clients/investors under the written confirmation of NSE.*
- h. The above directions are without prejudice to the right of SEBI to take any other action that may be initiated in respect of aforesaid entities/persons.*
- i. Since AFSPL is a DP with NSDL having Registration nos. IN-DP-387-2018, NSDL is also directed to closely monitor the activities of AFSPL as a DP."*
5. Thereafter, vide Order no. WTM/AB/SEBI/MIRSD/NRO/06/2019-20 dated May 17, 2019, the directions issued vide ex parte ad interim order dated February 27, 2019 were confirmed against all noticees except three noticees, namely, Mr Rajeev Kumar Asopa, Lalit Agarwal and Mr Rajendra Prasad Basia for whom the directions were discontinued. **(Annexure C)**
6. The confirmatory order also directed that further proceedings, if any, initiated based on findings of Forensic Audit by NSE/SEBI investigation shall take place before the competent Whole Time Member.
7. Thereafter, NSE submitted the forensic audit report (hereinafter referred to as "FAR") in the matter to SEBI on September 18, 2019 **(Annexure D)**. The period of audit was April 01, 2017 to January 31, 2019.
8. The allegations based on the findings of the NSE-IR and FAR are as under:

a) Non-availability of client funds

- i. To prevent the misuse of clients' funds by the stock broker, Clause 1 of SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 provides that "It shall be compulsory for all Member brokers to keep the money of the clients in a separate account and their own money in a separate account. No payment for transactions in which the Member broker is taking a position as a principal will be allowed to be made from the client's account. The above principles and the circumstances under which transfer from client's account to Member broker's account would be allowed are enumerated below.

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

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

B] Obligation to pay money into "clients accounts". Every member broker who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the member in



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the title of which the word "clients" shall appear (hereinafter referred to as "clients account"). Member broker may keep one consolidated clients account for all the clients or accounts in the name of each client, as he thinks fit: Provided that when a Member broker receives a cheque or draft representing in part money belonging to the client and in part money due to the Member, he shall pay the whole of such cheque or draft into the clients account and effect subsequent transfer as laid down below in para D (ii).

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

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

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

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

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

- ii. Also, SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, on enhanced supervision provides for uploading of clients' fund balance and securities balance by the Stock Brokers on Stock Exchange system. The Circular also provides that "Transfer of funds between "Name of Stock Broker -Client Account" and "Name of Stock Broker -Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stock Broker -Client Account" to "Name of Stock Broker -Proprietary Account" is permitted only for legitimate purposes, such as, recovery of brokerage, statutory dues, funds shortfall of debit balance clients which has been met by the





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stock broker, etc. For such transfer of funds, stock broker shall maintain daily reconciliation statement clearly indicating the amount of funds transferred.”

- iii. As on January 31, 2019, there are client payables amounting to INR 138.78 crore against which funds of only INR 44.36 crore are available in the bank / clearing member / clearing corporation and exchange. Thus, AFSPL has shortage of INR 94.42 crore payable to the clients as on January 31, 2019.

S. No	Particular	Amount (in INR Crore)
1	Creditors Payable-A	138.78
2	Deposits available with IL&FS Securities Services Ltd (ISSL) (Clearing member)	42.42
3	Amount available with Exchange	1.1
4	Bank balance	0.86
5	Total Funds available-B	44.36
	Non-Availability of funds(A-B)	94.42

- iv. The detailed findings in this regard are given in Point 11 of FAR.
- v. On verification of weekly data submitted by AFSPL as on Nov 30, 2018, it is observed that there is shortage in client's funds with AFSPL to the extent of INR 93.46 crore.
- vi. AFSPL has wrongfully reported the details of collateral which is stated to have been deposited with clearing member/ clearing corporation in form of cash and cash equivalents. It is observed that AFSPL has inappropriately and incorrectly included mutual funds amounting to INR 342 crore which are third party mutual funds.
- vii. The detailed findings in this regard are given in NSE-IR.

Thus, it is alleged that AFSPL has a shortage of INR 94.42 crore as on January 31, 2019 and of INR 93.46 crore as on November 30, 2018 payable to the clients.

Thus, based on the analysis above, it is alleged that AFSPL has misappropriated client funds and thus violated SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.



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b) Non-availability of client securities

- i. To prevent the misuse of clients' securities by the stock broker, Clause 2 of SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 provides that *"it shall be compulsory for all Member brokers to keep separate accounts for client's securities and to keep such books of accounts, as may be necessary, to distinguish such securities from his/their own securities. Such accounts for client's securities shall, inter-alia provide for the following:-*
 - a. *Securities received for sale or kept pending delivery in the market;*
 - b. *Securities fully paid for, pending delivery to clients;*
 - c. *Securities received for transfer or sent for transfer by the Member, in the name of client or his nominee(s);*
 - d. *Securities that are fully paid for and are held in custody by the Member as security/margin etc. Proper authorization from client for the same shall be obtained by Member;*
 - e. *Fully paid for client's securities registered in the name of Member, if any, towards margin requirements etc."*
- ii. Also, SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, on enhanced supervision provides for uploading of clients' fund balance and securities balance by the Stock Brokers on Stock Exchange system. The Circular also provides that *"Transfer of securities between "Name of the Stock Broker - Client Account" and individual client's BO account, "Name of the Stock Broker - Pool Account" and "Name of the Stock Broker - Collateral Account" is permitted. Transfer of securities between "Name of the Stock Broker - Client Account" to "Name of the Stock Broker - Proprietary Account" is permitted only for legitimate purposes such as, implementation of any Government/Regulatory directions or orders, in case of erroneous transfers pertaining to client's securities, for meeting legitimate dues of the stock broker, etc. For such transfer of securities, stock broker shall maintain a stock transfer register clearly indicating the day-wise details of securities transferred."*
- iii. As on January 31, 2019, securities amounting to INR 0.34 crore are not available either in DP account or with Clearing Member. Further, securities amounting to INR 0.35 crore which are reflected in the DP account of AFSPPL are not found to have been recorded in the register of securities.

Particulars	Amount (in INR Crore)
Value of Securities as per register of securities as on 31 January 2019	387.09





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Value of Securities in Beneficiary accounts	0.75
Value of Security with Clearing Member- IL&FS Securities Services Ltd (ISSL)	386.36
Total Value of Securities Available	387.11
Non-availability of Securities	0.34
Excess securities available in DP	0.35

iv. The detailed findings in this regard are given in NSE-IR.

Thus, it is alleged that client securities have been misappropriated by AFSPL to the extent of INR 0.69 crore.

Thus, based on the analysis above, it is alleged that AFSPL has misappropriated client securities and thus violated SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

c) Non-settlement of funds & securities of clients

- i. Clause 12 of Annexure A of SEBI Circular no. SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 provides that “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:
 - a. The authorization shall be renewed at least once a year and shall be dated.
 - b. The authorization shall be signed by the client only and not by any authorised person on his behalf or any holder of the Power of Attorney.
 - c. The authorization shall contain a clause that the Client may revoke the authorization at any time.
 - d. For the clients having outstanding obligations on the settlement date, the stock broker may retain the requisite securities/funds towards such obligations and may also retain the funds expected to be required to meet margin obligations for next 5 trading days, calculated in the manner specified by the exchanges.
 - 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.





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- f. The client shall bring any dispute arising from the statement of account or settlement so made to the notice of the broker preferably within 7 working days from the date of receipt of funds/securities or statement, as the case may be.*
- g. Such periodic settlement of running account may not be necessary:*
- i. for clients availing margin trading facility as per SEBI circular*
 - ii. for funds received from the clients towards collaterals/margin in the form of bank guarantee (BG)/Fixed Deposit receipts (FDR).*
- h. The stock broker shall transfer the funds / securities lying in the credit of the client within one working day of the request if the same are lying with him and within three working days from the request if the same are lying with the Clearing Member/Clearing Corporation.*
- i. There shall be no inter-client adjustments for the purpose of settlement of the 'running account'.*
- j. These conditions shall not apply to institutional clients settling trades through custodians. The existing practice may continue for them."*
- ii. Clause 8.1 of SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 provides that the stock broker shall ensure that:
- "8.1.1. There must be a gap of maximum 90/30 days (as per the choice of client viz. Quarterly/Monthly) between two running account settlements.*
 - 8.1.2. For the purpose of settlement of funds, the mode of transfer of funds shall be by way of electronic funds transfer viz., through National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), etc.*
 - 8.1.3. The required bank details for initiating electronic fund transfers shall be obtained from new clients and shall be updated for existing clients. Only in cases where electronic payment instructions have failed or have been rejected by the bank, then the stock broker may issue a physical payment instrument.*
 - 8.1.4. Statement of accounts containing an extract from client ledger for funds & securities along with a statement explaining the retention of funds/securities shall be sent within five days from the date when the account is considered to be settled."*
- iii. It is observed from trial balance and register of securities as on November 30, 2018, that funds and securities worth INR 37.48 crore, of 102 inactive clients, who have not traded in preceding 3 months, have not been settled.

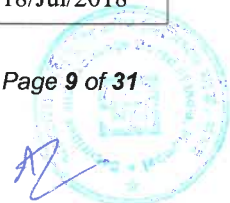




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S. No	Client code	Cr balance as on Nov 30, 2018 (Amount in INR)	Dr balance as on Nov 30, 2018 (Amount in INR)	Securities value as on Nov 30, 2018 (Amount in INR)	Total funds and securities (Amount in INR)	Last trade date
1	C4597	198,190,046.18	-	-	198,190,046.18	23/Aug/2018
2	C4615	35,667,205.11	-	-	35,667,205.11	13/Aug/2018
3	C4731	9,400,000.00	-	-	9,400,000.00	Not traded
4	C4711	7,571,858.48	-	-	7,571,858.48	Not traded
5	C4568	1,090,495.44	-	4,773,176.80	5,863,672.24	14/Aug/2018
6	C4729	3,040,200.80	-	2,810,447.06	5,850,647.86	Not traded
7	C4596	4,425,753.57	-	-	4,425,753.57	22/Dec/2017
8	C4539	3,594,821.88	-	-	3,594,821.88	5/Apr/2018
9	C4654	3,136,488.48	-	325,445.67	3,461,934.15	13/Aug/2018
10	C4646	3,157,224.71	-	-	3,157,224.71	27/Jun/2018
11	C4511	3,127,204.88	-	-	3,127,204.88	29/Jun/2018
12	C4677	3,025,131.70	-	-	3,025,131.70	29/Jun/2018
13	C4512	2,895,182.78	-	107,585.35	3,002,768.13	27/Jun/2018
14	C4725	2,778,406.00	-	-	2,778,406.00	Not traded
15	C4664	2,748,307.67	-	-	2,748,307.67	29/Jun/2018
16	C4656	2,667,834.48	-	-	2,667,834.48	29/Jun/2018
17	C4748	2,650,000.00	-	-	2,650,000.00	Not traded
18	C4602	2,642,196.05	-	-	2,642,196.05	29/Jun/2018
19	C4698	2,608,683.57	-	-	2,608,683.57	29/Jun/2018
20	C4742	700,000.00	-	1,848,543.12	2,548,543.12	Not traded
21	C4632	2,508,409.41	-	-	2,508,409.41	29/Jun/2018
22	C4547	2,499,672.49	-	-	2,499,672.49	27/Jun/2018
23	C4647	2,449,722.15	-	-	2,449,722.15	29/Jun/2018
24	C4666	1,707,481.95	-	724,408.00	2,431,889.95	10/May/2018
25	C4734	2,400,000.00	-	-	2,400,000.00	Not traded
26	C4591	1,555,265.90	-	777,114.84	2,332,380.74	29/Jun/2018
27	C4599	1,800,082.84	-	504,648.58	2,304,731.42	14/Aug/2018
28	C4717	2,300,000.00	-	-	2,300,000.00	Not traded
29	C4720	2,220,101.78	-	-	2,220,101.78	Not traded
30	C4633	1,593,931.98	-	625,157.97	2,219,089.95	27/Jun/2018
31	C4585	-	192,520.10	2,319,549.40	2,127,029.30	14/Aug/2018
32	C4610	-	8,469,677.87	10,558,995.12	2,089,317.25	18/Jul/2018

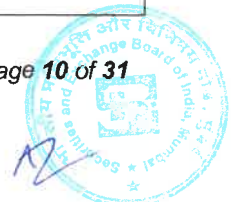




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33	C4695	2,071,474.81	-	-	2,071,474.81	4/May/2018
34	C4667	2,062,283.72	-	-	2,062,283.72	29/Jun/2018
35	C4727	1,820,000.00	-	-	1,820,000.00	Not traded
36	C4611	-	6,129,040.55	7,817,881.75	1,688,841.20	18/Jul/2018
37	C4524	-	359,216.76	1,984,354.40	1,625,137.64	20/Aug/2018
38	C4701	1,604,739.86	-	-	1,604,739.86	3/May/2018
39	C4598	1,559,599.34	-	-	1,559,599.34	29/Jun/2018
40	C4636	1,558,770.25	-	-	1,558,770.25	29/Jun/2018
41	C4653	1,548,150.00	-	-	1,548,150.00	29/Jun/2018
42	C4652	999,731.10	-	395,530.10	1,395,261.20	27/Jun/2018
43	C4590	669,300.63	-	666,717.75	1,336,018.38	14/Jun/2018
44	C4697	1,279,102.22	-	-	1,279,102.22	3/May/2018
45	C4631	682,067.78	-	569,986.15	1,252,053.93	27/Jun/2018
46	C4578	38,273.00	-	1,106,289.93	1,144,562.93	13/Aug/2018
47	C4658	1,034,219.98	-	-	1,034,219.98	3/May/2018
48	C4543	658,108.24	-	375,418.40	1,033,526.64	14/Aug/2018
49	C4583	-	89,347.79	1,122,838.39	1,033,490.60	14/Aug/2018
50	C4603	999,686.88	-	-	999,686.88	27/Jun/2018
51	C4580	972,204.30	-	-	972,204.30	13/Aug/2018
52	C4735	932,000.00	-	-	932,000.00	Not traded
53	C4714	857,761.00	-	-	857,761.00	Not traded
54	C4673	789,862.95	-	-	789,862.95	14/Mar/2018
55	C4718	700,000.00	-	-	700,000.00	Not traded
56	C4565	-	-	681,424.17	681,424.17	27/Jun/2018
57	C4621	-	315,986.02	969,204.35	653,218.33	13/Aug/2018
58	C4747	650,000.00	-	-	650,000.00	Not traded
59	C4751	-	50,000.00	686,085.98	636,085.98	Not traded
60	C4527	23,125.46	-	603,351.00	626,476.46	14/Aug/2018
61	C4609	594,327.00	-	-	594,327.00	27/Jun/2018
62	C4572	503,355.22	-	-	503,355.22	14/Aug/2018
63	C4752	500,000.00	-	-	500,000.00	Not traded
64	C4739	500,000.00	-	-	500,000.00	Not traded
65	C4600	-	42,484.01	519,688.36	477,204.35	14/Aug/2018
66	C4753	400,000.00	-	-	400,000.00	Not traded
67	C4730	380,602.00	-	-	380,602.00	Not traded
68	C4570	-	3,309.96	354,322.44	351,012.48	27/Jun/2018





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69	C4574	-	2,852.43	351,340.77	348,488.34	27/Jun/2018
70	C4659	348,174.03	-	-	348,174.03	27/Jun/2018
71	C4671	-	34.51	341,898.90	341,864.39	27/Jun/2018
72	C4571	154,107.50	-	167,597.50	321,705.00	14/Aug/2018
73	C4519	307,242.61	-	-	307,242.61	3/Jul/2018
74	C4686	-	400.99	304,825.15	304,424.16	27/Jun/2018
75	C4663	299,677.05	-	-	299,677.05	27/Jun/2018
76	C4520	299,629.23	-	-	299,629.23	27/Jun/2018
77	C3057	6,000.00	-	275,636.52	281,636.52	Not traded
78	C4740	250,000.00	-	-	250,000.00	Not traded
79	C4715	220,047.00	-	-	220,047.00	Not traded
80	C4528	161,804.16	-	-	161,804.16	3/Jul/2018
81	C4608	-	660.50	142,623.48	141,962.98	27/Jun/2018
82	C4662	-	718.81	141,878.06	141,159.25	27/Jun/2018
83	C4689	-	332.24	137,654.02	137,321.78	27/Jun/2018
84	C4712	117,840.30	-	-	117,840.30	17/Aug/2018
85	C4513	110,213.47	-	-	110,213.47	3/Jul/2018
86	C4713	110,000.00	-	-	110,000.00	Not traded
87	C4564	-	5,437.61	100,558.50	95,120.89	10/Jul/2018
88	C4518	93,503.98	-	-	93,503.98	3/Jul/2018
89	C4687	-	68,667.38	143,805.75	75,138.37	10/May/2018
90	C4537	65,032.17	-	-	65,032.17	3/Jul/2018
91	C4744	50,000.00	-	-	50,000.00	Not traded
92	C4684	-	845.80	49,694.59	48,848.79	27/Jun/2018
93	C4526	-	58,030.93	100,558.50	42,527.57	14/Aug/2018
94	C3334	-	-	23,489.24	23,489.24	Not traded
95	C3046	1,300.00	-	11,958.28	13,258.28	Not traded
96	C4521	6,001.03	-	-	6,001.03	9/Jul/2018
97	C4554	4,645.91	-	-	4,645.91	29/Aug/2018
98	C4617	4,456.98	-	-	4,456.98	2/Aug/2018
99	C4584	3,357.68	-	-	3,357.68	26/Dec/2017
100	C4700	2,303.79	-	-	2,303.79	2/Aug/2018
101	C3019	-	-	1,351.95	1,351.95	Not traded
102	C4660	1,336.81	-	-	1,336.81	2/Aug/2018
	Total				374,890,601.72	





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iv. The detailed findings in this regard are given in NSE-IR.

Thus, it is alleged that AFSPL has failed to settled funds and securities of clients amounting to INR 37.48 crore during the financial year 2017-18.

Hence, based on the analysis above, it is alleged that AFSPL has not settled funds and securities of clients and thus violated SEBI Circular no. SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 and SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

d) Non-segregation of transaction between own and client bank account

- i. To prevent the misuse of clients' funds by the stock broker, Clause 1 of SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 provides that "It shall be compulsory for all Member brokers to keep the money of the clients in a separate account and their own money in a separate account. No payment for transactions in which the Member broker is taking a position as a principal will be allowed to be made from the client's account. The above principles and the circumstances under which transfer from client's account to Member broker's account would be allowed are enumerated below.

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

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

B] Obligation to pay money into "clients accounts". Every member broker who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the member in the title of which the word "clients" shall appear (hereinafter referred to as "clients account"). Member broker may keep one consolidated clients account for all the clients or accounts in the name of each client, as he thinks fit: Provided that when a Member broker receives a cheque or draft representing in part money belonging to the client and in part money due to the Member, he shall pay the whole of such cheque or draft into the clients account and effect subsequent transfer as laid down below in para D (ii).

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

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





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iv. a cheque or draft received by the Member representing in part money belonging to the client and in part money due to the Member.

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

i. money properly required for payment to or on behalf of clients or for or towards payment of a debt due to the Member from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each client;

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

iii. money which may by mistake or accident have been paid into such account in contravention of para C above.

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

ii. Also, SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, on enhanced supervision provides for uploading of clients' fund balance and securities balance by the Stock Brokers on Stock Exchange system. The Circular also provides that "Transfer of funds between "Name of Stock Broker -Client Account" and "Name of Stock Broker -Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stock Broker -Client Account" to "Name of Stock Broker - Proprietary Account" is permitted only for legitimate purposes, such as, recovery of brokerage, statutory dues, funds shortfall of debit balance clients which has been met by the stock broker, etc. For such transfer of funds, stock broker shall maintain daily reconciliation statement clearly indicating the amount of funds transferred."

iii. It is observed that AFSPL not segregated transactions between own and client bank account in 44 instances. An amount of INR 19.72 crore has been transferred from client to own bank account and INR 3.89 lacs has been transferred from own to client bank account resulting in net transfer of INR 19.68 crore from client to own bank account. Further, AFSPL has not maintained a daily reconciliation statement recording the reason for transfer of funds between own and client bank/beneficiary accounts.

iv. The detailed findings in this regard are given in NSE-IR.

Thus, it is alleged that AFSPL has not segregated own and client bank accounts and not maintained a daily reconciliation statement for funds.





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Thus, based on the analysis above, it is alleged that AFSPL has not segregated own and client bank accounts and not maintained a daily reconciliation statement and thus violated SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

e) Misuse of clients' funds

- i. To prevent the misuse of clients' funds by the stock broker, Clause 1 of SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 provides that *"It shall be compulsory for all Member brokers to keep the money of the clients in a separate account and their own money in a separate account. No payment for transactions in which the Member broker is taking a position as a principal will be allowed to be made from the client's account. The above principles and the circumstances under which transfer from client's account to Member broker's account would be allowed are enumerated below.*

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

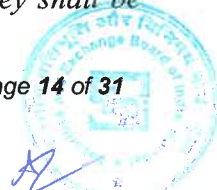
- i. Moneys received from or on account of each of his clients and,*
- ii. the moneys received and the moneys paid on Member's own account.*

B] Obligation to pay money into "clients accounts". Every member broker who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the member in the title of which the word "clients" shall appear (hereinafter referred to as "clients account"). Member broker may keep one consolidated clients account for all the clients or accounts in the name of each client, as he thinks fit: Provided that when a Member broker receives a cheque or draft representing in part money belonging to the client and in part money due to the Member, he shall pay the whole of such cheque or draft into the clients account and effect subsequent transfer as laid down below in para D (ii).

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

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

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





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i. money properly required for payment to or on behalf of clients or for or towards payment of a debt due to the Member from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each client;

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

iii. money which may by mistake or accident have been paid into such account in contravention of para C above.

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

ii. Also, SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, on enhanced supervision provides for uploading of clients' fund balance and securities balance by the Stock Brokers on Stock Exchange system. The Circular also provides that "*Transfer of funds between "Name of Stock Broker -Client Account" and "Name of Stock Broker -Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stock Broker -Client Account" to "Name of Stock Broker -Proprietary Account" is permitted only for legitimate purposes, such as, recovery of brokerage, statutory dues, funds shortfall of debit balance clients which has been met by the stock broker, etc. For such transfer of funds, stock broker shall maintain daily reconciliation statement clearly indicating the amount of funds transferred.*"

iii. **Client's Funds used for purpose other than specified:** It is observed that AFSPL has transferred funds from client bank account to own bank account and these funds have been utilised for purchase of property, making donations, purchase of software and making payment to management company amounting to INR 17.76 crore:

- (a) AFSPL has invested in property from own bank account amounting to INR 15.92 crore.
- (b) AFSPL has given from own bank account amounting INR 50 lakh each to Avanee Foundation and Serendipity Arts.
- (c) Certain payments amounting to INR 0.84 crore have been made to Management Company.

iv. AFSPL has also made payment for purchase of software from Optoss Technologies amounting to INR 1.43 crore.





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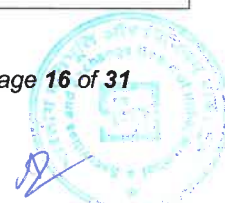
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- v. The detailed findings in this regard are given in Point 5 of FAR.
- vi. **Use of client funds to meet the Proprietary (PRO) obligation:** It is observed from PRO MTM of AFSPL that on all 5 sample dates, client funds were used to meet the PRO obligation amounting to INR 88.29 crore.

Date	Pro Loss (A)	Client Loss (B)	Net (C=A-B)	Pro ledger balance (D)	Funds of clients used for pro obligation (E=D-A) if D is Positive or value of A
28-12-2017	-75434384	-142594879	-218029263	-146315552.6	75434384
31-01-2018	-515173563	515192238	18,674.75	122464385.4	392709178
08-02-2018	-334749368	364614943	29865575.25	-98028619.47	334749368
16-10-2017	-91941240	87247715	-4693525.5	54856871.55	37084368
24-11-2017	-79889035	43000491	-36888544	-79372846.04	43000491
				Total	88,29,77,789

- vii. The detailed findings in this regard are given in NSE-IR.
- viii. **Payment made to clients without having sufficient balance in their ledger:** For the period from April 1, 2017 to February 18, 2019, excess payments of INR 87.56 crore were made to following entities by AFSPL:

S. No	Name of entity	Excess Payment (in INR crore)	Remarks
1.	Cointribe Technologies Pvt Ltd	22.70	Related party of OCL India Ltd / Dalmia Bharat Ltd. Excess amounts received were transferred to Antordaya Commercial and Holdings Pvt Ltd and Glow Homes Technologies Pvt Ltd. which further transferred it to AFSPL
2.	Vinimay Developers Pvt. Ltd.	0.90	Related party of OCL India Ltd / Dalmia Bharat Ltd. Amount received were further transferred to Antordaya Commercial and Holdings Pvt. Ltd which further transferred it to Cointribe Technologies and some of the funds were utilised for purchase of Mutual Fund units by them.
3.	Money Mishra Financial Services	36.11	Related party of AFSPL. Amount received by Money Mishra Financial Services were utilised for making regular payments to registered clients and other entities.
4.	Ennar Portfolio LLP	2.42	Funds received were further transferred to various parties who were also registered clients of AFSPL





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5.	JJ Tradelinks Pvt. Ltd	14.31	
6.	Primarc Projects Private Limited	6.00	Funds received were transferred to Charak Ayurmedica Pv, Girdhar Tracom Pvt Ltd and others parties.
7.	Awal Portfolio LLP	4.75	Amounts received has been utilised for making interest pay out to registered clients and other entities of AFSPL. Total interest pay outs of 2.27 crore to many entities some of them were registered clients of AFSPL.
8.	Bijay Kumar Agarwal	0.37	Email of Bijay Kumar Agarwal has been associated with Glow Homes Technologies Pvt. Ltd. in the client master of AFSPL. Contract Notes and other correspondences have been sent to Glow Homes Technologies Pvt Ltd on the email id of Bijay Kumar Agarwal. Bijay Kumar Agarwal is director in Antordaya Commercial & Holdings Pvt. Ltd. Authorized Signatory in some of the Dalmia group companies.
	Total	87.56	

ix. The detailed findings in this regard are given in Point 1 to 4 of FAR.

Thus, it is alleged that AFSPL has misused clients' funds amounting to INR 17.76 crore for purposes other than specified, misused clients' funds amounting to INR 88.29 crore for proprietary obligations and excess payments made to other clients amounting to INR 87.56 crore.

Thus, based on the analysis above, it is alleged that AFSPL has misused clients' funds and thus violated SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

f) Dealing with unregistered entities

- Regulation 9 (f) of SEBI (Stock Brokers) Regulations, 1992 provides that a stock broker shall at all times abide by the Code of Conduct as specified in Schedule II. Clause A(2) of Schedule II provides that a stock-broker shall act with due skill, care and diligence in the conduct of all his business. Clause A(5) of Schedule II provides that 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.
- On verification of demat accounts for the period of April 2017 to November 30, 2018 of top 10 clients having highest amount of securities, it is observed that out of the top 10 clients, 5 clients of the member as per the table below are into the





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practice of receiving and returning securities/mutual funds from other clients into their DP accounts.

Name of the clients	No. of clients from whom mutual funds / securities have been received/ transferred	Value of MF/Securities Received (INR)	Value of MF/Securities Paid (INR)	Net Value (INR)
Money Mishra Financial Services	31	308,76,19,236	321,77,59,157	-13,01,39,921
Awanish Kumar Mishra	4	152,33,04,543	164,71,78,459	-12,38,73,916
Money Mishra Overseas Pvt. Ltd.	6	15,99,05,054	11,20,40,277	4,78,64,777
Ennar Portfolio LLP	33	41,26,57,333	34,86,23,578	6,40,33,755
Awal Portfolio LLP	60	16,26,64,050	9,26,37,292	7,00,26,758

iii. It is observed that the transfer of mutual funds have been effected from (a) unregistered entities and (b) other clients, the details of which are as under:

(a) **Unregistered / Third Party Entities:** AFSPL has transferred the mutual funds units belonging to unregistered entities / client to its client beneficiary account through its three associated concerns viz. Money Mishra Financial Services, Awanish Kumar Mishra and Money Mishra Overseas Pvt. Ltd. These transferred mutual fund units have been used as collateral for F&O margin with its clearing member IL&FS Securities Services Ltd. (“ISSL”) towards trade obligations of these three associated concerns.

(b) **Client:** The clients of AFSPL viz. Money Mishra Financial Services and Awanish Kumar Mishra have received the mutual funds units from another client of the member viz. Novjoy Emporium Private Limited through one non-related entity viz. M/s Digi locker, a partnership firm of Mr. Pankaj Garg and Mr. Jitender Malhotra. This transfer of mutual fund units is being claimed to be unauthorized by the said client (Novjoy Emporium Private Limited) as it has been registered as client of AFSPL since November 22, 2018 and has not traded on exchange.

iv. The Directors / Partners of the said clients are the directors of AFSPL. These three clients collectively hold 89% of holdings reflected in register of securities which





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includes mutual funds that are alleged to be transferred in an unauthorised manner from third party and clients. The details of the same as per table below:

Client code	Client name	Details of Partners/Directors	% of holding in ROS	Association with Noticee
C4536	Money Mishra Financial Services (partnership firm)	Jitender Kumar Tiwari Awanish Kumar Mishra	42.87%	Both of them are directors in AFSPL
C4639	Awanish Kumar Mishra		30.21%	Promoter and Director in AFSPL
C4709	Money Mishra Overseas Pvt. Ltd.	Jitender Kumar Tiwari Awanish Kumar Mishra	15.94%	Both of them are directors in AFSPL
	Total		89.02%	

v. The detailed findings in this regard are given in NSE-IR.

Thus, it is alleged that AFSPL has dealt with securities/mutual funds belonging to third parties/clients in an unauthorised manner through Noticees no. 4-6 and thus failed to act with due skill, care and diligence in the conduct of its business.

Thus, based on the analysis above, it is alleged that AFSPL has failed to failed to act with due skill, care and diligence in the conduct of its business and thus violated Clauses A (2) & A (5) of the Code of Conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers) Regulations, 1992.

Further, the Noticees no. 4-6 are alleged to have aided and abetted AFSPL in transfer of securities/mutual funds belonging to third parties/clients in an unauthorized manner. Thus, AFSPL along with Noticees no. 4-6 are alleged to have violated Section 12A of SEBI Act, 1992 read with Regulation 3(d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market), Regulations, 2003.

g) Non maintenance of sufficient Net worth

- Regulation 9(g) of SEBI (Stock Brokers) Regulation, 1992 provides that any registration granted by the Board to a stock broker shall be subject to the stock broker maintaining the specified minimum net worth at all times. Further, SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 provides for monitoring of net worth of stock broker via submission of half yearly certificate.





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- ii. It is observed that the AFSPL has not maintained the requisite net-worth as per the formula prescribed by Dr. L.C. Gupta for computation of net-worth for brokers. AFSPL has also failed to recover all debts overdue for more than 3 months and has not adjusted proprietary losses amounting to INR 42.08 crore from the net worth, which results in negative net worth of INR 41.71 crore.

Particulars	Amount in INR	Amount in INR
Share Capital & Free Reserves (A)		5,55,093,98
Reserve (B)		
Less: Losses for the period 01 April, 2017 till 30 July, 2018	42,08,91,277	
Adjusted Free Reserves		-42,08,91,277
Share Capital + Free reserve (C=A+B)		-36,53,81,879
Less:- Non allowable assets		
Fixed Assets	76,93,682.39	
Non-allowable securities (unlisted securities)	0	
Prepaid expenses, losses	0	
30% of marketable securities	0	
Doubtful debts & advances	4,41,09,348	
Total Non-allowable assets (D)		5,18,03,030
Total Net worth (E=C-D)		-41,71,84,909

- iii. The detailed findings in this regard are given in NSE-IR.

Thus, it is alleged that AFSPL had a negative net worth of INR 41.71 crore and did not maintain sufficient net worth.

Thus, based on the analysis above, it is alleged that AFSPL has not complied with the requirement of continuous net worth and thus violated Regulation 9 (g) of SEBI (Stock Brokers) Regulation, 1992 and SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

h) Incorrect margin reporting collection to the exchange in F&O segment

- i. SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011 provides for penalties to be levied on trading members for short-collection/non-collection of margins from clients in Equity and Currency Derivatives segments.



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- ii. It is observed that AFSPL has done incorrect margin reporting in 7 instances pertaining to 7 clients amounting to INR 328.34 crore in F&O segment.

Date	Client name & Client Code	Amount (INR Crore)							
		Total Margin	Collected Margin	Min	Ledger balance	Margin Reversal	Securities balance	Total	Incorrect Reporting
10-Sep-18	Ennar Portfolio LLP (C4516)	19.47	19.47	19.47	-17.39	19.44	0.00	2.05	17.42
3-Aug-18	Money Mishra Financial Services (C4536)	166.46	166.46	166.46	-137.74	165.36	0.64	28.25	138.21
11-Sep-18	Awal Portfolio LLP (C4624)	7.81	7.81	7.81	-7.12	7.55	1.18	1.61	6.19
22-Oct-18	Pushp Steels And Mining Pvt Ltd (C4629)	4.86	4.86	4.86	-5.93	4.70	4.01	2.78	2.08
14-Sep-18	Awanish Kumar Mishra (C4639)	139.14	139.14	139.14	-91.88	139.14	0.00	47.26	91.88
14-Nov-18	Money Mishra Overseas Pvt Ltd (C4709)	84.04	84.04	84.04	-50.83	84.04	0.00	33.21	50.83
17-Sep-18	Primarc Projects Pvt. Ltd. (C4716)	41.87	41.87	41.87	-21.72	41.85	0.00	20.13	21.73
Total								328.34	

- iii. The detailed findings in this regard are given in NSE-IR.

Thus, it is alleged that AFSPL has done incorrect margin reporting in 7 instances pertaining to 7 clients amounting to INR 328.34 crore.

Thus, based on the analysis above, it is alleged that AFSPL has done incorrect margin reporting and thus violated SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011.

i) Assured returns offered to clients

- i. Section 12(1) of Securities and Exchange Board of India Act, 1992 ("hereinafter referred to as **"SEBI Act, 1992"**") provides that "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."





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- ii. Regulation 3 of SEBI (Portfolio Managers) Regulations, 1993 provides that “No person shall act as portfolio manager unless he holds a certificate granted by the Board under these regulations”
- iii. Regulation 42 of SEBI (Portfolio Managers) Regulations, 2020 provides for repeal and savings clause with respect to SEBI (Portfolio Managers) Regulations, 1993.
- iv. Regulation 9 (f) of SEBI (Stock Brokers) Regulations, 1992 provides that a stock broker shall at all times abide by the Code of Conduct as specified in Schedule II.

“A. General.

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

B. Duty to the Investor

- (4) Business and Commission:*
 - (a) A stock-broker shall not encourage sales or purchases of securities with the sole object of generating brokerage or commission.*
 - (b) A stock-broker shall not furnish false or misleading quotations or give any other false or misleading advice or information to the clients with a view of inducing him to do business in particular securities and enabling himself to earn brokerage or commission thereby.*
- (6) Fairness to Clients: A stock-broker, when dealing with a client, shall disclose whether he is acting as a principal or as an agent and shall ensure at the same time, that no conflict of interest arises between him and the client. In the event of a conflict of interest, he shall inform the client accordingly and shall not seek to gain a direct or indirect personal advantage from the situation and shall not consider clients' interest inferior to his own.*





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(7) Investment Advice: A stock-broker shall not make a recommendation to any client who might be expected to rely thereon to acquire, dispose of, retain any securities unless he has reasonable grounds for believing that the recommendation is suitable for such a client upon the basis of the facts, if disclosed by such a client as to his own security holdings, financial situation and objectives of such investment.

The stock-broker should seek such information from clients, whenever he feels it is appropriate to do so.

(8) Competence of Stock-Broker: A stock-broker should have adequately trained staff and arrangements to render fair, prompt and competence services to his clients."

v. Rule 8(3)(f) of the Securities Contracts (Regulation) Rules, 1957

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

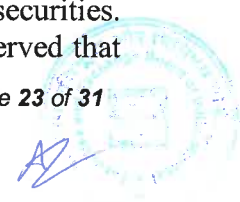
(f) he engages either as principal or employee in any business other than that of securities or commodity derivatives except as a broker or agent not involving any personal financial liability, provided that—

(i) the governing body may, for reasons, to be recorded in writing, permit a member to engage himself as principal or employee in any such business, if the member in question ceases to carry on business on the stock exchange either as an individual or as a partner in a firm,

(ii) in the case of those members who were under the rules in force at the time of such application permitted to engage in any such business and were actually so engaged on the date of such application, a period of three years from the date of the grant of recognition shall be allowed for severing their connection with any such business,

(iii) nothing herein shall affect members of a recognised stock exchange which are corporations, bodies corporate, companies or institutions referred to in items (a) to (k) of the proviso to sub-rule (4)."

- vi. 44 clients of AFSPL had submitted their complaints regarding return of their credit balance lying with AFSPL. On verification of bank books and client ledgers maintained by AFSPL, it is observed that AFSPL has made payments amounting to INR 19.55 crores during the period April 1, 2017 to February 18, 2019 from client bank account to these registered 44 clients at regular intervals (normally monthly). These payments are in co-relation to the credit balances of securities/funds that are available in the books of the AFSPL. Thus, the pay-outs to these clients are not in accordance with funds pay-out arising out of the transactions executed in securities. On analysis of ledgers of these clients in the books of AFSPL, it is observed that





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monthly payments were being made to the clients although no sufficient profits from trading activity.

vii. The detailed findings in this regard are given in Point 8 of FAR.

Thus, it is alleged that AFSPL, by making regular payments to clients which are not commensurate to the trading activity, has engaged in business other than broking activity and thus, indulged in malpractice, not maintained integrity and fairness and not exercised due skill and care in the conduct of its business.

Thus, based on the analysis above, it is alleged that AFSPL has engaged in business other than broking activity and thus, indulged in malpractice, not maintained integrity and fairness and not exercised due skill and care in the conduct of its business and thus violated Section 12(1) of SEBI Act, 1992 read with Regulation 3 of SEBI (Portfolio Managers) Regulations, 1993 and Regulation 42 of SEBI (Portfolio Managers) Regulations, 2020, Clauses A (1), (2), (3), (4) & (5) and B (4), (6), (7) & (8) of Code of Conduct as provided under Schedule II read with Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992 and Rule 8(3)(f) of the Securities Contracts (Regulation) Rules, 1957.

j) Mis-reporting / Non-reporting of data under enhanced supervision to NSE

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

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

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

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

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

ii. It is observed that as on Jul 27, 2018, AFSPL has wrongly reported details of client's securities under monthly enhanced supervision report in case of 32 instances pertaining to 31 clients involving an amount of INR 65.59 lakhs. Further, it has also not reported securities details of 7 clients amounting to INR 102.96 lakhs.





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- iii. It is observed that AFSPL has misreported of having pledged client securities in case of 2 clients as on Jul 27, 2018.
- iv. It is observed that as on July 27, 2018, AFSPL has reported nil balance of all clients for the month ending July 27, 2018. However, it has 251 clients as debtors amounting to INR 281.45 crore and creditors amounting to INR 45.11 crore as on Jul 27, 2018.
- v. The detailed findings in this regard are given in NSE-IR.

Thus, it is alleged that AFSPL has wrongly reported or not reported funds balance, securities balance and pledged securities of certain clients for the month of July 2018.

Thus, based on the analysis above, it is alleged that AFSPL has mis-reported/non-reported data under enhanced supervision to NSE and thus violated SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

k) Income details not declared in client registration document of the clients

- i. Regulation 9 (f) of SEBI (Stock Brokers) Regulations, 1992 provides that a stock broker shall at all times abide by the Code of Conduct as specified in Schedule II. Clause A(2) of Schedule II provides that a stock-broker shall act with due skill, care and diligence in the conduct of all his business. Clause A(5) of Schedule II provides that 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.
- ii. On verification of the 10 sample client registration documents, it is observed that in 3 instances, the income details are not provided by AFSPL in the client registration document.

Client Code	Client Name
C4709	Money Mishra Overseas Pvt Ltd
C4516	Ennar Portfolio LLP
C4624	Awal Portfolio LLP

- iii. The client having client code C4709 is a related entity of AFSPL and directors of AFSPL also the directors of the said client.
- iv. The detailed findings in this regard are given in NSE-IR.





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Thus, it is alleged that AFSPL has failed to do necessary due diligence while opening account of clients as the income details were not obtained in client registration documents of three clients.

Thus, based on the analysis above, it is alleged that AFSPL has failed to do necessary due diligence while opening account of clients and thus failed to act with due skill, care and diligence in the conduct of its business and thus violated Clauses A (2) & A (5) of the Code of Conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers) Regulations, 1992.

1) Disproportionate exposure provided to clients

- i. Clause 2.6 of Annexure of SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 provides that “Stock brokers shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day, as reckoned from date of pay-in.”
- ii. Regulation 9 (f) of SEBI (Stock Brokers) Regulations, 1992 provides that a stock broker shall at all times abide by the Code of Conduct as specified in Schedule II. Clause A(5) of Schedule II provides that 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.
- iii. On verification of books and records pertaining to the income vs. exposure given to clients, it is observed that in 9 cases out of 11 clients verified as sample, there have been instances of disproportionate exposure to the said clients.

Client Code	Client Name	Income level	FO Margin	FO Margin Dates
C4536	Money Mishra Financial Services	1-5 Lacs	2,11,93,96,420	6-Dec-2017
C4639	Awanish Kumar Mishra	5-10 Lacs	1,67,64,43,845	17-Jul-2018
C4615	Jaisri Properties And Exports Pvt.Ltd.	1-5 Lacs	14,52,10,711	13-Dec-2017
C4716	Primarc Projects Private Limited	10-25 lacs	34,99,95,756	31-Jul-2018
C4629	Pushp Steels And Mining Pvt Ltd	1-5 lacs	5,63,29,086	23-Mar-2018
C4595	Tejswi Impex Pvt.Ltd.	5-10 Lacs	8,38,47,963	6-Dec-2017
C4709	Money Mishra Overseas Pvt Ltd	Income not declared in KYC	25,74,42,257	17-Jul-2018
C4516	Ennar Portfolio LLP	Income not declared in KYC	9,72,05,714	6-Dec-2017





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Client Code	Client Name	Income level	FO Margin	FO Margin Dates
C4624	Awal Portfolio LLP	Income not declared in KYC	4,29,22,740	7-Mar-2018

iv. The detailed findings in this regard are given in NSE-IR.

Thus, it is alleged that AFSPL has granted disproportionate exposure to 9 clients.

Thus, based on the analysis above, it is alleged that AFSPL has granted disproportionate exposure to clients and thus violated SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and clause A (5) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers) Regulations, 1992.

m) Incorrect reporting under weekly enhanced supervision report to the Exchange

i. Clause 3.2 of Annexure of SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 provides that "Stock brokers shall submit the following data as on last trading day of every week to the Stock Exchanges on or before the next trading day:

A - Aggregate of fund balances available in all Client Bank Accounts, including the Settlement Account, maintained by the stock broker across stock exchanges

B - Aggregate value of collateral deposited with clearing corporations and/or clearing member (in cases where the trades are settled through clearing member) in form of Cash and Cash Equivalents (Fixed deposit (FD), Bank guarantee (BG), etc.) (across Stock Exchanges). Only funded portion of the BG, i.e. the amount deposited by stock broker with the bank to obtain the BG, shall be considered as part of B.

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

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

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

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

P-Aggregate value of Proprietary Margin Obligation across Stock Exchanges

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

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

- ii. On verification of weekly data submitted towards monitoring of client funds, as on November 30, 2018, it is observed that AFSPL has wrongfully reported the clients' funds and collaterals that are available.

Particulars	Total End of the day balance in all Client Bank Accounts	Collateral deposited in form of Cash and Cash Equivalents
Reported	8,538,873.97	4,312,831,848.06
Actual	2,517,217.53	883,183,000.00
Excess/ incorrect amount reported to exchange	6,021,656.44	3,429,648,848.06

- iii. The detailed findings in this regard are given in NSE-IR.

Thus, it is alleged that AFSPL has wrongly reported funds balance in client bank accounts and collateral deposited in form of cash and cash equivalents for the weekly report submitted to NSE as on November 30, 2018.

Thus, based on the analysis above, it is alleged that AFSPL has mis-reported data under enhanced supervision to NSE and thus violated SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.

9. In view of the allegations as stated above, AFSPL is alleged to have committed the following violations:
- SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.
 - SEBI Circular SEBI/MIRSD/SE/Cir-19/2009 dated December 03, 2009 and SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
 - Clauses A (2) & A (5) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers) Regulations, 1992.





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- d) Regulation 9 (g) of SEBI (Stock Brokers) Regulations, 1992 read with SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.
 - e) SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011
 - f) Section 12(1) of SEBI Act, 1992 read with Regulation 3 of SEBI (Portfolio Managers) Regulations, 1993 and Regulation 42 of SEBI (Portfolio Managers) Regulations, 2020, Clauses A (1), (2), (3), (4) & (5) and B (4), (6), (7) & (8) of Code of Conduct as provided under Schedule II read with Regulation 9 of the SEBI (Stock Brokers) Regulations, 1992 and Rule 8(3)(f) of the Securities Contracts (Regulation) Rules, 1957.
 - g) Clause 7 of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.
 - h) Clause 2.6 of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and clause A(5) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers) Regulations, 1992.
 - i) Clause 3.2 of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
 - j) Section 12A of SEBI Act, 1992 r/w Regulation 3(d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market), Regulations, 2003.
10. Section 27 of SEBI Act, 1992 provides that *"Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention."*
11. Any Company, though a legal entity, cannot act by itself, it can act only through its Directors. The directors of a company are expected to exercise their power on behalf of the company with utmost care, skill and diligence. The directors of a company shall be entitled to exercise all such powers and do all such acts and things as the company is authorized to exercise and do. Therefore, the directors being responsible for the conduct



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of the business of a company are liable for any non-compliance of law and such liability shall be upon the individual directors also. It makes every person who, at the time the offence was committed, was in charge of, and was responsible to the company for the conduct of business of the company, as well as the company, liable for the offence. Further, a person cannot assume the role of a director in a company for namesake without assuming legal obligations. The position of a 'director' in a company comes along with responsibilities and compliances under law associated with such position, which have to be fulfilled by such director or he has to accept the consequences for any violation or default thereof. Accordingly, the persons who were directors of noticee companies during the examination period were obligated to ensure compliance with the obligations of the company under the law and were also responsible for all the deeds/acts of the company during the period of their directorship.

12. Thus, the Noticees no. 2 and 3, being directors of AFSPL, are alleged to have aided and abetted AFSPL in committing the violations as alleged above at Para 9 read with Section 27 of SEBI Act, 1992.
13. As stated above, Noticees no. 4-6 are alleged to have to have aided and abetted AFSPL in transfer of securities/mutual funds belonging to third parties/clients in an unauthorized manner and thus alleged to have violated Section 12A of SEBI Act, 1992 read with Regulation 3(d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market), Regulations, 2003. Considering the fact that the Noticees no. 7 and 8 were partners of Noticee no. 6 during the Examination Period, they are, thus, alleged to have violated Section 12A of SEBI Act, 1992 read with Regulation 3(d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market), Regulations, 2003 read with Section 27 of SEBI Act, 1992.
14. In view of the above,
 - a) AFSPL is hereby called upon to show cause as to why suitable directions under sections 11(1), 11(4), 11B(1), 11B(2) and 11D of SEBI Act, 1992 read with Section 15HA of the SEBI Act, 1992 and Section 12A(1) and 12A(2) of Securities Contracts (Regulation) Act, 1956, read with Section 23D of Securities Contracts (Regulation) Act, 1956 should not be issued against them for the violations alleged herein above.
 - b) Noticees (excluding AFSPL) are hereby called upon to show cause as to why suitable directions under sections 11(1), 11(4), 11B(1), 11B(2) and 11D of SEBI Act, 1992 read with Section 15HA of the SEBI Act, 1992 and Section 27 of SEBI Act, 1992 and Section 12A(1) and 12A(2) of Securities Contracts (Regulation) Act, 1956 should not be issued against them for the violations alleged herein above.
 - c) Noticees are hereby called upon to show cause as to why inquiry should not be held against them in terms of Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and penalty be not imposed upon them under Section 15HA read with Section 11B(2) of the SEBI Act, 1992 for the violations alleged herein above.





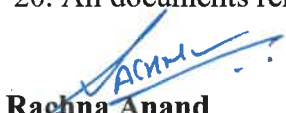
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15. This show cause notice has been issued without prejudice to right of SEBI to take any other action as it deems fit in accordance with law.
16. The Noticees are advised to submit a photocopy of their Income Tax Permanent Account Number Card (PAN card), bank account details, demat account details, mutual fund investment details, etc. along with details of all other movable and immovable assets including details of encumbrances, if any, created on such assets for SEBI's record.
17. Your reply to the show cause notice, together with supporting documents, if any, that you may choose to rely upon in support of their reply, should reach the undersigned, at the address given below, as well as through email at rachnaa@sebi.gov.in and abhishekk@sebi.gov.in, within 21 days from the date of receipt of this show cause notice, failing which it shall be construed that the Noticees have no reply to submit and the matter shall be proceeded on the basis of the material available on record.

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

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


Rachna Anand



Enclosures in CD:

- Annexure A : NSE Inspection Report
Annexure B : SEBI order dated February 27, 2019
Annexure C : SEBI order dated May 17, 2019
Annexure D : Forensic Audit Report and Annexures