



GENERAL MANAGER
EASTERN REGIONAL OFFICE

SEBI/ERO/VSS/SK/P/OW/2024/15607/1

April 30, 2024

By Speed Post with A. D

To

G N Traders (Proprietor – Mr. Kashif Siddique)	Address No. 1: Nazir Ali Lane Church Road Ranchi, Jharkhand 834001 Address No. 2: Baldev Sahay Lane, Karbala Chowk, Near Ice Factory, Lower Bazar, Ranchi, Jharkhand 834001
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Sub: Show Cause Notice under sections 11(1), 11(4), 11B(1), 11(4A) and 11B(2) of the Securities and Exchange Board of India Act, 1992 ("SEBI Act") read with Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in the matter of M/s. G N Traders (Proprietor: Kashif Siddique)

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had received a complaint on January 24, 2022 from Shri Jag Mohan Saini (hereinafter referred to as 'complainant'), against **M/s. G N Traders**, a proprietorship firm having a sole proprietor **Mr. Kashif Siddique** (PAN: HKBPS2854C) (hereinafter collectively referred to as the 'Noticee').
2. Vide the complaint dated January 24, 2022, the complainant has, *inter alia*, alleged that G N Traders is a fraud company and collected fees of INR 20,000 on the pretext of providing account handling services and weekly returns through trading and promised unrealistic/guaranteed returns of INR 5,00,000 through trading in share market. The complainant has provided details of payment of INR 20,000 along with details of HDFC Bank Account of G N Traders in which the money was transferred. The complainant has also provided the screen shot of Whatsapp messages having details as provided by a representative of the Noticee and communication/chat with a representative of the Noticee. The copy of complaint is placed at **Annexure-A**.
3. Upon perusal of the screenshots of Whatsapp Chats as shared by the complainant, it was observed that the representative of the Noticee had shared the details of plans through Whatsapp messages and some of the screenshots of the plans shared on Whatsapp are placed at **Annexure-B**. Further, G N Traders had, *inter alia*, disclosed the pricing details and bank account details for making payment through Whatsapp and the the same is as under-



Plan Details:

"Bank Name:- HDFC Bank Ac Name:- G N Traders Ac No:- 50200060535954 Ac Type:- Current; IFSC Code:- HDFC0004213; 15151 charge for sms service by whatsapp or text msg with proper tg/sl & booking/exit updation
49999 charge for account handle service Valid till 5 lakh profit Capital 50k Duration 25 Working days"

4. The extracts of the whatsapp chats as submitted by the complainant are as under:

GN Traders: "Bank Name:- HDFC Bank Ac Name:- G N Traders Ac No:- 50200060535954 Ac Type:- Current; IFSC Code:- HDFC0004213 15151 charge for sms service by whatsapp or text msg with proper tg/sl & booking/exit updation"
49999 charge for account handle service Valid till 5 lakh profit Capital 50k Duration 25 Working days"

Whatsapp Chat on Nov 16, 2021

Complainant: "I arranged 40k kal"

GN Traders: "20k demat me chhodo 20k pay karo"

Complainant: "15k pay chalega 25k cap"

GN Traders: "Nai sir plz request, Me capital manage kar lunga Dont worry But plz mujhe bhi aage se suns padega 2500 ka bhi profit karunga me dont worry But 3 din me capital badha lunga 20k mese"

Whatsapp Chat on Nov 17, 2021

GN Traders: "Good morning sir Have a nice day Today also target done Continuously 3 days demo done almost profit"

Complainant: "today profit"

GN Traders: (Attachment) "Good morning Banknifty 38000 CE Buy @ 300-320 400-420 tgt Done 470++"

Whatsapp Chat unknown date

GN Traders: "ofc nai jap aye"

Complainant: "ok"

GN Traders: "Monday se proper trade work karta hua, aap khali plz login mst kwrna sir bsr bar"

Complainant: "ok"

GN Traders: "Baki me delkh lunga sab"

Complainant: "kal mkt main 10k tak kamne ka mauka tha"

Whatsapp Chat on Nov 29, 2021

Complainant: "hello aaj ka kio trade hai"

GN Traders: "Good m4orning Have a nice day Trade done hone k bad inform karta hu wait"

Complainant: "tabiyat thi"

GN Traders: "Buy banknifty 35900 pe @370-350 tg 40/550 sl 250"

Whatsapp Chat unknown date

GN Traders: "Buy banknifty 36400 pe@290-270 tg 390/490 sl 190"

Complainant: "G PAY KARVA DO"

Whatsapp Chat Dec 08, 2021

Complainant: "kya hua abhi tak koi update nahi"

GN Traders: "Wait karo bhai ayega Buy banknifty 37000 ce@330-300 tg 400/500 sl 230"

Whatsapp Chat Dec 10, 2021

Complainant: "hello aaj 3 day poora ho gaya hai ..update karo tatkal.."

GN Traders: "Dont worry sir Weekend chal raha he Monday working day me process hoga"

Complainant: "Monday ko pakka ho Jana chahiye dear... otherwise I will go next step.." Monday to Monday 1 week.."

Whatsapp Chat Dec 13, 2021

Complainant: "hello nikhil aaj ho jaye.."

Whatsapp Chat Dec 14, 2021

Complainant: "kya hua no any update lagra hai Dene ke mood min nahi ho main aage DG POLICE AND ssp Vadodara ko letter bhej raha hoon"

Whatsapp Chat Unknown date

Complainant: "trade ho gaya kya login and exit the position heavy loss ho raha hain"

5. The details of the bank account mentioned in the complaint is tabulated below:

Sl. No.	Bank	Account Name	Account No.	IFSC Code
1.	HDFC Bank	G N Traders	50200060535954	HDFC0004213

6. Based on the complaint and the bank account details provided by the complainant, SEBI conducted an examination into the activities of the Noticee to ascertain whether there have been any violations of the SEBI (Investment Advisors) Regulations, 2013 ("IA Regulations"), SEBI (Prohibition of Fraudulent and Unfair Trade Practices in Securities Markets) Regulations, 2003 ("PFUTP Regulation"), the SEBI Act, 1992 and any other Rules and Regulations framed thereunder.
7. The Bank account statement/s, Account Opening Form/s (AOF) and KYC were sought from various banks and the same were received from HDFC Bank, ICICI bank, Axis Bank and IDFC First Bank. The details of the Bank Accounts as received from the said banks are placed at **Annexures C & D**, respectively. From the analysis of KYC documents, Account Opening Form and bank account statement provided by Axis Bank, ICICI Bank, IDFC First Bank and HDFC Bank it is noted that various credit entries were made in the accounts with description as 'trading', 'registration fees', 'subscription fee', 'investment', 'fees', 'demat handling', 'market', 'stocks', 'trading services', etc. Based on the same, the following is observed:

S.NO.	Bank Name & A/C No	Account Name	Name of proprietor	Date of last transaction	Account Status	Amount considered as Advisory fee in INR
1.	HDFC Bank 50200060535954	G N Traders	Kashif Siddique	22/04/2022	-	47,40,961
2.	ICICI Bank 252005000525			20/10/2021	-	47,87,668
3.	Axis Bank 921020012478578			02/08/2021	-	24,70,545
4.	IDFC FIRST Bank 10071952781			25/10/2021	-	20,02,001
	TOTAL					1,40,01,175

- a. G N Traders is a proprietorship firm and Mr. Kashif Siddique is the proprietor.
 - b. The copy of account opening form of HDFC Bank shows that the line of business of G N Traders is Retail Business in Textiles/Garments.
8. Further, the HDFC Bank account statement was analyzed and it is observed that the amount of Rs. 20,000 as alleged by the complainant to have been deposited as fees towards services is noticed in the credit entries in the said account. Further, it is observed that the representative of the Noticee, through Whatsapp message, has shared the details of plans with the complainant. It is also observed that the Noticee, through its representative, has shared the details of fees for account handling services along with profit details, capital required and validity of the plan over whatsapp chats with the complainant. Thus, it is observed from the bank account statements and the whatsapp chats that the Noticee was charging a fee to its clients for its services.
9. From the above, the Noticee is observed to have engaged in the activities of an 'investment adviser' as defined under Regulation 2 (m) of the IA Regulations, which reads as under:
- "investment adviser means any person who for consideration, is engaged in the business of providing advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called".*
10. Further, the SEBI website was examined to ascertain whether the Noticee is registered with SEBI as an Investment Advisor or in any other capacity. However, it is observed that the Noticee is not registered with SEBI as an intermediary and / or in any capacity. As per Section 12(1) of SEBI Act, 1992, any person carrying out investment advisory activities has to necessarily obtain registration from SEBI and conduct its activities in accordance with the provisions of IA Regulations. Further,



Regulation 3(1) of the IA Regulations states that no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board. Therefore, it is alleged that the Noticee, not being registered in any capacity with SEBI, is providing investment advisory services without obtaining registration from SEBI in violation of the provisions of Section 12(1) of SEBI Act, 1992 read with Regulation 3(1) of IA Regulations.

11. It is further observed that the Noticee had represented that it provides account handling services and manages capital by trading in markets. The Noticee is observed to have even assured guaranteed returns and collected monies from the investors by luring them. Therefore, it is alleged that the Noticee knowingly concealed the fact that it is not registered with SEBI as an investment adviser and also misrepresented about its expertise in investment advisory thereby luring and inducing investors to deal in the markets by availing its services with the objective of enhancing his income. The conduct of the Noticee through the aforementioned activities is allegedly construed as 'fraud' in terms of Regulation 2(1)(c) of PFUTP Regulations. In view of the same, the Noticee is alleged to have violated the provisions of Regulations 3(b), (c), (d), 4(1), 4(2)(k) and 4(2)(s) of the PFUTP Regulation read with Section 12A(a), (b) and (c) of the SEBI Act, 1992.
12. The provisions of the SEBI Act, 1992, IA Regulations and the PFUTP Regulations are reproduced below for reference:

SEBI Act, 1992

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

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

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly—

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;
- (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;



Penalty for default in case of investment adviser and research analyst.

15EB. Where an investment adviser or a research analyst fails to comply with the regulations made by the Board or directions issued by the Board, such investment adviser or research analyst shall be liable to 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."

Penalty for fraudulent and unfair trade practices.

15HA. 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.

IA REGULATIONS, 2013:

Application for grant of certificate.

3. (1) On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations:

PFUTP REGULATIONS, 2003

2(c) "fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

- (1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
- (2) a suggestion as to a fact which is not true by one who does not believe it to be true;
- (3) an active concealment of a fact by a person having knowledge or belief of the fact
- (4) a promise made without any intention of performing it
- (5) a representation made in a reckless and careless manner whether it be true or false;
- (6) any such act or omission as any other law specifically declares to be fraudulent
- (7) deceptive behaviour by a person depriving another of informed consent or full participation,
- (8) a false statement made without reasonable ground for believing it to be true.
- (9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And "fraudulent" shall be construed accordingly;

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

- (a)



- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices.

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

Explanation.—For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

4(2). Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following:

(k) Disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities.

Provided that a person acting as an investment adviser immediately before the commencement of these regulations may continue to do so for a period of six months from such commencement or, if it has made an application for a certificate under sub-regulation (2) within the said period of six months, till the disposal of such application.”

(s) mis-selling of securities or services relating to securities market;

Explanation- For the purpose of this clause, “mis-selling” means sale of the securities or services relating to securities market by any person, directly or indirectly, by –

- (i) knowingly making a false or misleading statement, or
- (ii) knowingly concealing or omitting material facts, or
- (iii) knowingly concealing the associated risk, or
- (iv) not taking reasonable care to ensure suitability of the securities or service to the buyer.

13. In view of the above, the Noticee is hereby called upon to show cause as to why suitable directions under Sections 11(1), 11(4) and 11B(1) including the direction to refund the monies / fees collected



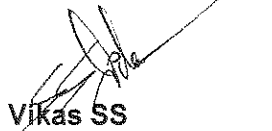
from the investors towards the alleged investment advisory services and debarring the Noticee from accessing and / or dealing in the securities market be not issued and why monetary penalty under Sections 11(4A) and 11B(2) read with Sections 15EB and 15HA of the SEBI Act, 1992 be not imposed for alleged violations as mentioned above.

14. Your reply, if any, along with relevant documents, should reach us within 21 days of the date of receipt of this notice at the following address, :

**Securities and Exchange Board of India
Eastern Regional Office
L&T Chambers, 3rd Floor, 16 Camac Street
Kolkata, West Bengal- 700017**

15. While replying, you may also indicate whether you desire to be personally heard in this case. In case no reply is received from you, within the above specified period, it shall be presumed that you have no further explanations/ submissions to offer in this regard and action may be initiated as per law.
16. The Noticee is advised to keep SEBI informed about the change in its/his correspondence address, if any, and provide updated email-id and phone numbers till the proceedings in the extant matter are complete. Further, the Noticee is also advised to submit a photocopy of Income Tax Permanent Account Number Card (PAN card), bank account details, demat account details, mutual fund investment details, etc. along with details of other movable and immovable assets for our record.
17. The Noticee may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If the Noticee wishes to opt for the settlement process, it/he may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned. Further, the Noticee may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.

Yours sincerely



Vikas SS

Enclosures: As stated above