भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

o/c

उप महाप्रबंधक/ Deputy General Manager
उत्तरी प्रादेशिक कार्यालय/ Northern Regional Office
बाजार मध्यवर्ती विनियमन/ Market Intermediaries Regulation
एवं पर्यवेक्षण विभाग/ & Supervision Department

SEBI/NRO/NRO/NRO/OW/P/2021/7540, 7543,7546-7549,7551,7552/1
March 31, 2021

1	**फिकस सिक्यूरिटीज प्रा. लि./ Ficus Securities Pvt. Ltd.** 810 इंद्र प्रकाश बिल्डिंग/810, Indra Prakash Building 21 बाराखंबा रोड / 21 Barakhamba Road कनॉट प्लेस, Cannought Place नई दिल्ली-110001/ New Delhi - 110001	2	**फिकस कमोडिटीज प्रा. लि. / Ficus Commodities Pvt. Ltd.** 810 इंद्र प्रकाश बिल्डिंग, /810, Indra Prakash Building 21 बाराखंबा रोड, / 21 Barakhamba Road कनॉट प्लेस, Cannought Place नई दिल्ली-110001/ New Delhi – 110001	3	**श्री विनोद कुमार बंसल/ Mr. Vinod Kumar Bansal** बी-89, ग्राउंड फ्लोर, मालवीय नगर, साकेत,/B-89, Ground Floor, Malviya Nagar, Saket, नई दिल्ली-110018/ New /Delh -110018
4	**श्री सुरेंदर सिंह/ Mr. Surender Singh** 93/जी 1, बी-ब्लॉक, दिलशाद कॉलोनी / 93/G1, B-Block, Dilshad Colony, दिल्ली-110095/ Delhi-110095	5	**श्रीमती नीना बंसल/ Mrs. Neena Bansal** बी-89, ग्राउंड फ्लोर, मालवीय नगर, साकेत,/B-89, Ground Floor, Malviya Nagar, Saket, नई दिल्ली-110018/ New Delhi - 110018	6	**श्रीमती पूनम राजभर/ Mrs. Poonam Rajbhar** 6-149, गली नंबर -6,/ 6-149, Gali No-6, निरंकारी कॉलोनी, Nirankari Colony, दिल्ली -110009/ Delhi -110009
7	**श्रीमती तृप्ता कपूर / Mrs. Tripta Kapoor** एल-62/ए, ग्राउंड फ्लोर, ब्लॉक-एल,/ मालवीय नगर, L-62/A Ground Floor, Block-L, Malviya Nagar, नई दिल्ली -110017/New Delhi -110017	8	**श्रीमती शबनम जॉन/ Mrs. Shabnam John** एस क्यू डी II / 267 विनय मार्ग, चाणक्य पुरी,/ SQ D II /267 Vinay Marg, Chanakya Puri, नई दिल्ली – 110021/ New Delhi - 110021		

विषय/ Sub- फिकस सिक्यूरिटीज प्रा. लि , फिकस कमोडिटीज प्रा. लि और अन्य के मामले भारतीय प्रतिभूति और विनिमय बोर्ड अधिनियम, 1992 की धारा 11 (4) और 11 (बी) के तहत कारण बताओ नोटिस/ Show Cause Notice under sections 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 (the SEBI Act) in the matter of Ficus Securities Pvt. Ltd, Ficus Commodities Pvt. Ltd. and Ors

उत्तरी प्रादेशिक कार्यालय : प्लेट-बी, आठवीं मंज़िल, ऑफिस टॉवर-1, एन बी सी सी कॉम्प्लेक्स, पूर्व किदवई नगर, नई दिल्ली - 110023
Northern Regional Office : Plate-B, 8th Floor, Office Tower-1, NBCC Complex, East Kidwai Nagar, New Delhi-110023 दूरभाष (Phone) : 011 - 69012998
प्रधान कार्यालय : सेबी भवन, प्लाट सं. सी-4 'अ', जी-ब्लाक, बान्द्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व) मुंबई - 400051 दूरभाष (Phone) : 022 - 26449000
Head Office : SEBI Bhavan, Plot No. C-4A, G-Block, Bandra Kurla Complex, Bandra (E) Mumbai - 400051 Web. : www.sebi.gov.in

1. Securities and Exchange Board of India (hereinafter refered to as **SEBI)** had received a reference dated August 01, 2017 from National Stock Exchange (hereinafter referred to as "**NSE"**) vide which NSE had forwarded the inspection report of the stock broker namely Ficus Securities Pvt. Ltd. (hereinafter referred as '**FSPL'/ 'Broker'/Trading Member**) for the period January 01, 2016 to December 31, 2016 conducted during March-April, 2017, wherein NSE made several adverse observations against the broker *inter alia*; observing improper use of clients funds & securities, non-settlement of client accounts, difference between quantity of securities between back office register of securities and holding statement of beneficiary accounts, margin collected from clients was not correctly reported to exchange in FO segment, etc..

2. In view of the serious observations made by NSE, SEBI conducted a surprise inspection of FSPL on January 23, 2018. Based on the findings of the aforesaid inspections and considering the serious prima-facie violation of various provisions of SEBI Act/Rules/ Regulations/Circulars SEBI passed an *ex-parte ad interim* order dated March 20, 2018 (hereinafter referred to as the 'interim order') against **Ficus Securities Pvt. Ltd.**, Stock broker, **Ficus Commodities Pvt. Ltd**. (Associated of FSPL) (hereinafter referred as **'FCPL' /'CD Broker'**) and SEBI regiistered Commodity Derivatives Broker) and its directors namely **Mr. Vinod Kumar**, **Mr. Surender Singh and Ms. Neena Bansal**, Mr. Prashant Kumar Nayak, **Ms. Poonam Rajbhar, Ms. Tripta Kapoor and Ms. Shabnam John** (hereinafter collectively referred to as **"Noticees**").

3. Vide the said order the aforesaid entities were *restrained from accessing the securities market and futher prohibited from buying selling or dealing in securities, directly or indirectly, in any manner whatsoever, till further directions and were also directed to cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions.*

4. Since then the *Confirmatory order* dated January 17th, 2019 was also passed in respect all the 10 entities, however the directions as contained in the interim order were confirmed by Hon'ble WTM against all the entities except for one i.e Mr. Prashant Kumar Nayak. The directions passed in the said order are as under:

   - *I, in exercise of the powers conferred upon me in terms of section 19 of the Securities and Exchange Board of India Act, 1992 read with sections 11, 11B and 11D thereof,* hereby *confirm the directions issued vide ex-parte ad interim order dated March 20, 2018 against all the Noticees, except in respect of Mr. Prashant Kumar Nayak.*

   - *As regards Mr. Prashant Kumar Nayak, the directions issued vide the interim order shall cease to continue from the date of this order. The same is however without*

Securities and Exchange Board of India New Delhi

prejudice to any action that SEBI may take in accordance with law against Mr. Prashant Kumar Nayak upon completion of the detailed examination in the matter. Further, as a director of FCPL, he shall continue to be responsible to ensure FCPL's compliance with the directions issued by SEBI in the matter.

5. Ficus Securities Pvt. Ltd having its registered office at "810, *Indra Prakash Building,* Connaught *Place, New Delhi-110001"* is registered with SEBI in following categories:

   a) As a stock broker of equity segment of National Stock Exchange of India Ltd. (NSE) (Registration number: INB231298630),
   b) As a stock broker in equity derivative segment of NSE (Registration number: INF231298630)
   c) As a stock broker in Currency Derivative Segment of NSE (Registration number: INE231298630)
   d) As a stock broker in equity segment of Bombay Stock Exchange Ltd. (BSE) (Registration number: INB011298636)
   e) As a stock broker in equity derivative segment of BSE (Registration number: INF011298636)
   f) As a stock broker in equity segment of Metropolitan Stock Exchange of India Ltd. (MSEI) - formerly known as MCX-SX (Registration number: INB261298633)
   g) As a stock broker in equity derivative segment of MSEI (Registration number: INF261298633)
   h) As a stock broker in Currency Derivative Segment of MSEI (Registration number: INE261298630)
   i) As a stock broker in Interest Rate Derivative Segment of MSEI- formerly known as MCX-SX (Registration number: INE261298630)
   j) As a Depository Participant of Central Depository Services Ltd. (CDSL) (Registration number: IN-DP-52-2015).

6. Ficus Commodities Pvt. Ltd. having its registered office at 810, *Indra Prakash Building, Connaught Place, New Delhi-110001'* is registered with SEBI as a Commodity Derivatives broker with of Multi Commodity Exchange of India Ltd (hereinafter referred as '**MCX**') and National Commodity & Derivatives Exchange Limited (hereinafter referred as '**NCDEX'**) (Registration number: INZ000086237).

7. The FSPL's and FCPL's summary of directorship and tenure is as under:

S. No	Entity Name	Tenure of the Directors
A	**Ficus Securities Private Limited**	
1	**Present Directors**	
a.	Mr. Vinod Kumar Bansal	14/04/2003-till date

b.	Mr. Surender Singh	02/11/2017- till date
2	**Past Directors**	
a.	Neena Bansal	16/04/1992 to 02/11/2017
B	**Ficus Commodities Private Limited**	
1	**Present Directors**	
a.	Mr. Prashant Kumar Nayak	30/12/2017-till date
b.	Mr. Surender Singh	02/11/2017- till date
2	**Past Directors**	
a.	Ms. Poonam Dubey (as per MCX records) Ms. Poonam Rajbhar (as per MCA records) (AGQPR0343D)	30/09/2009 to 03/11/2017
b.	Ms. Tripta Kapoor (ASVPK5946Q)	06/10/2006 to 03/11/2017
c.	Ms. Shabnam John (AGUPJ1830F)	12/06/2006 to 30/12/2017

8. The shareholders of FSPL are as under: -

Name	**Shareholding pattern**	
	No. of shares	**% of holding**
Votary Investments Pvt. Ltd.("VIPL") **Promotes of VIPL:** Mr. Vinod Kumar Bansal (63.33%) Ms. Neena Bansal (36.67%) **Directors of VIPL** Mr. Vinod Kumar Bansal and Mr. Surender Singh **Past Director of VIPL** Ms. Neena Bansal (30/03/2001 to 02/11/2017)	61,07,000	100% (only 1 share is held by Mr. Vinod Bansal)

9. The shareholders of FCPL are as under: -

S. No.	**Name of the Shareholder**	**Number of Shares held**	**% of Shares**
1	Ms. Shabnam John	1,58,100	51
2	Ms. Tripta Kapoor	1,51,900	49

10. The findings of the **inspection conducted by NSE** are as under:

10.1. **<u>Incorrect Reporting of Margin collected from clients</u>**

From the records produced and other submissions made by the trading member, it

was observed that the trading member has incorrectly reported margin collected from clients trading in Future & Option segment in case of 15 instances amounting to Rs. 2.47 Crs. Details of the instances are enclosed as **Annexure 01**

10.2. **Improper use of Clients fund**

On comparison of trade data with transaction statement, it was observed that trading member has sold securities in proprietary code without posessing the same. It appears that client securities were utilised for meeting payin obligation arising out of proprietary trading. 23 such sample instances amounting to Rs. 1.50 crores were observed in NSE. Trading member has not maintained security register properly (as closing balance of scrip is not appearing and in many instances opening balances are also not appearing therefore trade data of exchange has been considered to be the base for verification. Details of instances are placed as **Annexure 02**

10.3. **Difference between quantity of securities between back office register of securities and holding statement of beneficiary accounts**

On comparison of back office register of securities and holding statement of beneficiary accounts, it was observed that there is difference in 499 scrip's amounting to Rs. 6.70 crores. On verification of records produced it was observed non reconciliation of securities with stock lying in beneficiary account. Details of the instances are enclosed as **Annexure 03**

10.4. **Improper use of Clients Securities**

It was observed that trading member has transferred clients' securities from its client beneficiary accounts to Globe Fincap (for pledging client securities). In some instances, it is observed that the shares were released from Globe Fincap to member's client beneficiary account no. 12020600-00448228 (which is not declared by the member), from where the member has sold these securities through another member Globe Capital Market Ltd. in BSE. 6 such sample instances amounting to Rs. 2.72 cr were observed. Funds received from the sale of securities were utilised either for meeting payin obligation or for making repayment to Globe Fincap. Details of such instances are as per **Annexure 04**

10.5. **Unexplained use of funds raised by pledging of client securities**

On verification of bank accounts and beneficiary accounts maintained by TM, it was observed that trading member has pledged client securities with Globe Fincap, II&FS

and Aditya Birla Finance Ltd. during the inspection period. It was observed that overdraft amount was in excess of the obligation of the relevant clients. Unexplained amount of Rs 94.11 lacs in 145 clients was observed. Details of the same is placed at **Annexure 05**

10.6. **Actual Settlement of client accounts not done**

From the records produced and post inspection submissions of data by Trading Member, it was observed that member has not done actual settlement of funds & securities (on monthly / quarterly basis) in case of 87 instances out of total100 instances verified pertaining to 50 clients of Ficus.

Further on verification of trial balance and register of securities as on 31-Dec-16 it was observed that trading member has not settled the clients having credit balances of funds and securities which were inactive for more than 3 months in 106 instances amounting to Rs .52.79 lacs. Details are placed at **Annexure 06**

10.7. **Receipt and payment of funds from/to group companies in own and client bank account**

From the records produced and other submissions made by the trading member, it was observed that the trading member has transferred funds worth Rs. 21.20 crores and has also received funds worth Rs. 25.30 crores to/ from Ficus Commodities Pvt. Ltd. to/ from Ficus Securities Pvt. Ltd. Details of the instances are placed at **Annexure 07.**

10.8. **Discrepancy in computation of Networth**

On comparison of Net worth certificate submitted for the half year ended 30-Sep-2016 with trial balance, it was observed that trading member has not deducted amount of debtors who are outstanding for more than 3 months amounting to Rs. 97,85,880/-. Revised Net worth after deduction of outstanding debtors is Rs. 1.57 cr.

10.9. **Balances in bank account where not sufficient to cover client credit balances**

On verification of trial balance dated Dec 31, 2016, it was observed that trading member had trade payables (creditors) amounting to Rs. 5.09 Cr It was further observed that the total funds available with the member (including bank balances, exchange deposit in excess of minimum required and Fixed deposit receipts) was Rs. 3.28 Cr. Prima facie, it appears that trading member does not have adequate

funds available to pay off their creditors. There is shortage of Rs. 1.80 Cr to pay creditors.

No.	Availibility Of Clients' Funds	As on Dec 31, 2016
1	Total receivables	6,99,42,039.81
	- Receivable from clients	6,99,42,039.81
	- Other receivables	
2	Total Payables – A	5,09,24,306.83
	- Payable to clients	5,09,24,306.83
	- Other payables	
3	Total cash/bank Balance -B	414,085
	Own Bank	376,255
	Cash	37,830
4	Funds/ Deposits with NSE (C)	2,71,00,000
5	Minimum deposit requirement by exchange (D)	1,60,00,000
6	Fixed deposit with Bank (F)	
7	Deposits available with clearing member (G)	2,13,34,616
8	Total funds available with member [(H=B+C+F+G)-D]	3,28,48,700.00
9	Amount not available with members (A-H)	1,80,75,606.49

10.10. **Member has not undertaken tagging of DP/Bank accounts as required**

On verification of beneficiary accounts of trading member, it was observed that trading member is maintaining two more DP accounts which have not been declared by trading member to exchange. Details of such demat accounts are as under: -

DP_NAME	Account no.	Type of account
IL&FS Securities Services Limited	IN300095-11465666	Client beneficiary
Globe Capital Market Limited	12020600-00448228	Client beneficiary

10.11. **Dealing with another Trading Member for transactions in proprietary account in another Exchange without prior intimation**

On verification of transaction statement of client beneficiary account no.12020600-00448228, it was observed that trading member has dealt with another trading member (Globe Capital Market Ltd) for proprietary trading in BSE. It is however noted that trading member has not provided any intimation to the exchange in this regard.

10.12. **Contract Notes were not issued to Clients**

On comparison of trade data of exchange with back office records of trading member, it was observed that trading member has not issued contract notes to 48 sample clients on 10 sample dates pertaining to 1964 trades in F&O segment. Details of the instances are enclosed as **Annexure 08**

10.13. **Balances in bank account were not sufficient to cover client credit balances**

On verification of trial balance dated Dec 31, 2016, it was observed that trading member had trade payables (creditors) amounting to Rs. 5.09 Cr. It was further observed that the total funds available with the member (including bank balances, exchange deposit in excess of minimum required and Fixed deposit receipts) was Rs. 3.28 Cr.

Prima facie, it appears that trading member does not have adequate funds available to pay off their creditors. There is shortage of Rs. 1.80 Cr to pay creditors.

11. In view of the above observations of NSE, a Notice under Section 11(2)(i) of SEBI Act, 1992 dated August 30, 2017 (copy enclosed at **Annexure 09**) seeking information regarding value of securities, funds, details of all bank a/c, demat a/cs, trial balance etc. was issued to FSPL.

A. Non-submission of information sought through Notice.

In response, vide letter dated September 07, 2017, FSPL sought extension till September 15, 2017 for submission of required information. Acceding to the request, vide email dated September 11, 2017 the extension was granted to FSPL (letter and email copy placed at **Annexure 10**). Vide letter dated September 15, 2017 (received on September 18, 2017), FSPL submitted its reply (enclosed at **Annexure 11**). Since FSPL did not submit complete information, a meeting was called on October 04, 2017 at SEBI-NRO. However, same was not attended by FSPL. Despite of reminders via telephone/email to FSPL, no one turned up for the said meeting in SEBI-NRO.

Therefore, by not submitting the information/data sought, it is alleged that the broker has violated the following regulatory provisions:

- Regulation 21 of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992

12. The observations of the **inspection carried out by SEBI** of FSPL during January 23, 2018, inter alia, are as under:

B. Non-segregation and misue of clints funds and securities

12.1. **Non-availability of funds**

- As per FSPL's trial balance dated January 23, 2018. The position of total creditors and debtors is as under:

Account Head Name	Amount (₹)
Creditors	363,192,591.64
Debtors	17,868,292.35

- In view of the observations made by NSE regarding misuse of client's funds, and in order to verify the total funds available with the broker as on date, the bank statements for the period of April 1, 2015 to January 31, 2018 were sought from HDFC bank for the below mentioned bank accounts. The total availability of funds in broker's bank a/c(s) as on January 31, 2018 was as follows-

Name of the Bank a/c	Bank account no.	Amount (₹)
HDFC NSE Client A/c	00030340030695	124.73
HDFC NSE Business	00030340025552	439.63
HDFC NSE CD Client A/c	0030340036361	148.42
HDFC NSE Clearing A/c	00990610008376	0.00
HDFC Mutual Fund Sett A/C	90090610010177	46.42
HDFC NSE Client A/C	05982340006283	298.55
	Total	**1057.75**

- Further, as informed by NSE that as on January 22, 2018, the total funds available with the clearing member and Exchange was as under-

Account Head Name	Amount (₹)
NSCCL Security Deposit	1,500,000.00
NSE F&O	2,500,000.00
NSE Security Cash	11,000,000.00
Total (A)	**15,000,000.00**
Funds available with CM	95,226.64
IFSD available with CM	200,000.00

FDR available with CM	800,000.00
Total (B)	**1,095,226.64**
Total (A+B)	**16,095,226.64**

Hence, the total funds shortage was as under-

	Account Head Name	Amount (₹)
A	Funds with clearing member	1,095,226.64
B	Bank balance as per bank statement	1,057.75
C	Deposit with NSE	15,000,000.00
D	Total funds available (A+B+C)	16,096,284.39
E	Creditors	363,192,591.64
	Shortage of funds (D-E)	**347,096,307.25**

As on date of inspection, due to shortage of funds of Rs. 34.71 crores, it was observed that FSPL was not in a position to pay funds of its credit clients (detailed working is enclosed at **Annexure 12**).

12.2. **Non-availability of securities**

- In order to verify the availability of securities, the demat holding and transaction statements for the period of April 1, 2015 to January 31, 2018 were sought from NSDL and CDSL.

- CDSL informed that FSPL maintains 07 demat a/c with CDSL (s the details of which is as under:

BOID	First Holder	First Holder PAN
1202060000448228	Ficus Securities Pvt Ltd.	AAACV0429K
1206550000000051	Ficus Securities Private Limited	AAACV0429K
1206550000000098	Ficus Securities Private Limited	AAACV0429K
1100001000021767	Ficus Securities Private Limited	AAACV0429K
1206550000004225	Ficus Securities Private Limited	AAACV0429K
1206550000001452	Ficus Securities Private Limited	AAACV0429K
1206550000001467	Ficus Securities Private Limited	AAACV0429K

- NSDL Informed that FSPL is not a Depository Participant (DP) of NSDL. However, 05 Beneficial Owner (BO) accounts & 03 Clearing Member (CM)

pool accounts are found to be held in the name of FSPL with Participants of NSDL. The details of such a/c(s) is as under:

DP Id	Dp Name	Category Name	Client Id
IN300095	IL&FS Securities Services Ltd	Beneficiary Client	11465666
IN300966	Globe Capital Market Ltd	Clearing Member	10479912
IN300966	Globe Capital Market Ltd	Beneficiary Client	10480050
IN300966	Globe Capital Market Ltd	Beneficiary Client	10480640
IN300966	Globe Capital Market Ltd	Beneficiary Client	10480632
IN300966	Globe Capital Market Ltd	Clearing Member	10538173
IN300966	Globe Capital Market Ltd	Clearing Member	10628678
IN301549	HDFC Bank Ltd	Beneficiary Client	52385294

- Further, the scrip wise breakup of all the securities as per register of securities (ROS) was sought from NSE. The **total value as per ROS as available is around Rs. 29.6 Crores.** The position of securities of FSPL was as under:

Account Head Name	Amount (₹)
Value of client securities as per ROS	295,937,882.44
Actual Value of client securities available in beneficiary accounts, clearing member and pledge with NBFC	(974,491.44)
Shortfall of client securities	**294,963,391.00**

From the above it is observed that, client securities to the extent of Rs. 29.50 crores held in the various demat a/cs as on January 31, 2018 is not available. (detailed working is enclosed at **Annexure 13).**

Therefore, by non-segregation and misuse of client's funds and securities, it is alleged that the broker has violated the following regulatory provisions:

- Section 23D of the SCRA
- Circular no. SMD/SED/CIR/93/23321 dated 18 Nov, 1993,
- Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/16/2011 dated August 22, 2011.
- Clause A (1), (4) and (5) of the Code of Conduct prescribed for the Stock brokers under Regulation 9 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.
- Regulation 3(a), (b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

C. **Non-settlement of claims of clients:**

- During the Inspection, based on analysis of trial balance of the broker, it was observed that the broker is not settling the accounts of the clients on monthly/quarterly basis.

- Further, as observed there were 327 pending complaints having claim value of approx. 95.43 crores (as on November 13, 2018). The complaints pertain to non-receipt of funds and securities of the clients. Therefore, it can be stated that FSPL is not in a position to pay funds and/or securities of the clients who are demanding the same.

Therefore, by not settling the accounts of the clients, it is alleged that the broker has violated the following regulatory provisions:

- SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009.
- Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.

D. **Investor complaints against broker:**

- As per SCORES, as on November 13, 2018 the total complaints received against FSPL are 81, out of which 38 are still pending. Further, the updated status (as on November 13, 2018) about the claims received by NSE against FSPL is as under, (details of SCORES complaints is placed at **Annexure 14)**

Exchange	No. of Complaints	Claim Value
NSE	327	**95,43,61,510**
BSE	FSPL did not commence any business on BSE.	

Therefore, by not resolving the pending investor grivanace, it is alleged that the broker has violated the following regulatory provisions:

- Conditions of registration as specified under Regulation 9(e) of the Stock Brokers SEBI (and Sub Brokers) Regulations, 1992.

E. **Non-disclosure of 02 DP a/cs to the Exchange**

On verification of beneficiary accounts of trading member, it was observed that the broker is maintaining two more DP accounts which have not been declared by trading member to exchange. Details of such demat accounts are as under: -

DP_NAME	Account no.	Type of account
IL&FS Securities Services Limited	IN300095-11465666	Client beneficiary
Globe Capital Market Limited	12020600-00448228	Client beneficiary

Therefore, by not disclosing the demat account to Exchnge, it is alleged that the broker has violated the following regulatory provisions:

- Clause 2 (2.2) of the SEBI Circular SEBI/HO /MIRSD/ MIRSD2/CIR /P/2016/95 dated September 26, 2016.

13. **Transfer of funds from FSPL to FCPL**

- During the period of April 2015 till December 31, 2016, FSPL from its HDFC NSE Client a/c (no. 000 30340030695), has transferred Rs. 48.28 Crs to FCPL's HDFC a/c (no. 00030340037043) and has received Rs. 48.94 Crs during the said period. Details of instances is enclosed at **Annexure 15**.

- It was further observed that, FCPL is a client of FSPL (UCC- C0028) and has not done any trading from the period from April 2015 till December 2016. Since the client has not traded, funds being transferred to/ from the client a/c does not arise. Further, there was no explanation for such movement of funds was provided by FSPL.

- FCPL has traded in FO segment from January 2017 till July 2017 and in CM segment from August 2017 till December 2017. During the said period, FSPL has received Rs. 32.05 Crs from FCPL and has transferred Rs.19.04 Crs to FCPL. The details of trading are placed at **Annexure 16**

14. **Relationship between FSPL & FCPL**

- MCX vide its email dated 23.01.2018 informed that, FSPL is not a registered member of the exchange and as per returns filed with MCX, FSPL is not an associate of FCPL. However, upon perusal of website of FSPL i.e.

http://ficuswealth.com/ FCPL name is appearing on the homepage. (Screenshot enclosed at **Annexure 17).**

- Upon perusal of MCA website, it is observed that, one of the director's (Mr. Surender Singh) name is appearing in the director details of both the entities.

- The names of past directors i.e. Ms. Tripta kapoor and Ms. Poona Rajbhar of FCPL was also appearing in the client master (extracted from the back office) of FSPL.

- Vide email dated February 06, 2018 MCX informed that there is change in directors of FCPL for which no application is submitted by the broker.

From the available information as mentioned above and based on common directorship and address, FSPL and FCPL seems to be related to each other.

In view of the above observation, it is alleged that the broker has violated the following regulatory provisions:

- Clause A(1) and A(5) of Code Conduct of SEBI (Stock Broker and Sub broker) Regulations ,1992 read with Circular no. SMD/SED/CIR/93/23321 dated 18 Nov, 1993.
- Section 23D of SCRA

15. The Action taken by Exchanges and Depoiotory against F6 Finserve nad F6 Commodities is as under:

- **NSE-** Based on various violations/non-compliances observed by NSE such as improper use of clients funds & securities, non- settlement of client accounts, difference between quantity of securities between back office register of securities and holding statement of beneficiary accounts, margin collected from clients was not correctly reported to exchange in FO segment etc Therefore, considering the value of claims received against the broker, NSE declared FSPL a 'defaulter' and expelled it on 05.03.2018

- **BSE:** On the basis of NSE, BSE also declared FSPL a 'defaulter' and expelled it on 06.03.2018.

- **CDSL**: CDSL vide email confirmed "freeze" on demat account as per SEBI interim order. Further, vide email dated 10.08.2018 CDSL informed that, it has served termination notice to FSPL, DP of CDSL having permanent SEBI registration no.

IN-DP-52-2015. Further, CDSL has informed the same to all BOs of the DP requesting BOs to close their demat account with FSPL either by transfer of securities to any other DP(s) of their choice and/or by rematerialisation of the securities held therein. The terminal of FSPL is deactivated and the DP has been converted into a CDSL managed DP with effect from March 23, 2018.

- **NCDEX**: On the basis of NSE, BSE and interim order passed by SEBI, FCPL was declared a defaulter by NCDEX on 24.05.2018.

16. Vide letter dated April 03, 2018 the Exchange was directed to appoint a forensic auditor for examining the book and accounts of FSPL. Accordingly, vide letter dated December 13, 2018 (received in NRO on December 19, 2018) NSE submitted its forensic auditor report (enclosed at **Annexure 18**). The major observations pointed out by the Forensic Auditor are as under-

12.1. ***Non-availability of client securities in client beneficiary account or with the clearing member***

On Comparison value of securities as per Register of securities (ROS) and value of securities held in demat accounts (Client beneficiary account and clearing member account) on sample 3 days, it was noticed that there was huge difference as shown below:

Particulars	***31-Dec-17***	***31-Mar-17***	***31-Mar-16***
Total no. of securities as per ROS	*382*	*259*	*542*
Out of above negative holding	*278*	*197*	*43*
Total no. of securities as per Demat Statements	*56*	*646*	*644*
*Value of Securities as per ROS**	*3,460,985.90*	*7,478,201.39*	*398,253,807.13*
Value of Securities as per Demat Statements of 11 demat accounts	*1,858,846.59*	*17,043,768.15*	*25,699,953.02*
Difference	***1,602,139.31***	***(9,565,566.76)***	***372,553,854.11***

Thus securities were moved out of demat accounts without being recorded in the books which may imply misappropriation of client securities by FSPL

12.2. ***Transactions with related parties***

- ***Ficus Commodities Pvt Ltd (FCPL)***

Mr. Surender Singh is director of FSPL and FCPL from November 2nd 2017.Ms. Neena Bansal, who is the promoter and director of FSPL till November 2nd 2017,

भारतीय प्रतिभूति और विनिमय बोर्ड Securities and Exchange Board of India New Delhi

was also the promoter of FCPL. The company's address is same i.e 810, Indra Prakash Building, Connaught Place New Delhi 110001.During the period from April 1st 2015 to January 30th 2018 FSPL has transferred Rs. 87.28 crores and has received Rs. 80.23 crores from FCPL

- ***Votary Investments Pvt. Ltd (VIPL)***

Mr. Vinod Kumar Bansal and Mr. Surender Singh are the directors of FSPL and VIPL.VIPL holds 100% shares of FSPL. Ms. Neena Bansal, who is the promoter and director of FSPL till November 2nd 2017, was also the promoter of VIPL. The company's address is same i.e 810, Indra Prakash Building, Connaught Place New Delhi 110001.During the period from April 1st 2015 to January 30th 2018 FSPL has transferred Rs. 1.06 crores and has received Rs. 2.69 crores from VIPL

- ***Ficus Mercantile Limited (FML)***

Mr. Vinod Kumar Bansal and Mr. Surender Singh are the directors of FSPL and FML. The company's address is same i.e 810, Indra Prakash Building, Connaught Place New Delhi 110001. During the period from April 1st 2015 to January 30th 2018 FSPL has transferred Rs. 3.93 crores and has received Rs. 5.66 crores from FML.

- ***Amount transferred from and received in client bank account to / from certain entities who are not registered as clients –***

We noticed that during the audit period Rs.0.15 crores were received in client bank account (HDFC 30340030695) and Rs. 0.01 crores were paid from same account to certain entities who were not registered as clients with FSPL. It shows that client funds have been routed/diverted to these entities that are not FSPL's trading clients. This amounts to mis-utilisation of funds and rationale behind transferring those funds to client beneficiary accounts are not known from the records.

12.3. ***Amount transferred from and received in own bank account of FSPL***

On verification of bank statement of FSPL's own/business bank account, HDFC - A/c. 30340025552 for the audit period, it was noted that FSPLhas transactions from own bank account to 6 entities who are not registered as clients. Details are as below:

	(Amount in Rs.)	
Particulars	**Paid**	**Received**
J K Goyal Estate	9,791,240	12,000,000
Shriram Infravision	1,000,000	10,000,000
IntecCommodities Pvt Ltd	4,000,000	4,000,000
Micro Investment	1,500,000	1,500,000
Aquatherm	8,500,000	8,500,000
Pranjial Goel	1,500,000	1,500,000

12.4. ***Amount transferred from and received in own bank account of FSPL from clients***

On verification of bank statement of FSPL's own/business bank account, HDFC - A/c. 30340025552 for the audit period, it was noted that FSPL made payments from own bank account of Rs. 2.50 crores and Rs. 3.34 crores were received in same account from clients. The nature of receipts and payments is not available on records. Details are as below:

	(Amount in Rs.)	
Particulars	**Paid**	**Received**
Phool Chand - UCC C0241	15,000,000.00	15,000,000.00
Jatinder Verma - UCC CAJ025	10,047,268.00	0.00
Ontime Consultants India P Ltd- UCC C0031	0.00	2,380,299.00
Davendra Singh - UCC C0955	0.00	16,000,000.00
Total	**25,047,268.00**	**33,380,299.00**

From the above it can be seen that FSPL has comingled client funds with its own funds by receiving client funds in its own bank account and subsequently undertaking fund transactions with non-clientele entities.

12.5. ***Funds raised by pledging clients' securities***

It was noticed that following amounts were raised by pledging clients' securities during the inspection period.

Amount received in own / business account (HDFC Bank 30340025552)

	Rs. In crores		
Pledged	**Paid**	**Received**	**Net (Received)/ Paid**
ILFS Refer Annexure 17	5.12	32.90	(27.78)
Globe Fincap Ltd Refer Annexure 18	32.14	50.16	(18.02)

Aditya Birla Finance Ltd Refer Annexure 19	*3.71*	*0.03*	*3.68*
Net Amount Paid / (Received)	*40.97*	*83.09*	*(42.12)*

Rs. 4 lakh were received from ILFS in HDFC Client A/C. 30340030695.

From the above it can be observed that funds to the tune of Rs. 83.09 crores raised by pledging client securities were received in own bank account instead of client bank account.

12.6. ***Difference in the payee names as per bank book and bank statements:***

On verification of the bank book (as per books of account) with the bank statements, it was observed that in certain cases different payee names appeared for the same transactions in the bank book and bank statement entries. Thus the name of the party recorded in the books was different than the actual payee as per the bank statements. Thus the records were falsified.

12.7. ***Difference in balances as per bank statement and as per books***

It was observed that there are differences in the balances as per bank statement and as per books as given in below. Reconciliations of the differences were not available.

Date	*Balance as per Bank statement*	*Balance as per trial balance*	*Un-reconciled differences*
As on Dec 31, 2017	*9,064.95*	*2,229,983.64*	*2,220,918.69*
As on Mar 31, 2017	*1,296,171.40*	*21,344,380.35*	*20,048,208.95*
As on Mar 31, 2016	*1,187,345.56*	*5,892,477.62*	*4,705,132.06*

13. **Role of Directors**

Wih regard to role of directors, it was clarified in interim order that, any Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. In terms of section 179 of the Companies Act, 2013, the Board of 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 Board of Directors being responsible for the conduct of the business of a company are liable for any non-compliance of law and such liability shall be upon the individual directors also. Hon'ble Supreme court while describing what is the duty of a Director of a company held in *Official*

Liquidator v. P.A. Tendolkar (1973) 1 SCC 602 that "A Director may be shown to be so placed and to have been so closely and so long associated personally with the management of the Company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of the business of a Company even though no specific act of dishonesty is proved against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the Company even superficially". Further, in cases of fraud, it is a settled position of law that the corporate veil can be lifted and the directors can be held liable for the fraud of the Company.

14. As already observed in preceding paras the **Stock broker-Ficus securities Pvt. Ltd.and its directors** have alleged to have violated various provisions of the SEBI Act, SCRA Act, Rules, Regulations, Circulars issued by SEBI from time to time. Since the directors are equally responsible for the act of the stock broker (as the entity cannot function on its own), all the past and present directors of the investigation period are hereby alleged to have violated the following provisions:

    - Section 23D of the SCRA
    - Circular no. SMD/SED/CIR/93/23321 dated 18 Nov, 1993,
    - Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.
    - Clause A (1), (4) and (5) of the Code of Conduct prescribed for the Stock brokers under Regulation 9 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.
    - Regulation 3(a), (b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.
    - SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009.
    - Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.
    - Clause 2 (2.2) of the SEBI Circular SEBI/HO /MIRSD/ MIRSD2/CIR /P/2016/95 dated September 26, 2016.
    - Conditions of registration as specified under Regulation 9(e) of the Stock Brokers SEBI (and Sub Brokers) Regulations, 1992
    - Regulation 26 (ii) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

15. As already observed in preceding paras the **CD broker-Ficus Commodities Pvt. Ltd.and its directors** have alleged to have violated various provisions of the SEBI Act, SCRA Act, Rules, Regulations, Circulars issued by SEBI from time to time. Since the directors are equally responsible for the act of the stock broker (as the entity cannot

Securities and Exchange Board of India New Delhi

function on its own), all the past and present directors of the investigation period are hereby alleged to have violated the following provisions:

- Regulation 27 (i) and (ii), of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992
- Clause A(1) and A(5) of Code Conduct of SEBI (Stock Broker and Sub broker) Regulations ,1992 read with Circular no. SMD/SED/CIR/93/23321 dated 18 Nov, 1993.
- Section 23D of SCRA

17. In view of the above, the Noticees are therefore, called upon to show cause as to why directions under Sections11, 11(4) and 11B of the SEBI Act, should not be initiated against you for violation of the aforementioned provisions of SCRA, SEBI Act, Stock broker regulations and PFUTP Regulations.

18. This show cause notice is without prejudice to the right of SEBI to take any other action as it deems fit in accordance with law.

19. The reply of the Noticees, if any, should reach the undersigned, at the address given below, as well as through email at shinod@sebi.gov.in and deepshikhaL@sebi.gov.in (in MS-Word format), within 21 days from the date of receipt of this 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.

भारतीय प्रतिभूति और विनिमय बोर्ड/ Securities and Exchange Board of India
उत्तरी प्रादेशिक कार्यालय/ Northern Regional Office,
8 वीं मंजिल, प्लेट बी, टॉवर 1/ 8th floor, Plate B, Tower 1,
एन बी सी सी कॉम्प्लेक्स/ NBCC Complex
पूर्वी किदवई नगर, नई दिल्ली-110023/East Kidwai Nagar, New Delhi - 110023.

20. If you are desirous of a personal hearing before the Whole Time Member, SEBI, the same may be intimated accordingly.

21. You are advised to keep SEBI informed about the change in your correspondence address, if any, and provide updated email-id and phone numbers, till the proceedings are complete. You are also advised to submit a photocopy of your identification documents for our records.

22. You may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If you wish to opt for the settlement process, you may

apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned.

23. Documents relied upon in the notice have been annexed as per the list of enclosures.

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संलग्नक/Enclosure (in CD)

No.	Particulars
Annexure 01	Incorrect reporting of Margin collected from clients
Annexure 02	Improper use of Clients fund
Annexure 03	Difference in quantity of securities between back office register of securities (ROS) and holding statement of beneficiary accounts
Annexure 04	Improper use of Clients Securities
Annexure 05	Unexplained use of funds raised by pledging of client securities
Annexure 06	Actual Settlement of client accounts not done
Annexure 07	Receipt and payment of funds from/to group companies in own and client bank account
Annexure 08	Contract Notes were not issued to Clients
Annexure 09	Notice under Section 11(2)(i) of SEBI Act, 1992
Annexure 10	Non-submission of information sought through Notice
Annexure 11	Non-submission of information sought through Notice
Annexure 12	Shortage of funds calculation
Annexure 13	Non-availability of securities calculation
Annexure 14	SCORES Complaints
Annexure 15	Transfer of funds from FSPL to FCPL
Annexure 16	Transfer of funds from FSPL to FCPL
Annexure 17	Screenshot of http://ficuswealth.com/
Annexure 18	Copy of Forensic Auditor Report