

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**

**S. RAMAN, WHOLE TIME MEMBER**

**ORDER**

**Under Section 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 against M/s Sri Ganesh Stocks and Shares, Mr. Venkatesan Chandran (PAN: AADPC7641J) and Ms. K. Vijaya Bharathi (PAN: ABZPV9915D).**

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1. Securities and Exchange Board of India ("**SEBI**") received a report dated October 13, 2014 from National Stock Exchange of India Limited ("**NSE**") alleging, *inter alia*, that Mr. Venkatesan Chandran ("**Venkatesan**") and his wife Ms. K. Vijaya Bharathi ("**Vijaya Bharathi**") solicited and collected money from members of public by using a trade name i.e. M/s Sri Ganesh Stocks and Shares ("**Sri Ganesh Stocks**") with a promise of assured monthly returns.
2. From the report of NSE the following were noted:
  - i. Mr. Venkatesan claimed himself to be a sub-broker affiliated to Saravana Stocks Private Limited ("**SSPL**"), a Trading Member of NSE. Mr. Venkatesan was also associated with another trading member, namely, Nirmal Bang Securities Private Limited ("**NBSPL**").
  - ii. Ms. Vijaya Bharathi, W/o Venkatesan was registered as an Authorised Person of the trading member Nirmal Bang Securities Private Limited in the Cash and F&O segments with Registration No. "AP110576691"
  - iii. There were 64 investors registered with Venkatesan as per private agreements entered into with them and Venkatesan collected an amount of around Rs.4.36 crores from his clients. Neither Sri Ganesh Stocks nor Venkatesan are or were registered at any point in time with SEBI as sub broker or as an intermediary.
3. As the aforesaid activities of Sri Ganesh Stocks, Venkatesan and Vijaya Bharathi were *prima facie* in violation of provisions of SEBI Act, 1992 ("**SEBI Act**"), the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 ("**Brokers Regulations**"), the SEBI (Portfolio Managers) Regulations, 1993 ("**PMS Regulations**") and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 ("**PFUTP Regulations**") and SEBI Circular No.

MIRSD/DR-1/CIR-16/09 dated November 06, 2009, SEBI passed an *ad interim ex-parte* order dated April 08, 2015 (' **ex-parte order** ') with the following directions:

- i. *“restrain Sri Ganesh Stocks and Shares, Mr. C. Venkatesan, (PAN AADPC7641J) and Ms. Vijaya Bharathi K. (PAN ABZPV9951D) from accessing the securities market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner;*
  - ii. *(ii) direct Sri Ganesh Stocks and Shares, Mr. C. Venkatesan and Ms. Vijaya Bharathi K. to cease and desist from undertaking the portfolio management activities or any unregistered activity in securities market, directly or indirectly, in any manner whatsoever;*
  - iii. *direct Sri Ganesh Stocks and Shares, Mr. C. Venkatesan and Ms. Vijaya Bharathi K. to immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, etc. in relation to the portfolio management activities or any unregistered activity in securities market;*
  - iv. *prohibit Sri Ganesh Stocks and Shares, Mr. C. Venkatesan and Ms. Vijaya Bharati K. from mobilizing funds from its clients or other general investors or offering any PMS related activities.”*
4. The said ex-parte order provided that Sri Ganesh Stocks, Venkatesan and Vijaya Bharati may file their objections, if any, within twenty one (21) days from the date of receipt of the said interim order. The order further provided that they may avail an opportunity of personal hearing before SEBI on a date and time to be fixed on a specific request in writing.
5. Vide separate letters and e-mail, each dated April 09, 2015, the ex-parte order was sent to Sri Ganesh Stocks, Venkatesan and Vijaya Bharati. Vide e-mail dated April 15, 2015, Venkatesan acknowledged the receipt of the ex-parte order and sought an extension of time to reply on account of his mother's death. Vide the said e-mail, Venkatesan also stated that he is a physically challenged person and cannot travel and appear in person. The extension of time was granted on April 21, 2015 for further ten days and the same was communicated to Venkatesan vide e-mail dated April 23, 2015. On the same day, Venkatesan replied vide his e-mail dated April 23, 2015 and submitted as under:
- There is no entity by the name M/s Sri Ganesh Stocks and Shares. Neither any bank account exists in the name of M/s Sri Ganesh Stocks and Shares nor any trading account

opened in the said name. No contract was signed in the said name. They did not have a rubber stamp in the said name.

- Venkatesan also submitted a list of 64 investors along with repayments made to them. It was also admitted by Venkatesan that there was a difference in figures submitted by him to the NSE officials and the latest list. Venkatesan also stated that the difference in the amount paid was due to the fact that they did not maintain proper accounts and from the Bank accounts they could not make out the payee name.

Vide the said e-mail, Venkatesan once again sought extension of time to file a detailed reply. However, no detailed reply has been subsequently filed by him or the other entities till date.

6. Thereafter, vide hearing notice dated June 05, 2017 an opportunity of personal hearing before me was granted to Sri Ganesh Stocks, Venkatesan and Vijaya Bharati (hereinafter collectively referred to as “**the Noticees**” and individually by their respective names). The hearing Notice was sent by speed post with acknowledgment. The same was also communicated to the Noticees vide e-mail dated June 06, 2017 at the e-mail address *i.e.* “*vilashini2006@yahoo.co.in*” Despite the same, neither the Noticees/their authorized representative attended the personal hearing nor did any of them file any reply till date. It is also noted that Venkatesan vide his earlier e-mail dated April 15, 2015 expressed inability to attend any personal hearing in the matter. Though Venkatesan vide his letter dated April 23, 2015, stated that he would submit a detailed reply in this matter, no such reply has been received from him till date. In view of the same, I am constrained to proceed on the basis of the material available on record.
7. Before dealing with the charges levelled against the Noticees, the relevant legal provisions, the contravention of which have been alleged in the instant case are reproduced hereunder:-

**SEBI Act, 1992**

**Section 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."*

**SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992**

**“Registration as sub-broker.**

*11. (1) No sub-broker shall act as such unless he holds a certificate granted by the Board under these*

regulations.

**Section 12A of the SEBI 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 issue, purchase or sale of any security listed or proposed to be listed in a recognised stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made there under;*

*(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;"*

***Regulation 3 – SEBI (Portfolio Managers) Regulations, 1993***

*"No person shall act as portfolio manager unless he holds a certificate granted by the Board under these regulations: ....."*

***PFUTP Regulations, 2003***

***Definition of ‘fraud’ – Regulation 2(1)(c).***

*(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;*

*(6) deceptive behaviour by a person depriving another of informed consent or full participation;*

*(7) a false statement made without reasonable ground for believing it to be true;*

*(8) 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;*

**Regulation 3 and 4 of the PFUTP Regulations -**

***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 fraudulent or an unfair trade practice in securities."*

*(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*

*.....*

*(k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors;*

*....."*

**SEBI Circular No. MIRSD/DR-1/CIR-16/09 dated November 06, 2009 Para 5 -  
Conditions of Appointment**

...

*(c) "the authorised Person shall not receive or pay any money or securities in its own name or account. All receipts and payments of securities and funds shall be in the name or account of stock broker."*

8. I shall now proceed to deal with the charges alleged against the Noticees. In the instant case, the issue for consideration is whether the Noticees collected money through various schemes and managed the funds of investors, and, thereby violated Section 12(1), 12A (a) (b) and (c) of the SEBI Act read with Regulation 11 (1) of the Brokers Regulations, Regulation 3 of the PMS Regulations, Regulation 3 (b), (c) and (d) and Regulation 4(1) and 4(2) (k) of the PFUTP

Regulations and paragraph 5 (c) of SEBI Circular No. MIRSD/DR-1/CIR-16/09 dated November 06, 2009.

9. On an examination of the material available on record such as documents furnished by NSE, Bank statements, short reply filed by Venkatesan along with information downloaded from *MCA21 portal*, etc., the following are observed:

- (a) In June 2014, Venkatesan issued advertisements in the newspaper *viz.*, “*Nanganallur Talk*” and invited members of public to invest and promised to give assured monthly returns. The advertisement issued by Venkatesan is reproduced hereunder:

*“Invest Rs. 1.00 Lac, get assured monthly income of Rs. 8,000/- only, trading in your own account, agreement & cheque for capital investment- 9840017104”*

- (b) NSE conducted a preliminary inquiry and obtained the complete address of the person whose contact number is mentioned in the advertisement. NSE conducted an inspection of the premises (“*Sri Ganesh Stocks and Shares, No. 19/4, 12<sup>th</sup> Avenue, Near Grand Sweets, Ashok Nagar, Chennai?*”) and met Venkatesan who was available at the said address. The following are noted from the inspection report:

- i. Venkatesan claimed himself to be a sub-broker affiliated to SSPL, a Trading Member of NSE;
- ii. Sri Ganesh Stocks and Shares is just a brand name and Venkatesan is in charge and responsible for the entire business;
- iii. Venkatesan stated that there are two options for the clients who approach him for investment i.e. (i) become a direct client of SSPL; or (ii) the clients can deposit the money with Sri Ganesh Stocks who in turn will invest the same in the stock market on their behalf.
- iv. Investors desirous of opening the account with Sri Ganesh Stocks were required to enter into a ‘private agreement’ with Venkatesan. The assured monthly return on such investments were directly transferred to the bank account of the investors or paid by cash. The following clauses of the said agreement are worthy of mention:
  - a) *“The sub-broker will do transactions such as buying/selling on behalf of the client in the trading account in equity market/ derivative market/ commodity market;*
  - b) *The sub-broker is at liberty to do buy/sell transactions with any main broker whom he may*

*deem fit;*

- c) *The client being assured monthly returns for the investments made, which would be transferred to the client's bank account by way of NEFT transfers after deduction of the brokerage and other government levies;*
- d) *The sub broker indemnifying the client for any losses in the capital invested by the client and towards this end the sub broker issuing a postdated cheque to the investor for an amount of Rs.1 lakh and any disputes arising out of the agreement will have jurisdiction in the Court of Chennai..."*

- v. From the sample copy of private agreement between Venkatesan and one Ms. Devika Salam(investor)executed on February 16, 2014 the following are noted:
- Ms. Devika Salam vide cheque bearing no. "0000000044" drawn on Karur Vysya Bank, deposited Rs.1,00,000/- on February 17, 2014.
  - As seen from the bank statement of Venkatesan with HDFC bank A/C No. "18641930001915", the said amount was realized on February 18, 2014.
- vi. Similarly, another client viz., Ms. Sunitha entered into a private agreement with Venkatesan and invested an amount of Rs.1,00,000/- upon promise of an assured monthly return of Rs.7,000/-. It is noted from the bank statement of Venkatesan maintained with HDFC Bank A/c number 18641930001915 that the assured returns were paid to the client for three months, details of which are as under:

| Date       | Narration                       | Cheque No. | Withdrawal Amount |
|------------|---------------------------------|------------|-------------------|
| 20/7/2012  | CHQ PAID-MICR CTS-CH-K SUNITHA  | 98189      | 7000              |
| 22/08/2012 | CHQ PAID-MICR CTS-CH-K SUNITHA  | 99228      | 7000              |
| 21/09/2012 | CHQ PAID- MICR CTS-CH-K SUNITHA | 98191      | 7000              |

This clearly shows that the investors were lured by the advertisements issued by Venkatesan and made the investments with a legitimate expectation to get assured monthly returns as promised.

- vii. As per the information provided by Venkatesan, the following process was adopted by him while dealing with his clients:
- a) The clients were required to enter into a private agreement with Venkatesan.
  - b) The amount invested and amount of return will be indicated in the agreement.

- c) The clients can give either cheque or cash for the initial investment.
  - d) After the receipt of funds from the investor, the same shall be accounted in the bank account of his spouse Vijaya Bharathi and once the funds are cleared, the same is given to SSPL as pay-in and trades were executed in the trading client code of Vijaya Bharathi (“14V50”) through SSPL.
  - e) No individual client codes were allotted to the investors and all the transactions took place through client code “14V50” of Vijaya Bharathi maintained with SSPL.
  - f) The returns were paid to the clients/investors either through cash or through NEFT transfers to the clients’/investor’s bank accounts.
- viii. Venkatesan furnished a “Business Partner Agreement” entered into with SSPL. As per the same, Venkatesan was using ODIN-DIET terminal provided by SSPL for placing orders. Venkatesan stated that more than 25 clients were registered with Sri Ganesh Stocks.
  - ix. As per the Business Partner Agreement, Venkatesan had referred 21 clients to SSPL during the period November 2013 to June 2014. Out of this, only five clients with client codes 14V1, 14V2, 14V50, 32V1 and 32V2 had traded through SSPL and SSPL paid an amount of Rs.46,795/- to Venkatesan for the same.

It is noted from the Business Partner Agreement that Venkatesan is empowered to carry out all acts including execution of orders on behalf of clients. It also had enabling provisions for sharing of brokerage on monthly basis between SSPL and Venkatesan after deducting statutory charges. Such activities are permitted to be done only by a SEBI registered sub-broker/an Authorised Person/a dealer/approved user/employee of the affiliated stock broker.

It is pertinent to mention that Venkatesan is neither a SEBI registered sub-broker, nor an ‘Authorised Person’ or an approved user/dealer or an employee of SSPL. Venkatesan is not even registered as a client of SSPL.

**Dealings with Nirmal Bang Securities P. Ltd. (“NBSPL”):**

- x. Venkatesan was also associated with another trading member, NBSPL. It is noted that Venkatesan and his wife Vijaya Bharathi were registered clients of NBSPL having Client Codes “S3600006” and “S3600007” respectively in June 2011 and



these client accounts were active till July 2014. Vijaya Bharathi was also registered as an Authorised Person with NBSPL in the Cash and F&O segments.

- xi. As Vijaya Bharathi was an 'Authorised Person' of NBSPL, she was provided with a trading terminal having ID S26802 by NBSPL located at her residence at Door No.2, Subramanian Iyer Street, 4th Floor, FF-2, West Mambalam, Chennai-600033, Tamil Nadu. Vijaya Bharathi had declared Venkatesan to be the approved user of the said terminal on her behalf.
- xii. Venkatesan has admitted that the procedure adopted for dealing with clients through NBSPL was similar to that of SSPL as stated at paragraph 9 (b) (vii) above.
- xiii. The funds collected from various clients were used for trading under the client codes, viz., Venkatesan (S3600006) and Vijaya Bharathi (S3600007); The funds received from the investors were collected in the bank account of Vijaya Bharathi initially and then the same were transferred to the bank account of Venkatesan through which the pay- in and pay-out obligations with the trading member NBPL were met.

For instance, as per private agreement entered into with one Mr. N. T. Suresh, it is noted that Mr. N. T. Suresh had invested an amount of Rs.25000/- by cash. The said payment was deposited in the IDBI Bank Account of Vijaya Bharathi bearing account number "630104000111607".

- xiv. There were 64 investors registered with Venkatesan under the private agreement out of which 7 clients have opened the trading account with NBSPL.
- xv. From the cash deposits made by Venkatesan in his various bank accounts the following are noted:
  - Money was collected from investors directly and deposited in his bank accounts;
  - Money was collected by way of cash, cheques and NEFT and deposited directly into his bank account;
  - Payments were also made in the same manner to the clients either towards the monthly assured returns or as part payments of the amount etc.
- xvi. The following are instances of receipts and payments from/to investors by Venkatesan:

**Instances of receipts and payments – City Union Bank (Thambaram Branch) account of Venkatesan bearing No. CA-172056:**

| Instances of Receipt |                                             |       |                         | Instances of Payments |                                         |       |                         |
|----------------------|---------------------------------------------|-------|-------------------------|-----------------------|-----------------------------------------|-------|-------------------------|
| Transaction date     | Description                                 | Cr/Dr | Transaction Amount (Rs) | Transaction date      | Description                             | Cr/Dr | Transaction Amount (Rs) |
| 18/09/2012           | Sudha Ambikadas<br>SB30697:15065<br>717:001 | Cr    | 1,00,000                | 15/05/2012            | 425693:<br>NEFT - K.<br>Mahadevan       | Dr    | 40,000                  |
| 31/03/2013           | Ganesh:<br>16374586:104                     | Cr    | 2,00,000                | 29/05/2012            | 4341957:<br>NEFT<br>Hameed<br>Nazeer    | Dr    | 25,000                  |
|                      |                                             |       |                         | 21/06/2012            | 4531104:<br>NEFT<br>CS Rithadhama       | Dr    | 45,000                  |
|                      |                                             |       |                         | 10/07/2012            | NEFT - CS<br>Rithadhama                 | Dr    | 50,000                  |
|                      |                                             |       |                         | 02/05/2013            | Transfer-<br>Janakiraman<br>Chq No.1166 | Dr    | 10,000                  |
|                      |                                             |       |                         | -do-                  | To clg -<br>Ganesh Chq<br>No.1153       | Dr    | 25,000                  |
|                      |                                             |       |                         | -do-                  | To Ganesh chq<br>No.1159                | Dr    | 10,000                  |

**Instances of receipts and payments - IDBI Bank account of Venkatesan bearing No. 0630102000010797:**

| Instances of Receipt |                         |       |                         | Instances of Payments |                       |       |                         |
|----------------------|-------------------------|-------|-------------------------|-----------------------|-----------------------|-------|-------------------------|
| Transaction date     | Description             | Cr/Dr | Transaction Amount (Rs) | Transaction date      | Description           | Cr/Dr | Transaction Amount (Rs) |
| 04/09/2013           | M.<br>Geethalakshmi     | Cr    | 1,00,000                | 05/09/2013            | NEFT<br>Vijayalakshmi | Dr    | 25,000                  |
| 31/03/2013           | Ganesh:<br>16374586:104 | Cr    | 2,00,000                | 08/08/2013            | -do-                  | Dr    | 25,000                  |

**Instances of cash deposits received from investors towards their investments and deposited into the bank account of Venkatesan:**

| <b>Bank A/c No. CA - 172056 of City Union Bank -<br/>Tambaram</b> |                |            |                |
|-------------------------------------------------------------------|----------------|------------|----------------|
| Date                                                              | Amount<br>(Rs) | Date       | Amount<br>(Rs) |
| 15/05/2012                                                        | 4,00,000       | 25/07/2012 | 25,000         |
| 13/08/2012                                                        | 2,00,000       | 14/08/2012 | 5,00,000       |
| 16/06/2012                                                        | 5,00,000       | 17/08/2012 | 5,00,000       |
| 15/12/2012                                                        | 1,00,000       | 18/12/2012 | 50,000         |
| 24/01/2013                                                        | 10,00,000      | 29/01/2013 | 10,00,000      |

- xvii. The the cash deposits received in Venkatesan's City Union Bank account from the investors were transferred to NBSPL either immediately or after a day or two, details of which are as under:

| <b>Bank A/c No. CA-172056 of City Union Bank – Tambaram</b> |              |                                                                                     |              |
|-------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------|--------------|
| <b>Particulars of cash deposits received</b>                |              | <b>Particulars of amount transferred to<br/>NBSPL after receipt of cash deposit</b> |              |
| Date                                                        | Amount (Rs.) | Date                                                                                | Amount (Rs.) |
| 14/08/2012                                                  | 5,00,000     | 23/08/2012                                                                          | 15,00,000    |
| 16/06/2012                                                  | 5,00,000     |                                                                                     |              |
| 17/08/2012                                                  | 5,00,000     |                                                                                     |              |
| 15/12/2012                                                  | 1,00,000     |                                                                                     |              |
| 24/01/2013                                                  | 10,00,000    | 28/01/2013                                                                          | 10,00,000    |
| 29/01/2013                                                  | 10,00,000    | 30/01/2013                                                                          | 10,00,000    |

- xviii. Admittedly, Venkatesan collected an amount of around Rs.4.36 crores from his clients. Venkatesan informed that out of Rs.4.36 Crores collected from his clients, he had invested upto an amount of Rs.85 Lakhs approximately through trading accounts maintained with NBSPL. The remaining funds were used to settle the financial commitment (assured monthly returns promised under the private agreement) of the investors.
- xix. Venkatesan claimed to have repaid Rs.3.71 Crores (which includes principal amount and returns) to some of his investors. In this regard, it is noted from the short reply filed vide e-mail dated April 23, 2015 that a list of investors along with the details of investment amount and repayment was provided. As per the said list, out of the 4.36 Crores collected from the clients/investors, he had repaid 4.06

Crores. Considering the fact that the amount claimed as repaid by Venkatesan is not certified/verified by any auditors, hence, I am of the view that the same cannot be accepted.

From the analysis of the facts mentioned above, I find that Venkatesan was soliciting funds from the public by luring them with assured monthly returns through advertisements, entering into private agreement with such clients for carrying out transactions in securities on their behalf and executing such transactions either through his own trading account or through his spouse's trading account and settling the transactions with the respective trading members, viz. NBSPL and SSPL. The private agreement which Venkatesan had apparently entered into with investors had clauses whereby the investors were assured about the management of their investments and also the fact that they would not interfere with the investment strategies employed by Venkatesan, etc. These terms in the private agreement are identical to a discretionary portfolio management activity undertaken by Venkatesan on behalf of the investors. No prior registration was obtained by Venkatesan in his own name or in the name of his firm Sri Ganesh. In view of the same, I find that Venkatesan has not only functioned in his capacity as an unregistered sub broker in the securities market but have also indulged in unregistered portfolio management activities.

**Role of Vijaya Bharathi:**

- xx. As per the material available on record such as KYC form of Vijaya Bharathi and its supporting enclosures such as copies of ration card, passport, etc., it is noted that Vijaya Bharathi is wife of Venkatesan. He is the Nominee in her IDBI Bank account bearing no. "630104000111607". As per the document submitted by Venkatesan and Vijaya Bharathi in support of their address proof, their residential address is stated to be Door No. 2, Subramanian Iyer Street, 4<sup>th</sup> Floor, FF-2, West Mambalam, Chennai-600033, Tamil Nadu.
- xxi. Vijaya Bharathi was an 'Authorized Person' of the trading member *NBSPL* since September 30, 2011 having Registration No. "AP110576691" and in this capacity was also provided with CTCL terminal for both Cash and F&O segment with CTCL ID "600033001001" and login ID "S26802". The said terminal was operated by her spouse Venkatesan as the approved user and the terminal was also located in their residential address as per the stock exchange records.
- xxii. Vijaya Bharathi was also registered as client with NBSPL and had traded as client

with the above trading member in significant volumes. In addition, it is also seen that Vijaya Bharathi is also registered as client to SSPL with whom Venkatesan had entered into a business partner agreement, and had traded significantly. The following are the details of volume of business done by *Vijaya Bharathi* with both the trading members:

| Trading Member Code | Member Name | Client Code | Turnover – CM<br>(24/06/2011 to 31/03/2014) (in Rs.) | Turnover – FO<br>(24/06/2011 to 31/03/2014) (in Rs.) |
|---------------------|-------------|-------------|------------------------------------------------------|------------------------------------------------------|
| 9391                | NBSPL       | S3600007    | 4,47,074.55                                          | 19,67,002.50                                         |
|                     |             |             |                                                      |                                                      |
| Trading Member Code | Member Name | Client Code | Turnover – CM<br>(22/11/2013 to 25/06/2014) (in Rs.) | Turnover – FO<br>(22/11/2013 to 25/06/2014) (in Rs.) |
| 11221               | SSPL        | 14V50       | -                                                    | 14,71,59,292.50                                      |

- xxiii. Around 13 clients were introduced by Vijaya Bharathi to NBSPL in her capacity as an Authorised Person to the trading member and she had earned a commission/ share of brokerage of Rs.58.53 lacs during the period from November 4, 2011 to March 03, 2014.
- xxiv. From the bank statements of Vijaya Bharathi and other records such as the list of clients from whom money has been collected by Venkatesan and Vijaya Bharathi it is noted that there were both receipts and payments of money to several clients from her bank account and a few of such receipts/payments made are mentioned below:

**Axis Bank A/c No.: 911010067723281**

| Transaction date | Particulars           | Credit (Rs.) | Balance (Rs.) |
|------------------|-----------------------|--------------|---------------|
| 10/07/2013       | Kannan B              | 98,500       | 190719.81     |
| 30/08/2013       | Narayan Parthasarathy | 1,00,000     | 101979.61     |

**IDBI Bank A/c No.: 630104000111607**

| Transaction date | Chq No.               | Particulars   | Debit (Rs.) | Credit (Rs.) | Balance (Rs.) |
|------------------|-----------------------|---------------|-------------|--------------|---------------|
| 25/04/2014       | NEFT-N115140014310607 | Viswanathan   |             | 20,000       | 39,273.83     |
| 09/02/2012       | By Cash               | N. T. Suresh  |             | 25,000       |               |
| 14/08/2013       | 37273                 | S. Sivakumar  | 23,500      |              | 53,387.00     |
| 26/08/2013       | 37274                 | I. Manikantan | 50,000      |              | 3,307.00      |

xxv. Vijaya Bharathi had also accepted cash deposits in her various bank accounts as detailed below:

| S. No. | Bank Name & Account No.              | Name of the Account holder | Amount collected in Cash Rs. | Amount collected other than Cash Rs. | Total Rs. | Bank Statement provided & verified for the period |
|--------|--------------------------------------|----------------------------|------------------------------|--------------------------------------|-----------|---------------------------------------------------|
| 1.     | HDFC Bank<br>A/c No. 821050351339    | Vijaya Bharathi            | 1,36,000                     | 14,36,935                            | 15,72,935 | 01/07/2013 to 23/06/2014                          |
| 2.     | HDFC Bank<br>A/c No. 18642000000425  | Vijaya Bharathi            | -                            | 25,57,141                            | 25,57,141 | 01/07/2013 to 23/06/2014                          |
| 3.     | Axis & Bank<br>A/c No. 842402053     | Vijaya Bharathi            | 1,57,000                     | 32,19,863                            | 33,76,863 | 01/07/2013 to 25/06/2014                          |
| 4.     | IDBI Bank<br>A/c No. 630104000111607 | Vijaya Bharathi            | 6,67,700                     | 13,88,883                            | 20,56,583 | 16/02/2012 to 02/07/2014                          |

xxvi. The following cash receipts were made into the bank accounts of Vijaya Bharathi:

| IDBI bank A/c No.: 630104000111607 |              | HDFC Bank A/c No.: 821050351339 |              |
|------------------------------------|--------------|---------------------------------|--------------|
| Transaction date                   | Credit (Rs.) | Transaction date                | Credit (Rs.) |
| 13/03/2014                         | 2,25,000     | 27/11/2013                      | 40,000       |
| 04/06/2014                         | 3,00,000     | 06/01/2014                      | 16,000       |
| 27/05/2014                         | 50,000       | 02/05/2014                      | 33,000       |
| 31/05/2014                         | 50,000       | 04/06/2014                      | 25,000       |
| 21/06/2014                         | 1,25,000     |                                 |              |

**Axis Bank A/c no.: 911010067723281**

| Transaction date | Credit (Rs.) |
|------------------|--------------|
| 25/07/2013       | 50,000       |
| 20/05/2014       | 25,000       |

xxvii. From the bank statements of Vijaya Bharathi's Axis Bank account bearing number "911010067723281" with Customer Id- "842402053", it is noted that there were transfer of funds to Venkatesan's HDFC Bank Account bearing number "18642000000373" with Customer Id - "25318543". Thereafter, the funds were transferred to the accounts of investors with whom Venkatesan had private arrangement. Details of the flow of funds that have taken place from Venkatesan's different bank accounts to various investors account are as under:

**IDBI Bank A/c No.: 0630102000010797**

| Transaction date | Chq No. | Particulars      | Debit(Rs.) | Credit(Rs.) |
|------------------|---------|------------------|------------|-------------|
| 04/09/2013       |         | M. Geethalakshmi |            | 1,00,000    |
| 04/09/2013       | 337506  | V. Govindarajulu | 1,00,000   |             |
| 14/10/2013       | 337511  | B. G. Suresh     | 1,000      |             |

**City Union Bank A/c No.: CA – 172056**

| Transaction date | Chq No.      | Particulars     | Debit (Rs.) | Credit (Rs.) |
|------------------|--------------|-----------------|-------------|--------------|
| 15/05/2012       | NEFT         | K. Mahadevan    | 40,000      |              |
| 29/05/2012       | NEFT         | A. Hamed Nazeer | 25,000      |              |
| 21/06/2012       | NEFT         | C S Rithadhama  | 45,000      |              |
| 19/03/2013       | 1061         | Raja            | 7000        |              |
| 19/03/2013       | 1068         | Jayanthi        | 3500        |              |
| 31/03/2013       | 16374588:104 | Ganesh          |             | 2,00,000     |
| 15/04/2013       | 1030         | Sowrirajan      | 10,000      |              |

- xxviii. From the abovementioned facts, I find that Vijaya Bharathi has acted beyond her scope as an Authorised Person to NBSPL and had direct dealings with clients in securities transactions, settled such transactions through receipts and payments by herself. Further, I also note that while being registered as a client with SSPL she had ultimate client dealings and had actively connived with Venkatesan and his firm Sri Ganesh Stocks in their dealings with the clients/investors.

**Conclusion**

- xxix. From the above facts and circumstances, I find the following:
- Venkatesan, his firm Sri Ganesh Stocks and Vijaya Bharathi solicited and collected funds/deposits from their clients/investors for making investments without obtaining registration from SEBI as an intermediary and violated the provisions of Section 12(1) the SEBI Act, 1992 read with regulation 11(1) of the Brokers Regulations;
  - Venkatesan and Vijaya Bharathi entered into private agreements with the clients/investors in the nature of portfolio management schemes without obtaining registration as a portfolio manager as required in terms of section 12(1) of the SEBI Act read with regulation 3 of PMS Regulations;

- Vijaya Bharathi as an Authorised Person to NBSPL, directly dealt with the clients in buying and selling securities for them through her own account and settled the same by receipts and payments by herself thereby violated the conditions prescribed in terms of SEBI circular No. MIRSD/DR-1/Cir-16/09 dated November 06, 2009;
- Venkatesan, his firm Sri Ganesh Stocks and Vijaya Bharathi, by their acts have fraudulently solicited and induced investors to deal in securities and have violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act and Regulations 3 (b), (c), (d), 4(1) and 4(2)(k) of the PFUTP Regulations.

10. In this context, it would be relevant to refer to the following observations made by the Hon'ble Supreme Court of India in its judgment dated April 26, 2013, in the case of N. Narayanan v. Adjudicating Officer SEBI (Civil Appeal Nos. 4112-4113 of 2013).

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

11. SEBI has been entrusted with the important mandate of protecting the investors and safeguarding the integrity of the securities market. In this regard, necessary powers have been conferred upon it under the securities laws. It is, therefore, necessary that SEBI exercises these powers firmly and effectively to insulate the market and its investors from the fraudulent actions of any of the participants in the securities markets. A basic premise that underlines the integrity of securities market is that persons connected with securities market conform to standards of transparency, good governance and ethical behaviour prescribed in securities laws and do not resort to fraudulent activities. In view of the gravity of the violations perpetrated by the Noticees as brought out in the foregoing paragraphs, I am of the opinion that entities such as Mr. Venkatesan Chandran, and his firm Sri Ganesh Stocks and Shares and Ms. K. Vijaya Bharathi should not be



allowed to have access to the securities market in view of the possible danger to the investors at large.

12. In view of the above, I, therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11 (1), 11 (4) and 11B of the SEBI Act, do hereby pass the following directions:

- i. Mr. Venkatesan Chandran (PAN: AADPC7641J) and Ms. K. Vijaya Bharathi (PAN: ABZPV9915D) and their firm M/s Sri Ganesh Stocks and Shares are prohibited from mobilizing or pooling any fresh funds from their clients or members of public in whatever form;
- ii. Mr. Venkatesan Chandran (PAN: AADPC7641J) and Ms. K. Vijaya Bharathi (PAN: ABZPV9915D) shall refund the monies so collected from the investors in various schemes along with income, profits or returns promised to the investors under such schemes or interest at the rate of 10% per annum, whichever is higher, from the date of investment till the date of refund, within a period of **90 (ninety)** days from the date of this order and submit a repayment report to SEBI in the following format as certified by two independent Chartered Accountants who are in the panel of any public authority or public institution:

| S.<br>No. | Name of<br>Client /<br>Investor | PAN of<br>Client /<br>Investor | Address of<br>Client/<br>Investor | Refund Details                               |                     |                                              |        |
|-----------|---------------------------------|--------------------------------|-----------------------------------|----------------------------------------------|---------------------|----------------------------------------------|--------|
|           |                                 |                                |                                   | From                                         |                     | To                                           | Amount |
|           |                                 |                                |                                   | Cheque No./<br>Demand Draft/<br>NEFT details | Name of the<br>Bank | Cheque No./<br>Demand Draft/<br>NEFT details |        |
|           |                                 |                                |                                   |                                              |                     |                                              |        |

- iii. Mr. Venkatesan Chandran (PAN: AADPC7641J) and Ms. K. Vijaya Bharathi (PAN: ABZPV9915D) shall provide a full inventory of all their assets and properties and details of all their bank accounts, demat accounts and holdings of shares/securities.
- iv. Mr. Venkatesan Chandran (PAN: AADPC7641J) and Ms. K. Vijaya Bharathi (PAN: ABZPV9915D) and their firm M/s Sri Ganesh Stocks and Shares are directed not to access the securities market directly or indirectly, and are further restrained and prohibited from buying, selling or otherwise dealing in the securities market, directly

or indirectly for a period of **10 (ten) years** from the date of this Order.

- v. Mr. Venkatesan Chandran (PAN: AADPC7641J) and Ms. K. Vijaya Bharathi (PAN: ABZPV9915D) and their firm M/s Sri Ganesh Stocks and Shares are also restrained from associating with any intermediary registered with SEBI in any official capacity till the expiry of **10 (ten) years** from the date of this Order.

13. This order shall come into force with immediate effect. The stock exchanges and the depositories are directed to ensure that the above directions are strictly enforced.

**Place: Mumbai**  
**Date: August 22, 2017**

**S. RAMAN**  
**WHOLE TIME MEMBER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**