

**SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: SHRI. S RAMAN, WHOLE TIME MEMBER**

ORDER

Under Section 11(4), 11B and 11D of the Securities and Exchange Board of India Act, 1992 in respect of-

Serial No.	Name of the Noticees	PAN
1.	M/s Kassa Finvest Private Limited	AAACK1206B
2.	Mr. Ashok Kumar	AAFPK7362N
3.	Mr. Umashankar Sharan Shrivastav	AGKPS7923C
4.	Mrs. Anjana Kumar	AHOPK6281C
5.	Mr. Siddharth Shankar	AAMPS8754R
6.	Ms. Nitika Shankar	AADPB9990K
7.	Mr. Manoj Kumar Agrawal	AAKPA9123E
8.	M/s Kassa Holdings & Consultants Private Limited	AAACK1208R
9.	M/s Kassa Financial Advisors Private Limited	AAACR1298Q
10.	M/s Mystic Cures Pvt. Ltd.	AACCM9841L
11.	M/s Mille Roses Ltd, Malta	<i>Not Available</i>
12.	M/s Doyen Vyapaar Pvt. Ltd.	AAACD9469R
13.	M/s Guru Trading	AADPB9990K
14.	M/s GVC Capital	AADPB9990K
15.	M/s AARB Capital	AADPB9990K
16.	M/s G&G Impex	AADPB9990K
17.	M/s Durgamaya Advisors Pvt. Ltd.	<i>Not Available</i>
18.	M/s Primavalue Capital Advisors Pvt. Ltd.	AAFCP8202R
19.	Mr. Anil Kumar Dhawan	AGZPD4794P

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1. Securities and Exchange Board of India (“SEBI”), pending investigation, vide *ad interim exparte* Order dated March 19, 2015 restrained Kassa Finvest Private Limited (hereinafter referred as ‘**Kassa Finvest**’ - **Noticee No. 1**), its directors, *viz.* Mr. Ashok Kumar (**Noticee No. 2**), Dr. Umashankar Sharan Shrivastav (**Umashankar Shrivastav-Noticee No. 3**) and promoter Mrs. Anjana Kumar (**Noticee No. 4**) from accessing the securities market and further prohibited them from buying, selling or otherwise dealing in

securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, with immediate effect, till further directions. The said Noticees were also directed not to dispose of or alienate any assets, whether movable or immovable, or create any interest or charge in any such assets except with the prior permission of SEBI.

Brief Background:

2.1 Kassa Finvest is registered with SEBI as a stock broker in equity and derivative segment of National Stock Exchange Ltd. (NSE) (Registration number: INB230770236) and Bombay Stock Exchange Ltd. (BSE) (Registration number: INB010770239). The registered office of Kassa Finvest is at H-35/3, Ground Floor, Connaught Circus, New Delhi – 110001.

2.2 SEBI received several complaints against Kassa Finvest from their clients during 2014. The said complaints *inter alia* alleged as under:

- Non- receipt/delay in payment of funds and securities of clients from Kassa Finvest,
- Kassa Finvest had raised funds by way of illegally selling the securities of its clients/investors and such funds were purportedly used for meeting the operational expansion of Kassa Finvest and for the economic benefit of its group persons/ entities.

2.3 Details of the Promoters and Directors of Kassa Finvest are as under:

Sl. No.	Name	Designation	Period
1.	Mr. Ashok Kumar	Promoter	Till date
		Managing Director	29/11/2005 till date
2.	Dr. Uma Shankar Sharan Shrivastav	Director	05/07/1995 till date
3.	Mrs. Anjana Kumar	Promoter (51.56% shareholding)	Till date
		Director	05/07/1995 to 15/11/2003
4.	Mr. Siddharth Shankar	Director	12/07/1994 to 29/11/2005
5.	Mr. Ajay Singhal	Director	15/11/2003 to 31/07/2004
6.	Mr. Vijay Chandak	Director	15/11/2003 to 31/07/2004
7.	Mr. H. S. Negi	Director	29/11/2005 to 16/10/2009

2.4 The shareholding of Kassa Finvest (as submitted by Mr. Ashok Kumar, Managing Director of Kassa Finvest) is as under:

Sr. No.	Name	% of shareholding
1	Mrs. Anjana Kumar	51.56
2	M/s Mille Roses Ltd., Malta	26.00
3	M/s Doyen Vyapaar (P) Ltd.	12.44
4	Mr. Ashok Kumar	5.00
5	Dr. Umashankar Sharan Srivastava	5.00

2.5 In the light of the complaints filed by the clients of Kassa Finvest, SEBI sought details/information in respect of statement of transactions, financial ledgers, bank accounts, amount of securities sold and funds raised, etc. from Kassa Finvest and its Managing Director, Mr. Ashok Kumar. However, they have not submitted the complete information/details sought by SEBI till now.

Investigation by SEBI-

2.6 SEBI initiated investigation into the dealings of Kassa Finvest on February 23, 2015.

2.7 Pending investigation, SEBI vide *ad interim exparte* Order dated March 19, 2015 (the details of the said Order are mentioned at Paragraph No. 1 above) debarred Kassa Finvest from securities market for the alleged activities such as, illegal fund raising from the investors, flouting various provisions of SEBI Act, 1992/ SEBI Regulations/Circulars, etc., non-redressal of investor complaints, non-cooperation on the part of Kassa Finvest to provide complete information sought by SEBI, etc..

2.8 After taking into account the inspection reports in respect of Kassa Finvest forwarded by the stock exchanges (NSE and BSE), the statements given by some of the directors, promoters, employees, etc. of Kassa Finvest before the Investigating Authority, various bank account statements of Kassa Finvest, Financial Statements of Kassa Finvest, information provided by the Depositories (NSDL and CDSL), etc., the investigation concluded that:

- i. Kassa Finvest indulged in activities other than stock broking business such as collecting money from clients/investors, promising assured returns to clients/investors.

- ii. Kassa Finvest failed to segregate its own funds and clients' funds and misutilized funds/securities of their clients/investors, thereby siphoning off the funds/securities of their clients to their group persons/entities,
- iii. Kassa Finvest failed to comply with the requirement of periodical settlement of client accounts (*i.e.* failure to deliver the securities/make payment to the investors).
- iv. Non-redressal of grievances of investors within one month of the date of receipt of the complaint. Kassa Finvest neither followed the orders of IGRP nor opted for the next level of resolution, *i.e.* arbitration.
- v. Kassa Finvest also violated various provisions of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 including the Code of Conduct prescribed by the Regulations and SEBI Circulars prescribing Rights and Obligations of Stock Brokers.
- vi. The Promoters, Directors and employees of Kassa Finvest are liable for the acts of omission and commission of Kassa Finvest.
- vii. The group persons/entities of Kassa Finvest were alleged to have derived economic benefit out of the funds siphoned off by Kassa Finvest.

Show Cause Notice, Reply and Personal Hearing-

3.1 In view of the aforementioned findings of the investigation, SEBI issued a show cause notice (**SCN**) dated February 29, 2016 to Kassa Finvest, its directors/promoter, group persons/entities and its employees (hereinafter referred collectively as “**Noticees**”) to show cause as to why suitable directions under Sections 11, 11(4), 11(4)(d), 11B and 11D of the Securities and Exchange Board of India Act, 1992 (**SEBI Act**) should not be issued against them for the violation of various provisions of SEBI Act, Securities Contract (Regulations) Rules, 1957 (**SCRR**), SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market), Regulations, 2003 (**PFUTP Regulations**), SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (**Broker Regulations**), SEBI (Portfolio Managers) Regulations, 1993 (**Portfolio Managers Regulations**) and various clauses of the Circulars issued by SEBI in respect of the stock brokers. The following are the details of the Noticees:

Notice Nos.	Name of the Noticees	Designation
1.	M/s KassaFinvest Private Limited (Kassa)	Stock Broker
2.	Mr. Ashok Kumar	- Managing Director of Kassa Finvest - Holds 5% of Kassa Finvest. - He and Umashankar Sharan Shrivastav together hold 10%
3.	Mr. Umashankar Sharan Shrivastav (Umashankar Shrivastav)	- Director of Kassa Finvest. - Holds 5% of Kassa Finvest - Umashankar Shrivastav and Ashok Kumar together hold 10% shares in Kassa Finvest.
4.	Mrs. Anjana Kumar	Promoter of Kassa Finvest, Ex-director of Kassa (1995 to 2003) and Wife of Ashok Kumar (M.D. of Kassa Finvest).
5.	Mr. Siddharth Shankar	Ex- Director of Kassa Finvest (1995-2005) and son of Ashok Kumar (M.D. of Kassa Finvest). He was also a director of Kassa Holdings (1990-2013) and Kassa Financials (1990-2013).
6.	Ms. Nitika Shankar	Wife of Siddharth Shankar and director of group companies of the Kassa Finvest.
7.	Mr. Manoj Kumar Agrawal (Manoj Agrawal)	Manoj Agrawal is the CFO and Compliance Head of Kassa Finvest.
8.	M/s Kassa Holdings & Consultants Private Limited (Kassa Holdings)	Associate company of Kassa Finvest owned by Ashok Kumar. (Siddharth Shankar was a director 1990-2013)
9.	M/s Kassa Financial Advisors Private Limited (Kassa Financials)	Associate Company of Kassa Finvest. (Siddharth Shankar was a director (1990-2013).
10.	M/s Mystic Cures Pvt. Ltd. (Mystic Cures)	Client of Kassa Finvest and Ashok Kumar was the director of both Kassa Finvest and Mystic Cures. Ashok Kumar was also handling the trading accounts of Mystic Cures.
11.	M/s Mille Roses Ltd, Malta (Mille Rose)	Holds 26% of Kassa Finvest.
12.	M/s Doyen Vyapaar Pvt. Ltd. (Doyen Vyapaar)	Holds 12.44% of Kassa Finvest.
13.	M/s Guru Trading (Guru Trading)	These were companies in the name of Nitika Shankar (Siddharth Shankar's wife) and were managed by her father –in law (Ashok Kumar).
14.	M/s GVC Capital (GVC Capital)	
15.	M/s AARB Capital (AARB Capital)	
16.	M/s G&G Impex (G&G Impex)	

17.	M/s Durgamaya Advisors Pvt. Ltd. (Durgamaya Advisors)	These were the companies of Ashok Kumar and he used to trade for these companies.
18.	M/s Primavalue Capital Advisors Pvt. Ltd. (Primavalue Capital)	
19.	Mr. Anil Kumar Dhawan (Anil Dhawan)	VP (Operations) and looked after work related to business development of Kassa Finvest

3.2 Thereafter, two of the Noticees, *viz.* Anil Dhawan (Noticee No. 19) and Manoj Agrawal (Noticee No.7) replied vide letters dated March 28, 2016 and April 4, 2016 respectively to the allegations levelled against them in the SCN. The Noticees *viz.* Anjana Kumar (Noticee No.4), Siddharth Shankar (Noticee No.5) and Nitika Shankar (Noticee No.6) vide separate letters dated March 15, 2016 *inter alia* stated that they did not receive the CDs containing the Annexures to the SCN. In response, SEBI vide letter dated June 30, 2016, (which was delivered by affixture), advised the aforesaid Noticees to collect the SCNs and the Annexures from the Northern Regional Office (NRO) of SEBI. However, none of the Noticees came to collect the SCN and the annexures from NRO, as advised.

3.3 Thereafter, opportunities of personal hearings were granted to the Noticees before me on September 20, 2016 and February 14, 2017. However, five of the Noticees, *viz.* Umashankar Shrivastav (Noticee No. 3), Anjana Kumar (Noticee No.4), Siddharth Shankar (Noticee No.5), Nitika Shankar (Noticee No.6) and Manoj Agrawal (Noticee No. 7) sought adjournment. Thereafter, another opportunity of personal hearing was given on April 18, 2017 to all the Noticees. On the said date, Manoj Agrawal (Noticee No. 7) appeared in person and made submissions before me. The Noticees, *viz.* Umashankar Shrivastav (Noticee No. 3), Anjana Kumar (Noticee No.4), Siddharth Shankar (Noticee No.5) and Nitika Shankar (Noticee No.6) again sought adjournment. Accordingly, another opportunity of hearing was granted to them on June 13, 2017. On the said date, Umashankar Shrivastav (Noticee No. 3) appeared in person and made submissions before me. Mr. P.N. Mehta, Advocate and Mr. Neerav Merchant, Advocate made submissions before me on behalf of other Noticees, *viz.* Anjana Kumar (Noticee No.4), Siddharth Shankar (Noticee No.5) and Nitika Shankar (Noticee No.6). The Noticees were also given time till June 21, 2017 to file their written submissions in the matter.

3.4 Thereafter, Anjana Kumar, Siddharth Shankar and Nitika Shankar filed their written submissions vide letters dated June 21, 2017 and Umashankar Shrivastav filed his written submissions vide e-mail dated June 30, 2017.

3.5 The details of the Replies filed by the aforesaid Noticees *viz.* Manoj Agrawal, Anil Dhawan, Anjana Kumar, Siddharth Shankar, Nitika Shankar and Umashankar Shrivastav are as under:

A. Manoj Agrawal (Noticee No. 7)-

- *"I joined Kassa Finvest Pvt Ltd as Vice President (Finance) on 29th June 2007 on a consolidated monthly salary of Rs.40,000/- (Rupees Forty thousand only). The relevant offer letter is annexed as Exhibit no.I (page no 3)*
- *My duties as Vice President (Finance) were mainly of maintenance & finalization of company accounts and then get them audited. However I was also given allied duties such as coordination with branches, coordination with consultants on taxation matters etc. The allied duties actually were performed by old senior staff working in the company for a long time, supervised by HODs, who were also reporting to MD of Kassa Finvest Pvt Ltd*
- *As the company started defaulting frequently in the payment of salary during 2014, I could not continue with the job and I resigned from Kassa on 11th November 2014. A copy of relevant mail in support of the same is annexed as Exhibit no. III (page no.10)"*

B. Anil Dhawan (Noticee No. 19)-

- *"My role as Vice President (Business Development) was limited to procuring of new business for the company.*
- *I was not looking after day to day compliance of various laws of the land. For compliances of various laws of land, there was a separate Legal & Compliance Department of the company headed by Mr. Ajay Narayan Jha and Mr. Manoj Kumar Agrawal, respectively.*
- *Clients have voluntarily participated into the various schemes and proposal of the company and given their funds/ securities*
- *As a man of ordinary Prudence, I presumed that compliance of laws of the land with respect to various operations of the company has been taken care of by the legal & Compliance Department and promoters of the company.*
- *Funds were siphoned off by Mr. Ashok Kumar Managing Director of the company and other promoters of the company. I was neither party to such default nor I was beneficiary in any manner whatsoever."*

C. Mrs. Anjana Kumar (Noticee No. 4)-

- *"The Noticee is a housewife who contributed to shares to start a company 23 years ago. Her husband, Mr. Ashok Kumar, looked after / was involved with the management and business / operational affairs of the company Kassa throughout, right from incorporation.*
- *In the span of the last 23 years, Noticees has visited the office of the company on only about 5-6 occasions and never for any business or managerial reasons.*
- *Noticee never participated in any of the said company's operations/ activities or interacted with the executives of the company and accordingly is incorrectly arraigned.*
- *A shareholding cannot be held responsible for the operations of the company. The only way a shareholder can come to know of any wrong doing is from the Auditors Report. The statutory auditor reports that are addressed to the shareholder,*

none of the reports show any qualification / any wrong doing by the said company based on which a shareholder would be required to take any action.

- *Mere proximity of a person to one Director of the company does not imply that the shareholder is privy to the information of operations of a company.*
- *The SEBI has incorrectly concentrated on the fact that the present Noticee is a 51% shareholder (approximately) of Kassa Finvest Pvt. Ltd. The Noticee submits that in view of the Noticee not being in management, or being a key managerial person or being in control of or aware of day-to-day operations of the company, she cannot be construed to be a promoter and so a person responsible for working of the company, long after she resigned as a non functional Director, merely on the basis of her shareholding.*
- *In case of violations by companies, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence. The Noticee was not in-charge of or person responsible for the affairs of the company. She was not an employee of the company.*
- *SEBI not alleged anywhere in the complaint that the noticee was in-charge or responsible for the conduct of the company.*
- *The Noticee has not derived any financial benefit from the said company. SCN does not allege any receipt by the Noticee by way of salary, dividend etc. nor did the notice ever received any such monetary benefit from the company. This further proved that the Noticee had no involvement in any operations or actions of the company.”*

D. Mr. Siddharth Shankar (Noticee No.5)-

- *“Auditors Reports that defines the key management personnel does not mention the Noticee.*
- *The Noticee had nothing to do with the operations of the said Company and hence cannot be called an intermediary and thus the SCN needs to be withdrawn and the proceedings need to be dropped.*
- *The payments to the Noticee in the SCN are based on banking credits/ debts over a period of 7 years without ascertaining or evaluating any surrounding circumstances/ reasons for the transactions. If SEBI is only considering debit/ credit entries in the bank accounts then a large number of entities like vendors, service providers, clients who sold shares or made profit will appear to have received money from the said company. They have not been identified and/ or arraigned by SEBI.*
- *The notice was appointed as a [branding/ marketing] consultant in the normal course of business of the said Company.*
- *It is pertinent to mention that data from some other government sources reveals that the said company had other consultants also in the range of Rs.12,00,000.00 per year. Senior executives of the company were paid up to Rs.45 lacs/year +perks. It is pertinent to mention that the Noticee was paid a fee which is about 50% of the payments the said Company made to other consultants and only about 10% of the payments it made to senior executives of the said company.*
- *All receipts of funds by the Noticee are towards legitimate and legal professional services provided on which all necessary taxes like TDS were paid by the said Company. The Noticee has received a sum of Rs.54.98 lacs in a span of 7 years i.e. from April 2008 to March 2015 towards its professional fee and reimbursement (TDS of Rs.6.08 lac was deposited by the company). Nothing was received as consultancy fee after March 2013.*
- *The Noticee provided brand exposure during premier national and international economic events like RBI Policy, IIP Numbers, Inflation data, GDP and other economic data. Branch coverage was provided in top Indian and international media like Money-control, Business Today, ET Now, Gulf news etc.*

- *Apart from the professional consultant's fee received by the Noticee from the said company, the Noticee had taken a loan on interest from the said Company to meet his personal obligations, as is done in the regular course of any business. It is pertinent to mention that on request of the said Company for refund of funds, the Noticee went to the extent of pledging his personal property to discharge this obligation. The Noticee settled the entire loan of the company with a span of 15 days by settling with a creditor of Kassa on Feb 2, 2015 for Rs.1.43 cr, and paying back the balance in tranches on Rs.10 lac on Feb 13, 2015; Rs. 10 lacs on Feb 14, 2015 and Rs 10 lac on Feb 16, 2015. The Noticee cleared/settled the entire outstanding loan and nothing is due to be paid, rather now a sum of Rs.1.13 lac is receivable by the Noticee from the company. The settlements arrived by the Noticee to discharge the said obligation have been ignored by the SEBI completely. Instead, they need to be taken into account and in fact highlight the Noticee's position that all that had been borrowed from the said company stands repaid in its books.*
- *Noticee had resigned from Kassa Holding and Consultants (P) Ltd on 25.03.2013 and from Kassa Financial Advisors Pvt Ltd. on 13.03.2013. Copies of the letter of resignation are annexed hereto and marked as Annexures 33 & 34 respectively.*
- *From the facts as stated hereinabove, it is evident that the Noticee and his family are a victim of the conduct of some parties (lenders/investors) together with executives of the said company.*
- *At the time of making the statement to SEBI on 14.04.2015, it would be relevant to point out that the father of the Noticee, Mr. Ashok Kumar was arrested, only a day prior i.e. 13.04.2015. Hence, the Noticee, Mr. Siddharth Shankar, therefore, at the time of making such statement was evidently not in a fit and composed state of mind to provide all answers to questions put to him."*

E. Nitika Shankar (Noticee No. 6)–

- *"Noticee is a housewife and she has never bought/sold any shares ever herself. She does not understand trading or ever traded in stock market herself. Her father-in-law Shri Ashok Kumar had opened account in her name in Kassa and he used to trade in those accounts. She has never visited Kassa's office nor interacted with any of the Kassa executives. The Noticee had/ has no knowledge of the working of the said company.*
- *No case is made out against her and accordingly she is incorrectly arraigned.*
- *To ascertain any wrong doing it is necessary to ascertain if the company has committed the offence. Since the investigation against the Company is incomplete, the present Show Cause Notice is not maintainable as it is premature and thus vitiates the principles of natural justice. Piecemeal arraignmet of people pending thorough and complete inquiry/ investigations is clearly discriminatory.*
- *It is crystal clear that the Noticee had neither 1) Executive 2) Financial 3) Operational nor 4) Administrative Control over the said Company.*
- *The persons, who were in Executive, Financial, Operational and Administrative Control of the company are well qualified professionals like chartered accountants, ex members of stock exchanges etc. and with multiple years of experience in stock markets. Some of them also had experience of working in overseas markets;*
- *Mere proximity of a person to one Director of the company does not imply that the Noticee is privy to the information of operations of a company.*
- *SEBI has nowhere averred that the Noticee was a part of operations of the company.*
- *In case of violations by companies, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to*

be guilty of the offence. The Noticee was not in-charge of or person responsible for the affairs of the company. She was not an employee of the company.

- *SEBI has not alleged anywhere in the complaint that the Noticee was in-charge or responsible for the conduct of the company.*
- *It is crystal clear that the Noticee had nothing to do with the operations of the said Company. Fair investigation would demand that the persons responsible for operation of the company be held liable and made accused in all forum by SEBI, unfortunately SEBI's investigation against the Noticee and her family is discriminatory and in addition great prejudice has been caused to the Noticee.*
- *If transfer of money was the criterion then all the entities like traders, vendors, service providers to whom payment have been made should have been made accused.*
- *The amount of payments by the Noticee to the said company that SEBI report is reflecting is incorrect. SEBI investigation has missed out two payments of Rs.4,50,000 dated 05.09.2011 and Rs.5,00,000 dated Sep 6, 2014. Hereto annexed and marked as Annexures 1 and 2 respectively are the Bank Statements. This lapse clearly shows the misguided investigation done by SEBI. After accounting for the said payments made by the Noticee, the net payable amount in her account comes to Rs.52,72,000. This amount due from the Noticee is less than offset by the credit available in the account of her proprietary firm ARB Capital. Hereto annexed and marked as Annexure 3 is the balance confirmation letter of ARB as received from Kassa Finvest that shows an amount of Rs.56,68,298.93 as payable to the Noticee. If we account for entries upto March 2015, amount payable to ARB is Rs.58,68,298.93.*
- *Hence the averment by SEBI is incorrect. The balance amount due from Noticee is nil."*

F. Umashankar Shrivastav (Noticee No. 3)-

- *"Since 2004 till date I am in educational field of College education – higher study, Research works and academic services as a Principal of University affiliated Colleges. Since 2012 onward I am in Rajasthan based University Constituents College as Principal. Presently I am in MDS University, Ajmer affiliated College nearby Jodhpur/Jaipur route in Rajasthan and salary is my earning sources. No association with KASSA promoters/ KPOs or their activities.*
- *Since day of association till disassociation or even before or thereafter, no interaction with anyone or any involvement in company business affairs, company proceedings, or participating in any company business meetings - AGM, BODs or signed in minutes books or knowing any business decision or such kinds of company legal/illegal business affairs – information. Never met any clients or KASSA diversified business outlets, or investors meetings, directly – indirectly commitments, obligations etc official or un official.*
- *No monetary/ financial gain or benefits or holding (as stated 5%) in my name or in my account or signatory in regulatory bodies – SEBI, ROC, Banks, Contract notes, or seen any company documents – seal*
- *I never being taken a single share or as such % of holding or in my account or stock, trading, or company assets or part thereof or such transaction to anywhere and any authorities I was a simple employee with salary of Rs. 5000, that company forced me to leave due to my unawareness about the stock market, terminal trading or having neither computer knowledge while other were enjoyed with high perks and package. It is a matter of surprise for me honestly as the promoters are pulling my name..... No anywhere name is being seen or involved.*
- *Non receipt/delay payments/securities complaints by clients across the India, illegal selling securities, funds used for office operational expenses or expansion across the country, I never know these facts as I remain disassociated as stated..... No idea about the promised assured return in lieu of funds by brokers.*

- *My loyalty, faith or trust to employer whatsoever, Kassa and KPOS misused my signature or name as a Director that all my documents were in company's custody since day of joining and they may have used it wrongfully in hidden ways*
- *I left the KASSA and do not have any information of their business diversification, money transfers, pooling investor's funds, used to meet out the salary to appointed highly paid KPOS CA, CFO, CS, Presidents etc. or office expenses , etc.....*
- *I am completely unaware about such matters – floated by companies like loan advances by giving high value cheques on high return- 27% I never open the demat account nor any share purchase or have single stock or signed on documents or seen any books of accounts, files of company, or appointed KPOS, background etc*
- *That I was monthly paid employee with salary Rs 5000 and not a Director.*
- *..... as stated, on his verbal commitment I left in 2000 and no further association with Kassa.*
- *My all records are in company office and they may have utilize for their benefits.*
- *Kassa is a one man company handled by the family head of promoters Mr. Ashok Kumar. flow of funds, transferring, magnifying the balance sheet, violations and such acts by him or family members were for the benefit of son, Daughter in law, cousin Mr, Pawan Goel, Mr. Vivek Aggarwal, Mr. Manoj Aggarwal, Mr. Dhawan*

G. Common Submissions of Anjana Kumar (Noticee No.4), Nitika Shankar (Noticee No.5) and Siddharth Shankar (Noticee No. 6)-

- *“SEBI has not considered the following data, which has been obtained from other agencies. This data discloses the amount of loans to Kassa by certain persons and their family / firms/ companies. Their names inter alia are as follows:(this list is not exhaustive and lists out names of some, amongst others, of the individuals / entities who loans funds to the said company)*

<i>Amish Aggarwals*</i>		<i>20.00 Cr</i>
<i>Lobhtias'</i>		<i>22.44 Cr</i>
<i>Ajay Gupta+</i>		<i>6.53 Cr</i>
<i>Qasbas'</i>		<i>5.74 Cr</i>
<i>Manoj Mittal</i>		<i>2.75 Cr</i>
<i>Ajay Singh</i>		<i>2.10 Cr</i>
<i>Ramnik Gupta+</i>		<i>2.06 Cr</i>
<i>Ravi Prakash</i>		<i>1.72 Cr</i>
<i>Arun Chandra</i>		<i>1.08 Cr</i>
<i>Fareed Ahmed</i>		<i>1.02 Cr</i>

- *From a mere perusal of the figures, it is apparent that such persons/ entities (amongst others) have lent the above sum to the said company as loans at fixed rates of return in collusion with executives in charge of operations of the said company. The investigation has failed to appreciate this aspect of the affairs of the company and consequently it has been ignored by the SEBI and the SEBI has proceeded to arraign the Noticee.*
- *Further, it is evident from the data available with other government agencies that four informed people have loaned a total sum of Rs.55 crores (approximately) to the said company despite it having a paid-up share capital of Rs.1.68*

crores only. This fact *ex-facie* suggests that the management and executives in charge of operations would have been involved in initiating / executing such transactions / operations with the people named in the table above.

- From the perusal of the statements recorded by the SEBI and provided to the Noticee, it is clear that these lenders would be receiving returns as high as Rs.10 Cr to 15 Cr per year from the said Company, which shows that this company was abused as a vehicle by so called 'investors ' to enrich themselves personally. Some of these were operating since 2009.
- The SEBI and the officer conducting the investigation cannot consider such persons who have heavily invested in the said company to be ignorant investors. The investigating officer, very conveniently with questionable intentions has totally ignored this striking fact and misdirected the investigation against the Noticee, who was nothing more than a shareholder of the said company without pursuing or even investigating funds that have flowed to these lenders as returns. The investigating agency has incorrectly arraigned the Noticee solely on the basis of her shareholding. It is evident that it was these investors who were enjoying financial returns and benefits amounting to approximately Rs.10-15 cr/years.
- Sections 3(a), 3(c) and 3(d) relate to "dealing in securities" by any person as a principal, agent or an intermediary.
- From the reading of the above Sections 3(a), 3(c) and 3(d), it is clear that Sections 3(a), 3(c) and 3(d) relate to persons "dealing in securities" by any person as a principal, agent or an intermediary. The Noticees are neither of the three categories. The Noticees never bought/sold any kind of security. The Noticees had always disclosed the transactions with the said company. The Noticees deny being part of any scheme or of any act, practice and course of business which is fraudulent in any manner in connection with dealing in securities. The SCN at no place in the entire document has averred of any dealing or issue in securities by the Noticees.
- SCN nowhere mentions of any dealing, buying or selling or trading in securities by the noticees, hence, Sec [Regulation] 4(1) does not apply. The plain reading of Sec [Regulation] 4(2) (m) clearly shows that these sections relate to an intermediary and the Noticees are not an intermediaries.
- SEBI has illegally instituted three parallel proceedings for exactly the same offence and thereafter be punished for the same offence thrice."

Consideration of Issues and Findings-

4. I have considered the material available on record such as Investigation Report, SCN issued to the Noticees, their replies to the SCN along with the additional submissions (both written and oral) made during and subsequent to the personal hearings before me. In light of the same, I shall now proceed to deal with the issues that arise for consideration.

5.1 The issues that arise for consideration in the instant case are:

- i. Whether Kassa Finvest has carried out activities other than stock broking business such as providing assured returns to clients/investors thereby violating provisions of SCRR, SEBI Act and PFUTP Regulations?
- ii. Whether Kassa Finvest as a stock broker was carrying out portfolio management scheme (PMS) thereby violating provisions of SEBI Act read with Portfolio Managers Regulations?

- iii. *Whether Kassa Finvest has violated various provisions of SEBI Broker Regulations including Code of Conduct prescribed under the said regulations and various clauses of circulars issued by SEBI in respect of the stock brokers and misutilized and siphoned off clients' funds/ securities?*
- iv. *Whether Kassa Finvest and its related/ group/ associate persons/entities viz. Siddharth Shankar, Nitika Shankar, Kassa Holdings Kassa Financial, Mystic Cures, Mille Roses, Doyen Vyapaar, Guru Trading, GVC Capital, AARB Capital, G&G Impex, Durgamaya Advisors and PrimaValue Capital are beneficiaries/ recipients of funds/ shares (of clients' of Kassa Finvest) which were fraudulently siphoned off from the business account and clients' account of Kassa Finvest including funds raised by pledging of mutual fund units of the clients, thereby violating the provisions of PFUTP Regulations?*
- v. *Whether the directors/promoters of Kassa Finvest viz. Ashok Kumar, Umashankar Shrivastav and Anjana Kumar are liable of the aforesaid acts and omissions committed by Kassa Finvest and whether the Compliance Officer, Manoj Agrawal and Vice President (Operations), Anil Dhawan were fully aware of the fixed/ assured return scheme of Kassa Finvest and failed to perform their duties and hence liable for the violation of the provisions of PFUTP Regulations?*

5.2 *Whether Kassa Finvest has carried out activities other than stock broking business such as providing assured returns to clients/investors thereby violating provisions of SCRR, SEBI Act and PFUTP Regulations?*

- i. The SCN alleges that Kassa Finvest was involved in the activities other than stock broking business such as providing assured returns to clients/investors thereby violating Rule 8(f) of the SCRR, Section 12A (b) and (c) of the SEBI Act and Regulation 3(a), (c) and (d), Regulation 4(1) and 4(2)(m) of PFUTP Regulations.
- ii. Before I proceed to deal with the issue, the relevant legal provisions, the contravention of which have been alleged in this case are reproduced hereunder,

SCRR

Rule 8-

Qualifications for membership of a recognized stock exchange.

8. The rules relating to admission of members of a stock exchange seeking recognition shall inter alia provide that:

No person shall be eligible to be elected as a member if—

(f) he is engaged as principal or employee in any business other than that of securities except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business:

SEBI Act-

Regulation 12A-

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

12A. No person shall directly or indirectly –

(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;

PFUTP Regulations-

Regulation 3-

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b)

(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.

Regulation 4-

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:—

(a)(l)

(m) an intermediary not disclosing to his client transactions entered into on his behalf including taking an option position.

- iii. Kassa Finvest issued letters to clients/investors promising fixed/assured returns in lieu of shares and/or funds. From one of the sample letter(s) issued by Kassa Finvest, following are observed:

“in case the profits in your account are insufficient to the tune of 27% per annum (2.25% per month), then Kassa Finvest Pvt. Ltd. will pay as loyalty bonus to the tune of minimum 2.25% per month of the capital lying with Kassa Finvest Pvt. Ltd.”

Kassa office will execute trades on your behalf and you won't execute any trade yourself (Using Odin Diet)....”

- iv. As per the said letter, Kassa Finvest will execute trades on behalf of the clients and the margin money can be used for trading in any segment/ exchange. The aforementioned clause in the letter issued by Kassa Finvest to their clients were not only limited to securities market/ share trading but was also extended to commodities business undertaken by its associate/group company, viz., Kassa Holdings. It is further observed that payments towards interest (assured/ fixed return) were made to clients/investors through cheques as per the pre-agreed terms of interest payment (monthly/ quarterly etc). This clearly indicates that Kassa Finvest had never disclosed to his clients, the transactions entered on their behalf.
- v. From the analysis of the bank account statements, it is observed that fixed amounts were being paid by Kassa Finvest from its business/client bank accounts to some of the clients' account on regular basis (mainly monthly or quarterly). The details of the payments made by Kassa Finvest to assured/fixed return clients, (as observed from the SCN) are as under:

Client Name	Bank Account of the Broker	2011	2012	2013	2014	2015	Grand Total
Abhas Khandelwal	Kassa Finvest HDFC Business AC - 03132740000012	75,75,200	4,53,600	3,15,000	1,26,000	1,00,00,000	1,84,69,800
Abhishek Lohtia	Kassa Finvest HDFC Business AC - 03132740000012		96,738	2,49,123	63,754		4,09,615
Ajay Singh	Kassa Finvest HDFC Business AC - 03132740000012			2,70,922	5,39,119		8,10,041

Akanksha Lohtia	Kassa Finvest HDFC Business AC - 03132740000012		3,79,559	7,83,276	28,950		11,91,785
Anil Kumar Sarje	Kassa Finvest HDFC Business AC - 03132740000012			26,357	71,698		98,055
Anima Akhouri	Kassa Finvest HDFC Business AC - 03132740000012			2,18,266			2,18,266
Anuradha Lohtia	Kassa Finvest HDFC Business AC - 03132740000012	1,13,493	10,48,281	5,68,271			17,30,045
Ashvini Puri	Kassa Finvest HDFC Client Bank 00030340019675				11,799		11,799
Atul Chandra	Kassa Finvest HDFC Business AC - 03132740000012	92,000	43,833	57,078	48,600		2,41,511
Devinder Nath Lohtia	Kassa Finvest HDFC BUSINESS AC - 03132740000012	1,36,503	10,18,011	5,19,411			16,73,925
Dwarka Nath Lohtia	Kassa Finvest HDFC Business AC - 03132740000012	1,05,171	6,41,839	5,25,236			12,72,246
Fareed Ahmad	Kassa Finvest HDFC Client Bank 00030340019675			28,95,000	3,43,468		32,38,468
Gurvinder Singh	Kassa Finvest HDFC Business AC - 03132740000012		17,985	40,688	31,231		89,904
Hira Jain	Kassa Finvest HDFC Business AC - 03132740000012			67,812	3,45,747		4,13,559
Javed Ahmad	Kassa Finvest HDFC Business AC - 03132740000012		13,742	34,497	2,15,076		2,63,315
Kabir Oberoi	Kassa Finvest HDFC Business AC - 03132740000012			4,04,625	6,90,816	1,65,845	12,61,286

Kedar Prasad Sinha	Kassa Finvest HDFC Business AC - 03132740000012		1,21,089	13,14,577	3,98,557	20,250	18,54,473
Kumar Tripurari Sinha	Kassa Finvest HDFC Client Bank 00030340019675		1,06,226	2,89,000	3,12,800		7,08,026
Kusum Lata	Kassa Finvest HDFC Business AC - 03132740000012			60,376	2,96,130		3,56,506
Mohammad Ali Zafar	Kassa Finvest HDFC Business AC - 03132740000012		59,400	1,72,227	1,89,000		4,20,627
Natasha Oberoi	Kassa Finvest HDFC Business AC - 03132740000012		27,000	1,95,000	3,66,000	66,000	6,54,000
Naveen Jain	Kassa Finvest HDFC Business AC - 03132740000012				22,500	9,000	31,500
Neerja Ladha	Kassa Finvest HDFC Client Bank 00030340019675	3,64,682	7,150	3,30,542	1,61,500		13,47,874
Padma Sharma	Kassa Finvest HDFC BUSINESS AC - 03132740000012		50,062	70,600	89,314		2,09,976
Poonam Agarwal	Kassa Finvest HDFC CLIENT BANK 00030340019675	32,513	2,34,146	2,10,000	2,29,763		12,22,337
Prashant Bajaj	Kassa Finvest HDFC BUSINESS AC - 03132740000012		1,23,044	1,63,545	1,62,307		4,48,896
Ram Bilas Agarwal	Kassa Finvest HDFC Business AC - 03132740000012			1,23,101	88,884		2,11,985
Ramesh Chandra Gupta	Kassa Finvest HDFC Business AC - 03132740000012			66,454	59,654		1,26,108
Sangeeta Singh	Kassa Finvest HDFC Business AC - 03132740000012		1,18,333	2,32,003	3,05,009		6,55,345

Saroj Devi Agarwal	Kassa Finvest HDFC BUSINESS AC - 03132740000012			1,42,832	94,407		2,37,239
Satya Finvest Co.,	Kassa Finvest HDFC Business AC - 03132740000012				1,55,388		1,55,388
SRG Equity Investment	Kassa Finvest HDFC Business AC - 03132740000012			1,24,643	48,908		1,73,551
Subhash Babu Gupta	Kassa Finvest HDFC Business AC - 03132740000012		13,677	31,295	34,490		79,462
Subhash Chand Jain	Kassa Finvest HDFC Business AC - 03132740000012	1,62,000	2,70,000	4,27,500	2,70,000		11,29,500
Subroto Kumar Chatt	Kassa Finvest HDFC BUSINESS AC - 03132740000012				1,48,977		1,48,977
Sunita Jain	Kassa Finvest HDFC Business AC - 03132740000012	40,500	67,500	73,125	67,500		2,48,625
Sushant Lohtia	Kassa Finvest HDFC Business AC - 03132740000012	1,48,251	9,07,591	4,01,618	68,439		15,25,899
Vijay Khetawat	Kassa Finvest HDFC Client Bank 00030340019675	18,79,860	3,94,158	2,16,386	26,51,300		68,62,237
Vikram Garg	Kassa Finvest HDFC Business AC - 03132740000012				2,60,620		2,60,620
Grand Total		1,06,50,173	62,12,965	1,16,20,386	89,97,705	1,02,61,095	5,04,62,771

- vi. From the above, it is evident that Kassa Finvest was carrying out a business other than stock broking and was providing assured returns to clients/investors on their investments.
- vii. Manoj Agrawal, the Compliance Officer of Kassa Finvest, and Anil Dhawan, Vice President (Operations) of Kassa Finvest, during their statements recorded during the course of investigation by SEBI admitted that Kassa Finvest took loans from clients in lieu of fixed returns. They further stated that the loans were

taken in the form of shares or funds. In case of shares, the interest paid varied from 9%-13% whereas in the case of funds, the interest was 18-27%. (The statements given by them have been mentioned in the SCN at Page Nos. 5 and 6 of the SCN).

- viii. Rule 8 of SCRR deals with the qualifications for members of a recognized stock exchange. Sub-rule (f) of Rule 8 of SCRR, states that no person is eligible to be elected as a member if he is engaged in any business other than that of securities except as a broker or agent not involving any personal financial liability.

The facts and circumstances mentioned above, clearly indicates that Kassa Finvest (member of NSE and BSE) has indulged in business activities other than broking such as providing assured returns to clients/investors, thereby violating the provisions of Rule 8(f) of SCRR.

- ix. As per Regulation 4(1) and (2) (m) of the PFUTP Regulations, dealing in securities shall be deemed to be fraudulent or an unfair trade practices, if an intermediary does not disclose to his clients transactions entered on their behalf. In the instant case, the clients invest their funds with Kassa Finvest, who in turn provides assured returns to the clients. The clients are kept in dark as to the manner in which their funds were utilized by Kassa Finvest. Further, Section 12 A (b) and (c) of the SEBI Act and Regulation 3 (a), (c) and (d) of the PFUTP Regulations states that no person shall directly or indirectly buy, sell or deal in securities in a fraudulent manner or to employ any device, scheme or artifice to defraud in connection with issue or dealing in securities. In the instant case, Kassa Finvest by not disclosing to the clients, the transactions entered on their behalf has committed fraud to the investors thereby violating Section 12A (b) and (c) of the SEBI Act read with Regulation 3(a), (c) and (d) and Regulation 4(1) and 4(2)(m) of PFUTP Regulations.

5.3 *Whether Kassa Finvest as a stock broker was carrying out portfolio management scheme (PMS) thereby violating provisions of SEBI Act read with Portfolio Managers Regulations?*

- i. The SCN alleges that the trades were executed, only by Kassa Finvest on behalf of their clients, which was akin to running (discretionary) portfolio management scheme (**PMS**), thereby violating the provisions of Section 12(1) of the SEBI Act read with Regulation 3 of the Portfolio Managers Regulations.
- ii. Before I proceed to deal with the issue, the relevant legal provisions, the contravention of which have been alleged in this case are reproduced hereunder,

SEBI Act

Section 12-

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:

Portfolio Managers Regulations-

Regulation 3-

3. Registration as portfolio manager

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

- iii. A “*portfolio manager*” means any person who pursuant to contract or arrangement with a client, undertakes on behalf of the client the management or administration of a portfolio of securities or funds of the clients. In the instant case, I note that the trades on behalf of clients were executed only by Kassa Finvest. As stated earlier, Kassa Finvest issued letters to clients/investors promising fixed/assured returns in lieu of shares and/or funds. The sample letter issued by Kassa Finvest to the clients states: “*Kassa office will execute trades on your behalf and you won’t execute any trade yourself.....*”. As per the said letter, only Kassa Finvest will execute trades on behalf of the clients and the margin money can be used for trading in any segment/exchange. It is further observed that payments towards interest (assured/ fixed return) were made to clients/investors through cheques as per the pre-agreed terms of interest payment (monthly/ quarterly etc). This clearly indicates that Kassa Finvest had never disclosed to his clients, the transactions entered on their behalf. These activities of Kassa Finvest was in the nature of a “*Portfolio Manager*”.
- iv. As per Section 12 (1) of the SEBI Act read with Regulation 3 of the Portfolio Managers Regulations, no person shall act as portfolio manager unless he holds a certificate granted by the Board under the Portfolio Managers Regulations. The aforementioned facts and circumstances clearly indicate that Kassa Finvest is running a scheme akin to PMS without obtaining registration from SEBI as a portfolio manager which is

in violation to the provisions of Section 12 (1) of the SEBI Act read with Regulation 3 of the Portfolio Managers Regulations.

5.4 *Whether Kassa Finvest has violated various provisions of SEBI Broker Regulations including Code of Conduct prescribed under the said regulations and various clauses of circulars issued by SEBI in respect of the stock brokers?*

5.4.1 Non segregation of own and clients' funds and securities, Mis- utilisation of Clients' funds/securities and Non-compliance of the requirement of periodical settlement of client accounts and failure to return securities on clients' request-

- i. The SCN alleges that Kassa Finvest failed to segregate clients' funds and securities and mis-utilized the clients' funds and securities. By doing so Kassa Finvest has violated the provisions of *Circular no. SMD/SED/CI/93/23321 dated November 18, 1993*, *Circular no. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008* and *Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients* as prescribed by *SEBI Circular dated August 22, 2011*. The SCN also alleges that Kassa Finvest failed to comply with the requirement of periodical settlement of client accounts, *i.e.* failure to deliver the securities/ make payment of the amount to the investors thereby violating *Clause 12 of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009* and *Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed by SEBI Circular dated August 22, 2011*.
- ii. Before I proceed to deal with the issue, the relevant legal provisions, the contravention of which have been alleged in this case are reproduced hereunder,

Circular no. SMD/SED/CI/93/23321 dated 18 November, 1993 inter alia states-

12. Unless otherwise specifically agreed to by a Client, the settlement of funds/securities shall be done within 24 hours of the payout.

Circular no. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008 inter alia states-

1. SEBI has earlier issued circular Ref.:SMD/SED/CIR/93/23321 on November 18, 1993 specifying the norms for regulation of transactions between clients and brokers, and circular SEBI/MIRSD/DPS-1/Cir-31/2004

dated August 26, 2004 specifying the model format for the Member Clients Agreements, which also inter-alia specifies need for segregation of client money's / securities deposited as margin.

2. In continuation of earlier circulars and in order to reiterate the need for brokers to maintain proper records of client collateral and to prevent misuse of client collateral, it is advised that :-
 - 2.1 Brokers should have adequate systems and procedures in place to ensure that client collateral is not used for any purposes other than meeting the respective client's margin requirements / pay-ins. Brokers should also maintain records to ensure proper audit trail of use of client collateral.

- **SEBI Circular dated August 22, 2011**

Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed by Annexure 4 of the Circular-

15. The stock broker shall ensure that the money/securities deposited by the client shall be kept in a separate account, distinct from his/its own account or account of any other client and shall not be used by the stock broker for himself/itself or for any other client or for any purpose other than the purposes mentioned in Rules, Regulations, circulars, notices, guidelines of SEBI and/or Rules, Regulations, Bye-laws, circulars and notices of Exchange.

- ***Clause 12 of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009-***

“Unless otherwise specifically agreed to by a client, the settlement of funds/ securities shall be done within 24 hrs of the payout.....”

- ***Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed by SEBI Circular dated August 22, 2011-***

“The stock broker shall make pay out of funds or delivery of securities, as the case may be, to the Client within one working day of receipt of the payout from the relevant Exchange where the trade is executed unless otherwise specified by the client and subject to such terms and conditions as may be prescribed by the relevant Exchange from time to time where the trade is executed.”

- iii. On analyzing the bank account statements of Kassa Finvest and related/group/associate persons/ entities *viz.*, Kassa Holdings., Kassa Financial Advisors and Mystic Cures during the period 2008 to 2015, I note as under:

Movement of funds from Client bank account to business bank account of Kassa Finvest -

- a. Funds to the tune of **Rs. 46.82 crores** have been transferred from client bank accounts (maintained by Kassa Finvest with HDFC Bank and Canara Bank) to the business bank accounts of Kassa Finvest

(maintained by Kassa Finvest with HDFC Bank and Canara Bank) during the period 2008 to 2015. The detailed transaction wise movement of funds is given as Annexure 9 in the SCN.

Movement of funds from Business Accounts and Clients' Account of Kassa to its related/group/associate persons/entities-

- b. Funds to the tune of approximately Rs. 26.45 crores were found to have been transferred from the Business Account/Clients' Accounts of Kassa Finvest (maintained with HDFC Bank, Indusind Bank, Canara Bank, Axis Bank, Kotak Mahindra Bank) to related/group/associate persons/entities viz., Ashok Kumar (M.D. of Kassa Finvest), Siddharth Shankar (son of Ashok Kumar), Nitika Shankar (Wife of Siddharth Shankar), Kassa Holdings and Kassa Financial (associate companies of Kassa Finvest), Mystic Cures (Ashok Kumar was a director and their trading account was managed by Ashok Kumar), Guru Trading, GVC Capital, AARB Capital and G&G Impex (companies managed by Mr. Ashok Kumar, where Nitika Shankar is a director), Durgamaya Advisors and Primavalue Capital (companies owned by Ashok Kumar). The detailed transaction wise movement of funds is given as Annexure 8 in the SCN.

Movement of funds received after pledging securities/mutual fund units of clients

- c. I note that Kassa Finvest has pledged mutual fund units of their clients with Kotak Mahindra Bank, Karol Bagh. The details of the securities/ mutual fund units pledged with Kotak Mahindra Bank are as under:

Demat account no (i)	Name of scrip /Mutual Fund units in the demat account (Providing Details of Scrips Pledged with Kotak Mahindra Bank (ii)	No. of Securities/ mutual funds units (Scrip /mutual funds wise pledge) (iii)
20743522	ICICI Prudential Mutual Fund DYN BD FU Regular Growth	38461.834
20743522	Reliance Liquid Fund-Cash Plan-Growth	257.986
20743522	UTI Dynamic Bond Fund - Growth Option	38269.602
20743522	DSP Blackrock Dual Advantage Fund - SERIES 3 - 36M - Growth Option	100000.00
20743522	Reliance Regular Savings Fund - Debt Option - Growth	8746.815
20743522	HSBC Income Fund - Short Term - Regular - Growth	15409.093
20743522	Birla Sun Life Monthly Income-Plan B(Growth)	4802.685

20743522	Reliance Fixed Horizon Fund - XXV - Series 13 - Growth Option	150000.00
20743522	UTI Income Opportunities Fund - Growth Option	13439.656
20743522	Franklin India Corporate Bond Opportunities Fund - Growth	32444.659
20743522	Birla Sun Life Dynamic Bond Fund-Retail Plan - Growth	29567.131
20743522	Birla Sun Life Income Plus-Growth-Regular Plan	2028.228
20743522	DSP Blackrock Bond Fund-Regular Plan-Growth	13363.619
20743522	HSBC Income Fund - Short Term - Regular - Growth	5136.644
20743522	IDFC - Super Saver Income Fund (SSIF) - Investment Plan-Regular Plan-Growth Option	11158.307
20743522	IDFC - Super Saver Income Fund (SSIF) - Medium Term -Regular Plan- Growth Option	24342.035

- d. The analysis of the bank account statement of Kassa Finvest (with Kotak Mahindra Bank, Karol Bagh) indicates that the funds raised by pledging securities/ mutual fund units of their clients were transferred from the said account to the bank accounts of the related/group/associate persons/entities of Kassa Finvest. The details of the transfers made to the bank accounts of the related/group/associate persons/entities are as under.

Account of Kassa Finvest with Kotak Mahindra Bank	Associate/Group Entity	Year	Amount transferred to the associate/group entity
OD 8111213081	Mystic Cures Limited	2014	4,25,000
	Kassa Holdings	2012	15,00,000
		2013	41,50,000
		2014	10,00,000
		2015	3,50,000
	Kassa Financial	2014	26,00,000
		2013	46,75,000

- iv. SEBI Circulars (Circular no. SMD/SED/CI/93/23321 dated 18 November, 1993 and Circular no. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008) in respect of the norms for regulation of transactions between clients and brokers specify the need for adequate systems and procedures in place to ensure that

the collateral of the client is not used for any purposes other than meeting the respective client's margin requirements / pay-ins and the brokers should also maintain records to ensure proper audit trail of use of client collateral and also to ensure that the settlement of funds/securities is done within 24 hours of the payout. Further, as per the *Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients* as prescribed by *Annexure 4* of the *SEBI Circular dated August 22, 2011*, the stock broker shall ensure that the money/securities deposited by the client are kept in a separate account, and are not used by the stock broker for himself/itself or for any other client or for any purpose other than the purposes mentioned in Rules, Regulations, circulars, notices, guidelines of SEBI and/or Rules, Regulations, Bye-laws, circulars and notices of Exchange. Further, *Clause 12 of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009* and *Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients* as prescribed by *SEBI Circular dated August 22, 2011* mandate that the settlement of funds/securities shall be done within 24 hrs of the payout.

- v. It is also pertinent to note that SEBI received several complaints against Kassa Finvest from their clients alleging that Kassa Finvest failed to settle clients' securities/funds. The aforementioned details of the fund movements observed from the bank account statements of Kassa Finvest and its related/group/associate persons/entities clearly indicate that funds have moved from client bank account(s) to business bank account(s) of Kassa Finvest and from business/Clients' bank account(s) to related/group/associate persons/entities. I therefore find that Kassa Finvest has failed to segregate own funds and clients' funds/securities. Further, the constant to and fro movement of funds between the business/clients' bank accounts of Kassa Finvest and bank accounts of related/group/associate persons /entities of Kassa Finvest clearly indicate that there was misutilization of Clients' moneys for the benefit of the related/group/associate persons /entities. It is also established that Kassa Finvest mis-appropriated the clients' securities/funds by pledging them and then mis-utilized the funds by transferring the funds to their related/group/associate persons /entities. From the above, it is also evident that Kassa Finvest failed to comply with the requirement of settlement of clients' of funds/securities within 24 hrs.

- vi. Under the aforementioned facts and circumstances, I find that:

- Kassa Finvest, by not segregating own funds and clients' funds/securities has violated the provisions of SEBI Circular no. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008 and Clause

15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed by SEBI Circular dated August 22, 2011 and,

- Kassa Finvest, by not complying with the requirement of settlement of Clients' funds/securities within 24 hrs, has also violated Circular no. SMD/SED/CI/93/23321 dated November 18, 1993, Clause 12 of *SEBI Circular no. MIRSD/SE/Cir-19/2009* dated December 03, 2009 read with Clause 33 of *Rights and Obligations document for Stock Broker, Sub-Brokers and Clients* as prescribed by *SEBI Circular dated August 22, 2011*.

5.4.2 Dealing in Cash

- i. The SCN alleges that Kassa Finvest dealt in cash with the clients thereby violating the provisions of *SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003 read with SEBI Master Circular on AML/ CFT dated December 31, 2010*.
- ii. Before I proceed to deal with the issue, the relevant legal provisions, the contravention of which have been alleged in this case are reproduced hereunder,

SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003-

2. *Brokers and sub-brokers should not accept cash from the client whether against obligations or as margin for purchase of securities and / or give cash against sale of securities to the clients.*

SEBI Master Circular on AML/ CFT dated December 31, 2010-

"...SEBI has issued necessary directives vide circulars, from time to time, covering issues related to Know Your Client (KYC) norms, Anti- Money Laundering (AML), Client Due Diligence (CDD) and Combating Financing of Terrorism (CFT)...". The aforesaid SEBI Circular dated August 27, 2003 is one of the circulars/ directives issued by SEBI inter alia prohibiting acceptance/ giving of cash by brokers.

- iii. Cash receipts are observed in the client/ business bank accounts of Kassa Finvest. The analysis of bank account statements of Kassa Finvest during the period 2008 to 2015 indicate that Kassa Finvest has received cash to the tune of **Rs. 4.91 crores** in its business and client accounts. The transaction wise detail are as under:

Account Type	BANK ACCOUNT	Year	Total Receipts (Rs.)	Account Type Total
Client	Kassa Finvest AXIS Client Bank 223010200017028	2008	1,000	1,407,910
	Kassa Finvest CANARA Client AC - 2577201016473	2009	300,000	
	Kassa Finvest PNB Client Bank - 133002100063276	2011	570,000	
	Kassa Finvest HDFC Client AC - 03132740000029	2009	215,000	
		2011	70,000	
		2012	230,900	
		2013	21,010	
Business	Kassa Finvest AXIS Business Bank 9120200495430130	2014	50,000	47,703,000
	Kassa Finvest Canara Business AC - 2577201017174	2008	440,000	
		2010	200,000	
		2011	400,000	
		2012	5,050,000	
		2013	2,375,000	
		2014	1,750,000	
	Kassa Finvest Indusind Business Bank 200000820286	2014	500,000	
	Kassa Finvest Indusind Business Bank 200998895217	2013	3,715,000	
		2014	2,110,000	
	Kassa Finvest Kotak Bank Business 8111216136	2012	499,500	
		2013	2,500,000	
		2014	3,198,500	
	Kassa Finvest HDFC Business AC - 03132740000012	2008	450,000	
		2010	500,000	
		2011	3,749,000	
		2012	6,349,000	
		2013	3,125,000	
		2014	4,339,500	
2015		336,500		
Business Overdraft	Kassa Finvest Kotak Bank OD 8111213081	2013	4,516,000	
		2014	1,550,000	
Grand Total			49,110,910	49,110,910

- iv. *SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 read with SEBI Master Circular on AML/ CFT dated December 31, 2010 inter alia prohibits accepting/giving of cash by any brokers. The instances of deposits of cash by clients to the Business account and Clients' bank accounts of Kassa Finvest clearly indicate that that Kassa Finvest has cash dealings with their clients thereby violating SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 read with SEBI Master Circular on AML/ CFT dated December 31, 2010.*

5.4.3 Non-redressal of investor grievance and failure to follow the directions of the Orders of Grievance Redressal Panel (IGRP) of the Stock Exchanges -

- i. The SCN alleges that Kassa Finvest failed to redress the grievances of their investors and also failed to follow the directions of IGRP.
- ii. Before I proceed to deal with the issue, the relevant legal provisions, the contravention of which have been alleged in this case are reproduced hereunder,

Circular no. CIR/MRD/ICC/30/2013 dated September 26, 2013-

“With a view to streamline and make more effective the investor grievance redressal mechanism at Stock Exchanges, and consequent to discussions with Stock Exchanges and Depositories, it has been decided to shorten the time taken for the proceedings as well as to give monetary relief to the investors, during the course of pendency of proceedings. In this regard, Stock Exchanges are advised inter alia as under:

- a) Stock Exchanges shall ensure that all complaints are resolved at their end within 15 days....*
- b) In case the matter does not get resolved, conciliation process of the exchange would start immediately*
- c) Investor Grievance Redressal Committee (IGRC) shall be allowed a time of 15 days to amicably resolve the investor complaint.*
- d) IGRC shall adopt a two-fold approach i.e. for proceedings leading to direction to the Member to render required service in case of service related complaints and proceedings leading to an order concluding admissibility of the complaint or otherwise in case of trade related complaints.*
- e) In case the matter is not resolved through the conciliation process, IGRC would ascertain the claim value admissible to the investor.*
- f) Upon conclusion of the proceedings of IGRC, i.e. in case claim is admissible to the investor, Stock Exchanges shall block the admissible claim value from the deposit of the Member.*
- g) The Stock Exchange shall give a time of 7 days to the Member from the date of signing of IGRC directions as mentioned under sub-para (d) above to inform the Stock Exchange whether the Member intends to pursue the next level of resolution ie. Arbitration.”*

SEBI (Stock Brokers and Sub Brokers) Regulations, 1992

Regulation 9(e)-

“Conditions of registration.

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-
(a)...

(e) he shall take adequate steps for redressal of grievances, of the investors within one month of the date of receipt of the complaint and inform the Board as and when required by the Board;”

- iii. As on April 15, 2014, 421 complaints from clients/investors of Kassa Finvest were pending on SCORES inter alia alleging “non- receipt/ delay in payment of funds and securities”. I note that Kassa Finvest failed to redress the grievances of the investors within one month from the date of receipt of the complaints as stipulated by

Regulation 9(e) of the SEBI Brokers Regulations. I further note that Kassa Finvest neither complied with the directions of IGRP nor pursue the next level of resolution available after the IGRP Orders, *i.e.* Arbitration.

- iv. Under the facts and circumstances, I find that Kassa Finvest has violated the provisions of Regulation 9(e) of the SEBI Broker Regulations read with *SEBI Circular no. CIR/MRD/ICC/30/2013 dated September 26, 2013*.

5.4.4 I further note from the SCN that during the course of investigation, the details pertaining to financial ledgers, demat accounts/statements, details of bank accounts/ statements, etc. were sought from Kassa Finvest vide summons dated March 3, 2015 March 5, 2015 and March 16, 2015. Kassa Finvest however failed to furnish complete information sought by SEBI. Further, Kassa Finvest also failed to furnish details pertaining to assets/ investments/ property held in the name of Ashok Kumar (Managing Director and Promoter of Kassa Finvest) and also assets held in the name of Kassa Finvest.

5.4.5 Significant responsibilities are entrusted upon the intermediaries registered with SEBI (by relevant Rules/Regulations in respect of Brokers and Sub-brokers), such as to maintain high standards of integrity, promptitude and fairness, not to indulge in manipulative, fraudulent or deceptive transactions or schemes, or to indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market etc. Having been entrusted with such obligations, Kassa Finvest being a registered intermediary was expected not to indulge in such fraudulent and manipulative practices, which are in violation of the provisions of SEBI PFUTP Regulations, 2003 and various circulars issued by SEBI and the Code of Conduct as prescribed for Stock broker in Schedule -II read with Regulation 9 of SEBI Brokers Regulations, 1992. The various requirements under the Act, Rules, Regulations, Circulars etc. in respect of an intermediary registered with SEBI are enumerated for the purpose of protection of interests of investors and further to ensure that the business and conduct of the intermediaries are undertaken on the basis of sound business principles. In this regard, I note:

Clauses 1, 2, 3 and 5 of the Schedule II- Code of Conduct of SEBI Broker Regulations read as under:

A. General.

(1) Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.

(2) Exercise of due skill and care : A stock-broker shall act with due skill, care and diligence in the conduct of all his business.

(3) Manipulation: A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.

(5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.

Regulation 9 of the SEBI Broker Regulations-

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-

(b) he shall abide by the rules, regulations and bye-laws of the stock exchange which are applicable to him;

(f) he shall at all times abide by the Code of Conduct as specified in Schedule II"

5.4.6 The whole range of allegations as detailed in the forgoing paragraphs, such as non-segregation of own funds and clients' funds/securities, misutilization of clients' funds and securities, dealing in cash, failure to settle clients' accounts, failure to return securities on clients' request, failure to furnish information/documents sought by SEBI, etc. clearly indicate that Kassa Finvest has also violated provisions Clauses A(1), (2), (3) and (5) of the Code of Conduct specified in Schedule II of Regulation 9 of the SEBI Broker Regulations and also regulation 9(b) and (f) of the SEBI Broker Regulations..

5.5 *Whether Kassa Finvest and its related/group/associate persons/entities viz. Siddharth Shankar, Nitika Shankar, Kassa Holdings Kassa Financial, Mystic Cures, Mille Roses, Doyen Vyapaar, Guru Trading, GVC Capital, AARB Capital, G&G Impex, Durgamaya Advisors and Primavalue Capital are beneficiaries/receipients of funds/shares (of clients' of Kassa Finvest) siphoned off from the business account and clients' account of Kassa Finvest including funds raised by pledging of mutual fund units of the clients, thereby violating the provisions of PFUTP Regulations?*

- i. The SCN alleges that Siddharth Shankar and Nitika Shankar are directly or indirectly found to be the recipients of the funds from Kassa Finvest and further, the related entities of Kassa Finvest viz. Kassa Holdings, Kassa Financial, Mystic Cures, Mille Roses, Doyen Vyapaar, Guru Trading, GVC Capital, AARB Capital, G&G Impex, Durgamaya Advisors Pvt. Ltd. and Primavalue Capital are beneficiaries of funds/shares (of clients' of Kassa Finvest) siphoned off by Kassa Finvest. Kassa Finvest and the aforesaid

related/group/associated persons/entities are therefore alleged to have violated Regulation 3(a),(c) and (d) and Regulation 4(1) & 4(2)(m) of the PFUTP Regulations, 2003

- ii. Before I proceed to deal with the issue, the relevant legal provisions, the contravention of which have been alleged in this case are reproduced hereunder,

PFUTP Regulations

Regulation 3-

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b)

(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.

Regulation 4-

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:—

(a).....(l)

(m) an intermediary not disclosing to his client transactions entered into on his behalf including taking an option position.

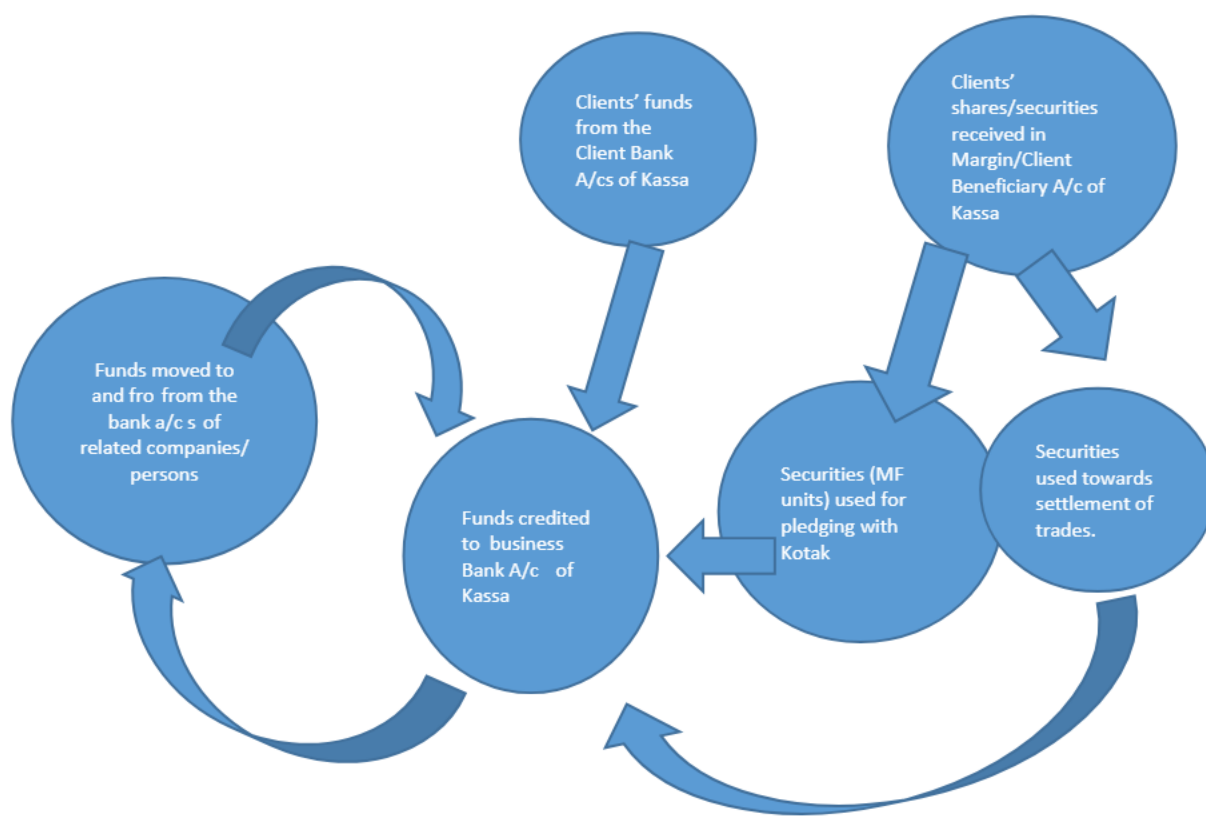
- iii. As detailed in paragraph no. 5.4.1 (iii) (a) and (b) above, Kassa Finvest had transferred funds to the tune of approximately ₹ 46.82 crore from the Clients' Account of Kassa Finvest to its Business Account and funds to the tune of approximately ₹ 26.45 crores were found to have been transferred from its Business Accounts and Clients' Accounts to the bank account of its M.D., Ashok Kumar and also to the following related/group/associate persons/entities. The following eleven persons/entities are hereinafter collectively referred to as “**group entities/persons**” and individually by their respective names:

- a. Siddharth Shankar (son of Ashok Kumar and past director of Kassa Finvest and its group companies, *viz.* Kassa Holdings and Kassa Financial),
 - b. Nitika Shankar (Wife of Siddharth Shankar and Proprietor of AARB Capital, director of Guru Trading, GVC Capital and G&G Impex),
 - c. Kassa Holdings (associate company of Kassa Finvest owned by Ashok Kumar (holds 99.9% shareholdings),
 - d. Kassa Financial (associate company of Kassa Finvest),
 - e. Mystic Cures (Ashok Kumar was a director and their trading account was managed by Ashok Kumar),
 - f. Guru Trading, (company owned by Nitika Shankar and managed by Ashok Kumar),
 - g. GVC Capital, (company owned by Nitika Shankar and managed by Ashok Kumar),
 - h. AARB Capital (company owned by Nitika Shankar and managed by Ashok Kumar),
 - i. G&G Impex (company owned by Nitika Shankar and managed by Ashok Kumar),
 - j. Durgamaya Advisors (owned by Ashok Kumar),
 - k. Primavalue Capital (owned by Ashok Kumar).
- iv. The payments (net) made by Kassa Finvest from its Business/Clients' Accounts to the accounts of its group entities/persons (as noted from the various bank account statements) during the period 2008 to 2015 are as under:

No.	Name of group/related entity/person of the Broker to whom funds transferred	Net Total (Rs.)
1.	Kassa Financial Advisors	10,04,60,000
2.	Kassa Holdings	3,67,44,000
3.	Mystic Cures Limited	1,74,40,750
4.	Ashok Kumar	3,35,22,009
5.	Siddharth Shankar	2,06,04,330
6.	Nitika Shankar	62,20,000
7.	AARB Capital	45,30,000
8.	Durgamayaa	30,75,000
9.	G & G Impex	1,42,30,000
10.	Guru Trading	1,06,25,000
11.	GVC Capital	1,37,75,000

12.	Primavalue	33,00,000
	Total	26,45,26,089

- v. I further note from the bank statements of Kassa Finvest (Overdraft Account maintained with Kotak Mahindra Bank) that the funds raised by pledging securities/mutual fund units of the clients were transferred to the bank accounts of the group persons/entities of Kassa Finvest. The details of the securities/ mutual fund units pledged with Kotak Mahindra Bank and the details of the funds transferred to the group/associate entities/persons of Kassa Finvest have been detailed in paragraph no. 5.4.1 (iii) (c) & (d) above.
- vi. The pictorial representation of the modus operandi adopted by Kassa Finvest for siphoning of clients' funds/ securities is placed as below:



- vii. The aforementioned details clearly indicate that Kassa Finvest along with its group persons/ entities, viz. Siddharth Shankar, Nitika Shankar, Kassa Holdings, Kassa Financial, Mystic Cures Pvt. Ltd., Guru Trading, GVC Capital, AARB Capital, G&G Impex, Durgamaya Advisors and Primavalue Capital have

fraudulently and dishonestly siphoned off and misappropriated clients' funds (*i.e.* by transferring funds from the business/clients account of Kassa Finvest and also the funds raised by pledging of shares/units of clients), flouting the provisions Rules/Regulations/Circulars, etc. issued in respect of Stock Brokers.

- viii. Siddharth Shankar and Nitika Shankar filed their written submissions vide separate letters dated June 21, 2017. It is pertinent to note that the aforementioned receipt of funds from Kassa Finvest has not been disputed by Siddharth Shankar and Nitika Shankar in their aforesaid written submissions.
- ix. Siddharth Shankar in the written submissions has instead contended that he was appointed as a consultant (branding/marketing) and that all receipts of funds by him are towards legitimate and legal professional services. He has further stated that a sum of ₹ 54.98 lacs received by him in a span of 7 years (*i.e.* from April 2008 to March 2015) was towards his professional fee and reimbursement. I also note that Siddharth Shankar in the same written submissions at paragraph no. 11 has stated that apart from the professional consultant fee, he had taken a loan on interest from Kassa Finvest to meet his personal obligations. He has also stated that he had refunded the amount so taken as loan from Kassa Finvest within a span of 15 days by settling with a creditor of Kassa Finvest on February 02, 2015 by paying an amount of ₹1.43 cr. to the creditor of Kassa Finvest. The remaining amount has been paid as ₹ 10/- lac each on February 13, 2015, February 14, 2015 and February 16, 2015.

With respect to the aforesaid submissions by Siddharth Shankar, I note that as per the bank account statements of the Business and Client Account of Kassa Finvest with HDFC Bank during the period 2008 to 2014, a total amount of ₹ 2.60 crore has been transferred to Siddharth Shankar. Further, as per the submissions of Siddharth Shankar, out of the total amount of ₹ 2.60 crore received by him, an amount of ₹ 54.98 lacs was received towards his professional fees. This indicates that the remaining ₹ 2.05 crore has been diverted to/received by him as loan from Kassa Finvest. The analysis of the fund movements from the Clients' Account of Kassa Finvest to their Business Account and further from the Business Account and Clients' Account of Kassa Finvest to the bank accounts of group persons/entities including Siddharth Shankar clearly indicate that Siddharth Shankar and other group persons/entities derived economic benefit out of the Kassa Finvest's clients' funds. It is pertinent to note that Siddharth Shankar is the son of Ashok Kumar, the M.D. of Kassa Finvest.

I further note from the submissions made by Siddharth Shankar that he had settled the aforesaid loan amount within 15 days span by making payment to a creditor of Kassa Finvest. As proof

of the said settlement with the creditor, he submitted a letter from one Ms. Kamla Narain confirming the receipt of an amount of ₹1.43 crore, which was due to them from Kassa Finvest. Apart from this confirmation letter, Siddharth Shankar has not submitted any other material evidence to substantiate the nature of the debt owed by Kassa to the said creditor. It is also not out of place to mention here that diverting Clients' fund and securities and mis-utilizing it for other purposes by a broker itself is a fraud on the investors and are in violation of various provisions of SEBI Act/Regulations/Circular. I note that a major portion of the said amount (taken as loan by Siddharth Shankar) was stated to have been made to a creditor of Kassa Finvest and not to Kassa Finvest directly. One cannot escape from the liability by pleading that he/she has repaid the amount so received to the broker by making payments to one of the creditors of the broker. As stated earlier in this Order, Siddharth Shankar is a past director of Kassa Finvest (during the period 1994 to 2005) and other group companies of Kassa Finvest, viz. Kassa Holdings and Kassa Financial (during the period 1993 to 2013), who were also the recipients of the funds from the Business/Clients' account of Kassa Finvest including the funds raised by pledging the clients' mutual fund units (as detailed in paragraph No. 5.4.1 (iii) and 5.5 above). I further note in respect of the said fund transfers to his group companies (viz. Kassa Holdings and Kassa Financial), Siddharth Shankar has not given any explanation in his reply. It is also relevant to note that Siddharth Shankar in his statement dated April 14, 2015 before the Investigating Authority, stated: *"The revenue of Kassa Financial was approximately Rs. 4-5 lakh per annum for the last 2-3 years but still the company has received funding in crores of rupees from different entities/sources. I have no explanation for any funds received from Kassa even during my tenure as a director"*.

In view of the above, I am not in a position to accept the contentions of Siddharth Shankar.

- x. Nitika Shankar in the reply stated that SEBI investigation has missed out two payments of ₹ 4,50,000/- on September 5, 2011 and ₹ 5,00,000/- dated September 6, 2014. According to Nitika Shankar, after accounting for the said payments made by her, the net payable amount in her account comes to ₹52,72,000/- and this amount due from her is less than the credit available in the account of her proprietary firm AARB Capital. She has furnished a balance confirmation letter of AARB Capital as received from Kassa Finvest which shows an amount of ₹ 56,68,298.93 as payable to AARB Capital.

In this regard, I note that no explanation has been given by Nitika Shankar in her written submissions dated June 21, 2017, in respect of the transfers made by Kassa Finvest from its business as well as clients account to the bank account of Nitika Shankar. Further, the proof in respect of the repayments stated to have been made by Nitika Shankar is only a confirmation letter from Kassa Finvest indicating that Kassa

Finvest owes an amount of ₹58,68,298.93 to AARB Capital. Apart from this, the Noticee has not submitted any other material evidence to prove the refund. I further note that Nitika Shankar, in her written submissions, has conveniently left out the issues in respect of the fund transfers (net payments amounting to ₹ 45,30,000/-) from the Client account of Kassa Finvest to her proprietary firm, viz. AARB Capital and also other fund transfers from Business Account and Clients' Account of Kassa Finvest to the bank accounts of other companies under her directorship. In view of this, I do not find any merit in the contentions put forth by Nitika Shankar.

The facts and circumstances mentioned above clearly indicate that Kassa Finvest was transferring funds to its group persons/entities.

- xi. Regulations 3, (a), (c), (d) and Regulation 4(1) of the PFUTP Regulations *inter alia* prohibits dealing in securities in a fraudulent manner and it prohibits manipulative, fraudulent and unfair trade practices in securities by any person and prohibits 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. In the instant case Kassa Finvest, a stock broker registered with SEBI (with the aid and assistance of its group persons/entities) fraudulently misutilized/misappropriated and siphoned off funds/securities of its clients. Kassa Finvest also siphoned off the funds raised by pledging of the mutual fund units of their clients to its group/associate entities. In view of this, I have no hesitation to hold that the aforementioned siphoning off the funds/securities of the clients/investors including the funds raised by pledging of mutual fund units of their clients is undoubtedly a fraudulent and manipulative device/scheme/artifice employed by Kassa Finvest and its group persons/entities and the same operated as a fraud/deceit upon the clients/investors, who had entrusted their funds and securities with Kassa Finvest thereby violating provisions of Regulation 3(a), (c) and (d) and Regulation 4(1) of the PFUTP Regulations.
- xii. Considering all the above, I have no hesitation in coming to the conclusion that Kassa Finvest and the group/associate entities/persons, viz. Siddharth Shankar, Nitika Shankar, Kassa Holdings, Kassa Financial, Mystic Cures, Guru Trading, GVC Capital, AARB Capital, G&G Impex, Durgamaya Advisors and Primavalue Capital, who were the recipients/beneficiaries of funds/shares (of clients' of Kassa Finvest) have violated Regulations 3, (a), (c), (d) and Regulation 4(1) of the PFUTP Regulations.

- xiii. In respect of the Noticees, *viz.* Mille Roses (Noticee No. 11) and Doyen Vyapaar (Noticee No.12), I note that apart from merely stating that the said Noticees, hold 26% and 12.44% shareholding of Kassa Finvest respectively and Kassa Finvest has siphoned off the clients' monies/ shares to the said Noticees, no other material has been brought out in the SCN evidencing transfer of funds from Kassa Finvest to the bank accounts of the said Noticees. In view of this, I am inclined to give benefit of doubt to Mille Roses Ltd. and Doyen Vyapaar Pvt. Ltd. in respect of the charges alleged against in the SCN.

5.6 ***Whether the directors/promoters of Kassa Finvest viz. Ashok Kumar, Umashankar Shrivastav and Anjana Kumar are liable of the aforesaid acts and omissions committed by Kassa Finvest and whether the Compliance Officer, Manoj Agrawal and Vice President (Operations), Anil Dhawan were aware of the fixed/assured return scheme of Kassa Finvest and failed to perform their duties and hence liable for the aforesaid acts and omissions committed by Kassa Finvest?***

- i. The SCN alleges that Ashok Kumar, Umashankar Shrivastav and Anjana Kumar, as directors/promoters of Kassa Finvest are liable for the aforesaid acts and omissions committed by Kassa Finvest. SCN also alleges that the Compliance Officer and CFO (former), *viz.* Manoj Agrawal and the Vice President (Operations), *viz.* Anil Dhawan, were aware of the fixed/assured return scheme but failed to perform their duties and hence are liable for the aforesaid acts and omissions committed by Kassa Finvest. In view of this, the aforesaid Noticees are alleged to have violated Section 12A(b) &(c) of the SEBI Act and Regulation 3(a),(c) and (d) and Regulation 4(1) & 4(2)(m) of the PFUTP Regulations. The said provisions have already been reproduced in the forgoing paragraphs.
- ii. Ashok Kumar is the Managing Director of Kassa Finvest and Umashankar Shrivastav is a director of Kassa Finvest. They together hold 10% of the shareholding of Kassa Finvest. Anjana Kumar, wife of Ashok Kumar is the major stakeholder/promoter of Kassa Finvest, who holds 51.56% of shareholding.
- iii. As detailed in the forgoing paragraphs, Kassa Finvest has violated various provisions of SCRR, SEBI Act, PFUTP Regulations, SEBI Broker Regulations, Portfolio Managers Regulations and various SEBI Circulars pertaining to the stock brokers and rights and obligations of the stock brokers. Ashok Kumar and Umashankar Shrivastav were the directors of Kassa Finvest who were in charge and responsible for the day to day affairs and business of Kassa Finvest during the said period of violation.

- iv. It is relevant to note that Ashok Kumar and his group persons/entities including his son Siddharth Shankar, his daughter in law, Nitika Shankar and other group/associate companies under their directorship are recipients of major portion of the funds siphoned off from the Clients' Account of Kassa Finvest including the funds raised by pledging of shares/mutual fund units of clients. (the charges have been dealt in detail in the forgoing paragraphs No. 5.5. above).
- v. Umashankar Shrivastav is also one of the directors of Kassa Finvest, who was in charge and responsible for the day to day affairs of the Company during the period when Kassa Finvest was involved in the fraudulent activities, violating various provisions of SEBI Act/Rules/Regulations/Circulars. Umashankar Shrivastav in the reply vide e-mail dated June 30, 2017 *inter alia* stated that he has no interaction with Kassa Finvest and was not involved in the business affairs, company proceedings or meetings. He also stated that he was not aware of the assured return scheme of Kassa Finvest, misutilization of funds by Kassa Finvest, etc.. He also stated that his name was not in the list of entities to whom funds were transferred by Kassa Finvest and he had no knowledge about all these transactions. The Company was single handedly managed by Mr. Ashok Kumar. Umashankar Shrivastav further stated that he discontinued as director of the company in the beginning of 2000.

In this regard, I note that apart from merely stating that he was not involved in any of the activities carried out by Kassa Finvest, was unaware of the business activities of Kassa Finvest and that he had discontinued his association with Kassa Finvest in the beginning of 2000, Umashankar Shrivastav failed to submit any documents to substantiate his contentions. Umashankar Shrivastav cannot escape from his duties as a director by pleading ignorance of the fraudulent activities of Kassa Finvest. While taking charge of directorship, he should have exercised necessary due diligence. There is nothing on record to show that he has taken necessary steps to prevent the wrongdoings of Kassa Finvest or has dissociated from the activities of Kassa Finvest. In view of this I am not in a position to accept his submissions.

- vi. Anjana Kumar, apart from being a Promoter, is also a major shareholder (51.56%) of Kassa and she is the wife of Ashok Kumar, M.D. of Kassa. Anjana Kumar in the reply vide letter dated June 21, 2017 states that shareholder cannot be held responsible for the operations of the company and that mere proximity of a person to a director of the company does not imply that the shareholder is privy to the information of operations of a company. I however note that Anjana Kumar is a substantial shareholder in Kassa Finvest, who holds 51.56% of shares of Kassa Finvest and her husband is the M.D. of Kassa Finvest. It

is also pertinent to note that she was the director of Kassa Finvest during the period from July 05, 1995 to November 15, 2003. Being a substantial shareholder, *i.e.* holding more than 50%, she exercises control and influence over the activities of Kassa Finvest. It is also not out of place to mention that funds of clients were siphoned off to the bank accounts of her son and daughter-in law and also to the companies under their directorship and proprietorship. In view of this, Anjana Kumar cannot plead ignorance of the fraudulent and manipulative activities/business, which Kassa Finvest was carrying out.

- vii. Under the facts and circumstances mentioned above, Ashok Kumar, Umashankar Shrivastav and Anjana Kumar, being the directors/promoter of Kassa Finvest are equally liable for the fraudulent and manipulative activities of Kassa Finvest such as siphoning off clients' funds/securities, misutilization of clients' funds, etc., thereby violating the provisions of Section 12 A(b) &(c) of the SEBI Act and Regulation 3(a),(c) and (d) and Regulation 4(1) of the PFUTP Regulations.
- viii. Manoj Agrawal was the Chief Financial Officer (CFO) of Kassa Finvest and Anil Dhawan was the Vice President, Operations in Kassa Finvest during the period when Kassa Finvest was involved in the fraudulent activities violating various provisions of SEBI Act/Rules/regulations/Circulars, etc. Manoj Agrawal in the reply vide letter dated April 04, 2016 stated that he had no role to play in the mobilization of loan/funds from the clients or in the management of these loans and the decision making was concentrated/vested with the M.D. of the company. Anil Dhawan in the reply vide letter dated March 19, 2016 stated that he was not looking after day to day compliances of various laws of the land and as a man of ordinary prudence, he presumed that compliances of laws of land with respect to various operations of the company has been taken care of by the Legal and Compliances department and promoters of the company. He also stated that the funds were siphoned off by Ashok Kumar.

In this regard, I note from the statements given by Manoj Agrawal, Chief Financial Officer (CFO) of Kassa and Anil Dhawan, Vice President, Operations in Kassa before the investigating authority (on March 18, 2015 and March 19, 2015 respectively) that they were fully aware of the assured return scheme of Kassa Finvest and also the transfer of funds made by Kassa Finvest to its group persons/entities. Manoj Agrawal in the said statement has stated that the funds were siphoned off for the purpose of interest payments to fixed return clients, repurchase of sold shares, expansion of business, etc. He further stated that client-wise interest-rate was approved by Anil Dhawan. It is therefore evident, Manoj Agrawal and Anil Dhawan were aware of the fraudulent and unlawful activities of Kassa Finvest and Manoj

Agrawal, being the CFO of Kassa Finvest and Anil Dhawan, being V.P., Operations, failed in their duties to exercise diligence and did not taken any step to remedy the violations committed by Kassa Finvest and its directors in connivance with the group persons/entities. The very inaction on the part of Manoj Agrawal, CFO and Anil Dhawan, V.P., Operations leads to the inescapable conclusion that they have colluded with Kassa Finvest in committing the aforementioned fraudulent activities in violation of various provisions of SEBI Act/Rules/regulations/Circulars. I therefore find that Manoj Agrawal and Anil Dhawan have violated the provisions of Section 12 A(b) &(c) of the SEBI Act and Regulation 3(a),(c) and (d) and Regulation 4(1) of the PFUTP Regulations.

- 5.7 The Noticees, *viz.* Anjana Kumar, Siddharth Shankar and Nitika Shankar in their written submissions stated that certain persons/entities have lent huge sum to Kassa Finvest as loans at fixed rates of return in collusion with executives in charge of operations of Kassa Finvest and that the investigation had failed to appreciate this aspect of the affairs of Kassa Finvest. In this regard, I note that Kassa Finvest has already been charged for indulging in the activities other than stock broking and for flouting various provisions of SEBI Act/Rules/Regulations. The details of the same has been dealt in the forgoing paragraphs of this Order. The aforesaid submissions of the Noticees are hence devoid of merit.
- 5.8 The aforesaid Noticees further contended that Regulations 3 and 4 of the PFUTP Regulations relate to persons "*dealing in securities*" as a principal, agent or an intermediary and that the Noticees have never bought or sold securities and hence violation of Regulation 3 and 4 cannot be attributed to them. In this regard, I note that the Noticees, Siddharth Shankar is the son of Ashok Kumar, Nitika Shankar is the daughter-in law of Ashok Kumar and Anjana Kumar is the wife of Ashok Kumar. Anjana Kumar also holds 51.56% shareholding of Kassa Finvest. Siddharth Shankar and Nitika Shankar themselves admitted in their respective written submissions that they had taken huge amount as loan from Kassa Finvest. The analysis of the fund movements from the Clients' bank accounts of Kassa Finvest to their Business Account and from the Business Account to the bank accounts of the group persons/entities including Siddharth Shankar and Nitika Shankar and the companies under their directorship/ proprietorship lead to the inescapable conclusion that Kassa Finvest, a SEBI registered broker and its directors/promoters along with its group/associate entities have fraudulently siphoned off the funds/securities entrusted to it by their clients/investors by transferring the funds lying in their business and client account to the bank accounts of their group persons/entities, including Siddhath Shankar and Nitika Shankar. They also siphoned off the

funds raised by pledging the mutual fund units of the clients lying in their demat accounts, to their group persons/entities. The details of the same have been elaborately discussed in the forgoing paragraphs. Siddharth Shankar and Nitika Shankar hence derived economic benefit out of the funds/securities of clients of Kassa Finvest.

In view of the above, I have no hesitation to hold that the group persons/entities including Siddharth Shankar and Nitika Shankar by receiving funds/securities of the clients of Kassa Finvest during the course of business in connection with dealing in securities, indulged in the fraudulent and manipulative scheme, device, artifice perpetrated by Kassa Finvest and its directors/promoters/employees in violation of Regulation 3(a),(c) and (d) and Regulation 4(1) of the PFUTP Regulations. Further, the Noticee, Anjana Kumar holds the controlling interest in Kassa Finvest and hence liable for the fraudulent and manipulative activities committed by Kassa Finvest. I am therefore of the view that the said contentions raised by the Noticees are liable to be rejected.

- 5.9 The aforesaid Noticees further contended that SEBI has illegally instituted three parallel proceedings for exactly the same offence and thereafter would be punished for the same offence thrice. In this regard, it is observed that SEBI Act enables the Board to initiate proceedings for the same set of facts against a person/entity under the SEBI (Intermediaries) Regulations, 2008, under Sections 11 as well as initiate adjudication proceedings as per Chapter VIA of the SEBI Act for imposition of monetary penalties and prosecution proceedings under Section 24 of the SEBI Act, etc.. These proceedings are independent to each other. In the instant case, Kassa Finvest, a SEBI registered intermediary and its directors/promoters along with its group persons/entities have fraudulently siphoned off the clients funds/securities to their group persons/entities and also flouted various provisions of SEBI Act/Regulations/Circulars. It is also pertinent to note that SEBI and the stock exchanges (NSE and BSE) had received several complaints from investors alleging non receipt or delay in receiving shares/funds from Kassa Finvest. NSE and BSE independently conducted inspection of Kassa Finvest and Kassa Finvest was expelled from both the exchanges and declared as a defaulter by NSE and BSE on April 10, 2015 and July 05, 2015 respectively. In view of the gravity of the offence committed by Kassa Finvest, its directors/promoters and its group persons/entities, SEBI was constrained to initiate parallel proceedings against Kassa Finvest, its directors and group persons/ entities. I therefore find that the contentions raised by Noticees are devoid of merits and hence are liable to be rejected.

6. The development of a strong, transparent and credible securities market is an important pre-requisite for the economic development of our country. The fraudulent, dishonest and manipulative method adopted by Kassa Finvest, a SEBI registered intermediary along with its Directors, Promoter, Employees and group persons/entities, flouting the provisions of SEBI Act/Rules/Regulations and various Circulars issued by SEBI, by fraudulently siphoning of clients' funds and securities etc. can pose real threat to the integrity of our securities market. If such activities are allowed to continue, they will jeopardize and tarnish the image of the securities market as a transparent and efficient way of raising capital, shaking the very foundations of Capital market. In the instant case, as stated earlier, NSE had declared Kassa Finvest as a defaulter and expelled from the exchange on April 10, 2015. Similarly, BSE also declared Kassa Finvest as a defaulter on July 05, 2015. In this regard, it is pertinent to note that SEBI vide *ad interim ex-parte* Order dated March 19, 2015 has already directed Kassa Finvest and its directors *viz.* Ashok Kumar and Umashankar Shrivastav and promoter *viz.* Anjana Kumar not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge in any such assets except with the prior permission of SEBI.

Given the vital functions of protecting investors and safeguarding the integrity of the securities market vested in SEBI and the commensurate powers given to it under the securities laws, it is necessary that SEBI exercise these powers firmly and effectively to insulate the market and its investors from the fraudulent actions of the participants in the securities market, thereby fulfilling its legal mandate. Having found that Kassa Finvest, its directors/promoter, *viz.* Ashok Kumar, Umashankar Shrivastav, Anjana Kumar had fraudulently siphoned off the funds/securities of the investors/clients to its group persons/entities *viz.* Siddharth Shankar, Nitika Shankar, Kassa Holdings, Kassa Financials, Mystic Cures, Gugu Trading, GVC Capital, AARB Capital, G&G Impex, Durgamaya Advisors and Primavalue Capital Advisors, I find that the aforesaid Noticees are liable jointly and severally to repay the money to the investors/clients.

- 8.1 In view of the forgoing, I, in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act read with Sections 11(1), 11(4) And 11B of the SEBI Act read with Regulation 11 of the PFUTP Regulations, hereby direct as follows –

- i. The following Noticees are prohibited from accessing the securities market and further prohibited from buying, selling or dealing in securities, either directly or indirectly or being associated with the securities market in any manner whatsoever, for a period of ten years from the date of this Order, -*

1. *M/s Kassa Finvest Private Limited; PAN: AAACK1206B*

2. *Mr. Asbok Kumar*; PAN: *A4FPK7362N*
3. *Mr. Umashankar Sharan Shrivastav*; PAN: *AGKPS7923C*
4. *Mrs. Anjana Kumar*; PAN: *AHOPK6281C*
5. *Mr. Siddharth Shankar*; PAN: *A4MPS8754R*
6. *Ms. Nitika Shankar*; PAN: *A4DPB9990K*
7. *Mr. Manoj Kumar Agrawal*; PAN: *A4KPA9123E*
8. *M/s Kassa Holdings & Consultants Private Limited*; PAN: *A4ACK1208R*
9. *M/s Kassa Financial Advisors Private Limited*; PAN: *A4ACR1298Q*
10. *M/s Mystic Cures Pvt. Ltd. ;* PAN: *A4CCM9841L*
11. *M/s Guru Trading*; PAN: *A4DPB9990K*
12. *M/s GVC Capital*; PAN: *A4DPB9990K*
13. *M/s AARB Capital*; PAN: *A4DPB9990K*
14. *M/s G&G Impex*; PAN: *A4DPB9990K*
15. *M/s Durgamaya Advisors Pvt. Ltd. ;* PAN: *Not Available*
16. *M/s Primavalue Capital Advisors Pvt. Ltd. ;* PAN: *A4FCP8202R*
17. *Mr. Anil Kumar Dhawan*; PAN: *AGZPD4794P*.

ii. The following Noticees shall forthwith repay/refund the investors/clients' money with an interest of 15% per annum from the date when the repayment became due till the date of actual payment.

1. *M/s Kassa Finvest Private Limited*
2. *Mr. Asbok Kumar*
3. *Mr. Umashankar Sharan Shrivastav*
4. *Mrs. Anjana Kumar*
5. *Mr. Siddharth Shankar*
6. *Ms. Nitika Shankar*
7. *M/s Kassa Holdings & Consultants Private Limited*
8. *M/s Kassa Financial Advisors Private Limited*
9. *M/s Mystic Cures Pvt. Ltd.*
10. *M/s Guru Trading;*
11. *M/s GVC Capital*

12. M/s AARB Capital
13. M/s G&G Impex
14. M/s Durgamaya Advisors Pvt. Ltd.
15. M/s Primavalue Capital Advisors Pvt. Ltd.

The Payments to the investors/clients (as per the directions issued at (ii) above) in respect of the transactions executed through stock exchanges (i.e admissible claims by the stock exchanges) shall be made in-coordination with NSE and BSE, after taking into account the payments made by said exchanges to the investors/ clients of Kassa Finvest out of the IPF account of the exchanges.

- iii. *The aforementioned Noticees (at item No. (ii) above) shall not dispose off or alienate any assets, whether movable or immovable, or create any interest or charge in any such assets. The said Noticees are however permitted to sell their assets for the sole purpose of making the repayments to the investors, as directed above and deposit the proceeds in an Escrow Account opened with a Nationalized Bank. The modalities in respect of selling the assets and depositing in an Escrow Account shall be done in co-ordination with NSE and BSE. The money deposited in the Escrow Account has to be disbursed to the clients/investors only in coordination with NSE and BSE. NSE and BSE shall have a lien on the remaining amount, if any lying in the escrow account, after satisfying the claims of the investors/clients. The lien shall be upto the extent of total money disbursed by the exchanges out of their IPF accounts to the clients/investors of Kassa Finvest.*
- iv. *The aforementioned Noticees (at item No. (ii) above) shall provide, within 7 days of this Order, a full inventory of all their assets and properties and details of all their bank accounts, demat accounts and holdings of shares/ securities, if held in physical forms.*

8.2 In case of failure of the Noticees to comply with the aforesaid directions issued by SEBI against them, on expiry of the three months period from the date of this Order, SEBI:

- a. shall recover such amounts in accordance with Section 28A of the SEBI Act including such other provisions contained in securities laws.
- b. may initiate appropriate action against the said Noticees who are in default including adjudication proceedings and prosecution proceedings against them, in accordance with law.

9. The above directions shall come into force with immediate effect.

10. This Order is without prejudice to any action, including adjudication and prosecution proceedings that has been initiated or might be taken by SEBI in respect of the above violations committed by the Company, its promoters, directors and other key persons.
11. Copy of this Order shall be forwarded to the recognized stock exchanges and depositories for information and necessary action.

Place: Mumbai
Date: September 05, 2017

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