

SECURITIES AND EXCHANGE BOARD OF INDIA

UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, IN THE MATTER OF –

	NOTICEES	PAN
COMPANY –		
1.	M/s IMTSONS INVESTMENTS LIMITED	AACI1780J
DIRECTORS –		
2.	MR. IMITIYAZHUSAIN SAIYED MOHMED SAIYED	ACCPS4868C
3.	MRS. RIYAZUNNISA IMTIYAZHUSAIN	ANYPS7371M
4.	MR. FAIYAHUSAIN IMTIYAZHUSAIN SAIYED	BOPPS7014j

BACKGROUND –

1. Securities and Exchange Board of India (“**SEBI**”) received a reference in December 2009, from the Central Economic Intelligence Bureau, Department of Revenue, Ministry of Finance, Government of India, containing information pertaining to alleged irregularities committed by Waft Investments. SEBI also received a reference from the Crime Branch, Ahmedabad City Police, Ahmedabad, containing information pertaining to alleged irregularities committed by Imtsons Investments Limited (“**Imtsons Investments**”). Thereafter, on July 21, 2011, SEBI received a Suspicious Transactions Report (“**STR**”) from the Financial Intelligence Unit, Government of India (“**FIU**”) containing information regarding suspicious transactions entered into by Mr. Imtiyazhusain Saiyed Mohamed Saiyed (“**Imtiyazhusain Saiyed**”) in his name and in the name of Waft Investments.
2. Pursuant to receipt of the aforesaid references, an investigation was conducted by SEBI in the matter of Imtsons Investments and Mr. Imtiyazhusain Saiyed. The period of investigation was from April 2007 to June 2011.

SHOW CAUSE NOTICE AND PERSONAL HEARING –

3.1 Upon completion of the investigation, a common Show Cause Notice (“**SCN**”) dated August 1, 2016, which was based on the findings contained in the Investigation Report, was issued to the following entities under Sections 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 (“**SEBI Act**”) –

- a. Mr. Imtiyazhusain Saiyed;
- b. Mrs. Riyazunnisa Imtiyazhusain;
- c. Mr. Faiyahasain Imtiyazhusain Saiyed, and
- d. M/s Imtsons Investments Limited.

3.2 The SCN states –

- A. Mr. Imtiyazhusain Saiyed was the Proprietor of Waft Investments having its office addresses at UL–3 Century Apartment, Juhapura, Ahmedabad–380055 and UL–1, Royal Akbar Tower, Juhapura–Sarkhej Road, Ahmedabad–380055, Gujarat.
- B. Mr. Imtiyazhusain Saiyed was registered with SEBI as a ‘*Sub–broker*’ of ICICI Securities Limited (“**I–Sec**”) [BSE Registration No. INS 014958313 (March 10, 2008) and NSE Registration No. INS235212714 (April 2, 2008)], from March 10, 2008 to November 4, 2009. However, he misrepresented to his clients/investors that he was registered with SEBI as a ‘*Stock Broker*’ of I–Sec.
- C. Mr. Imtiyazhusain Saiyed, while registered as a Sub–broker of I–Sec and as the Proprietor of Waft Investments, entered into Agreements with his clients/investors for investing their funds in the equity share market through icidirect.com (online trading portal of I–Sec) while promising assured returns i.e. profit @10% of investment per month.
- D. Imtsons Investments was incorporated on November 27, 2009, as a private limited company and was subsequently converted into a public limited company on February 11, 2010. The registered office address was at 206, Sakar–VII, near Nehru Bridge, Ashram Road, Ahmedabad–380009, Gujarat.

- E. Vide letter dated February 5, 2013, Imtsons Investments provided details of its Directors, as under –

	NAME	RELATIONSHIP WITH MR. IMTIYAZHUSAIN SAIYED
1.	MR. IMTIYAZHUSAIN SAIYED	SELF
2.	MR. FAIYAHUSAIN IMTIYAZHUSAIN SAIYED	SON
3.	MS. RIYAZUNNISA IMTIYAZHUSAIN SAIYED	WIFE

3.3 The SCN contains the following allegations –

- a. Mr. Imtiyazhusain Saiyed, while registered as a Sub-broker of I-Sec and as the Proprietor of Waft Investments, entered into Agreements with different clients for investing their funds in securities market through icidirect.com and to pay them assured returns i.e. profit @10% of investment each month. The aforesaid amounted to Waft Investments providing services of portfolio management to clients without being registered with SEBI as a Portfolio Manager. As a result, Mr. Imtiyazhusain Saiyed is alleged to have violated Section 12 of the SEBI Act read with Regulation 3 of the SEBI Portfolio Manager (Regulations), 1993 (“**Portfolio Manager Regulations**”).
- b. Mr. Imtiyazhusain Saiyed committed *fraudulent dealings* in the securities market by collecting money from clients/investors and promising assured returns i.e. profit @10% of investment per month through investment in the securities market. The fact that returns in securities market are never assured was known to Mr. Imtiyazhusain Saiyed as he was a Sub-broker of I-Sec. Therefore, Mr. Imtiyazhusain Saiyed is alleged to have violated Regulation 3(a)–(d), Regulation 4(1) and Regulation 4(2)(f) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (“**PFUTP Regulations, 2003**”).
- c. The above actions of Mr. Imtiyazhusain Saiyed in soliciting and collecting money from the public promising them high returns by misusing the trade name granted as a Sub-broker of I-Sec and indulging in fund-based activities involving his personal financial liability to repay the money collected by him. As a result, Mr. Imtiyazhusain Saiyed is alleged to have violated Section 12(1) of the SEBI Act; Rule 8(3)(f) of the Securities Contracts (Regulation) Rules, 1957 (“**SCRR**”) and Clauses A(1), A (2), D(1) and D(4) of the Code of Conduct for Sub-brokers as specified in

Schedule II read with Regulation 15 of the SEBI (Stock Brokers and Sub-brokers), Regulations, 1992 (“**Stock Brokers Regulations**”).

- 3.4 In view of the aforementioned allegations, the entities at paragraph 3.1 were called upon to show cause as to why suitable directions under Sections 11B and 11(4) of the SEBI Act, should not be issued against them *including*:
- a. Directions for refund of money collected by them;
 - b. Directions for restraining them from accessing, buying, selling or otherwise dealing in securities in any manner for a suitable period of time.
- 3.5 The SCN issued to the aforementioned entities at their address i.e. Sakar-VII, near Nehru Bridge, Ashram Road, Ahmedabad-380009, Gujarat, was returned undelivered.
- 3.6 Thereafter, SEBI effected service of the SCN through publication in a national daily i.e. Times of India, Mumbai Edition, February 25, 2017. Vide the aforesaid publication, the entities at paragraph 3.1 were also granted an opportunity of personal hearing on May 15, 2017.
- 3.7 Pursuant to service of SCN, no reply was received from the aforementioned entities.
- 3.8 Further, the aforementioned entities did not appear for the personal hearing on May 15, 2017.

ISSUES FOR DETERMINATION –

- 4.1 I have considered the material available on record i.e. the SCN dated August 1, 2016, alongwith the Annexures contained therein.
- 4.2 The issues for determination in the instant proceedings are as under –
- a. Whether, by entering into Agreements with clients/investors for investments in securities market, collecting and managing their funds for such investments and promising assured returns on their investments, Mr. Imtiyazhusain Saiyed violated

Section 12 of the SEBI Act read with Regulation 3 of the Portfolio Manager Regulations?

- b. Whether as a result of the aforementioned activities, Mr. Imtiyazhusain Saiyed committed '*fraud*' in the securities market and dealt in securities in a fraudulent manner thereby violating Regulation 3(a)–(d), Regulation 4(1) and Regulation 4(2)(f) of the PFUTP Regulations, 2003?
- c. Whether in his capacity as a Sub–broker of I–Sec, Mr. Imtiyazhusain Saiyed indulged in fund-based activities involving his personal financial liability, thereby violating Section 12(1) of the SEBI Act; Rule 8(3)(f) of SCRR and Clauses A(1), A (2), D(1) and D(4) of the Code of Conduct for Sub–brokers as specified in Schedule II read with Regulation 15 of the Stock Brokers Regulations?
- d. Whether Imtsons Investments, Mrs. Riyazunnisa Imtiyazhusain and Mr. Faiyahasain Imtiyazhusain Saiyed, are liable for directions as contemplated under the SCN?

RELEVANT PROVISIONS OF LAW AND FINDINGS –

5.1 *Whether, by entering into Agreements with clients/investors for investments in securities market, collecting and managing their funds for such investments and promising assured returns on their investments, Mr. Imtiyazhusain Saiyed violated Section 12 of the SEBI Act read with Regulation 3 of the Portfolio Manager Regulations?*

5.2 The relevant legal provisions are reproduced below –

A. SEBI ACT, 1992.

REGISTRATION CERTIFICATE –

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 ...

B. SEBI PORTFOLIO MANAGER (REGULATIONS), 1993.

3. REGISTRATION AS PORTFOLIO MANAGER.

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

From the material available on record, the following is noted –

5.3 During the period from April 2007 to November 2009, Mr. Imtiyazhusain Saiyed traded in the securities market through I-Sec, in different capacities –

ENTITY	CAPACITY	NAME OF BROKER	PERIOD	REMARKS
MR. SAIYED	CLIENT	ICICI SECURITIES LIMITED	APRIL 2007 TO MARCH 2008	2 CLIENT ACCOUNTS WITH ICICI SECURITIES LIMITED (CLIENT CODE –8500850333)
	SUB-BROKER (BSE REGN. INS 014958313) (NSE REGN. INS235212714)		MARCH 10, 2008 TO NOVEMBER 4, 2009	ICICI SECURITIES LIMITED CANCELLED THE SUB-BROKER AGREEMENT ON NOVEMBER 4, 2009, DUE TO IRREGULARITIES OBSERVED IN ITS TRADING.

5.4 It is observed from the information obtained from I-Sec that Mr. Imtiyazhusain Saiyed had 2 Client Accounts with that Stock Broker (Client Codes – 8500196293 and 8500850333). There was no trading for the Client Account (Client Code–8500196293). Details of trading done by Mr. Imtiyazhusain Saiyed in Client Account (Client Code–8500850333) during the Financial Years 2007–08, 2008–09 and 2009–10, are as under –

SR. NO.	YEAR	TURNOVER (RS. CRORE)		TOTAL TURNOVER (₹ CRORE)	TOTAL TURNOVER AS % TO TOTAL TURNOVER OF ICICI SECURITIES LTD.	DELIVERY BASED TURNOVER (₹ CRORE)	INTRADAY TURNOVER (₹ CRORE)
		CASH	F&O				
1	2007–08	224.18	0	224.18	0.05%	2.22	221.96
2	2008–09	977.69	354.01	1331.70	0.31%	0.09	977.60
3	2009–10	12.67	3126.14	3138.82	0.49%	0.00	12.67

5.5 From the Table at paragraph 5.3, it is noted that Mr. Imtiyazhusain Saiyed was also a Sub-broker of I-Sec w.e.f. March 10, 2008 to November 4, 2009 (NSE Registration No. INS235212714 and BSE Registration No. INS 014958313).

- 5.6 As per information received from I-Sec on August 13, 2013 [Statement of Ms. Mamta Shetty, Compliance Officer (Broking) of I-Sec], the following is observed –
- a. Subsequent to suspicious activity being noticed in (Sub-broker) Mr. Imtiyazhusain Saiyed's personal account, a SCN dated October 27, 2009 ("**I-Sec SCN**"), was issued by I-Sec to him for indulging in unlawful activity of raising funds from the investors by promising assured returns under the name and stamp of a Sub-broker of I-Sec.
 - b. Since the reply to the aforesaid **I-Sec SCN** was not satisfactory, I-Sec issued a termination letter dated November 3, 2009, to (Sub-broker) Mr. Imtiyazhusain Saiyed and terminated his Sub-brokership.
- 5.7 Subsequently, the Sub-broker Agreement with Mr. Imtiyazhusain Saiyed was cancelled by I-Sec w.e.f. November 4, 2009.
- 5.8 I-Sec *inter alia* informed SEBI vide letter dated March 4, 2015, that the client account of Mr. Imtiyazhusain Saiyed was deactivated on November 4, 2009. Further, it was informed that as a precautionary measure, *"I-Sec had suo moto blocked funds to the extent of ₹81 Lakhs in the account of client Mr. Imtiyazhusain Saiyed. I-Sec had even written a letter to NSE dated July 23, 2010, seeking guidance from the Exchange and considering the fact that we also did not receive any investor complaint, blocked amount was released on May 15, 2012."*
- 5.9 From the documents obtained by SEBI from NSE (which were subsequently examined by SEBI), the following is noted –
- a. In the letter dated December 21, 2009, addressed by Mr. Imtiyazhusain Saiyed to the Reserve Bank of India ("**RBI**"), the following was stated –
 - *"In the year 2007–08, I started a Proprietary Firm with name of Waft Investments... Meantime, I started work as Sub-broker of I-Sec..."*
 - *I worked in two manners: -*
 - i. *I contacted persons and got their 3-in-1 accounts (Savings Bank Account, Share Trading Account and Demat Account) opened in ICICI Bank. They deposited their fund in their own accounts and they were attached to my computer/terminal and I*

was trading on their behalf. The actual proceeds was deposited in their respective accounts and I was getting brokerage from I-Sec for my work...

ii. In case the client could not open the 3-in-1 account in ICICI Bank for any reason whatsoever, I collected fund from them, deposited in my account and started share trading in my name. I used to pay them their share of profit on monthly basis regularly. I had done this type of activity under Joint Venture Scheme i.e. fund of the client and sharing my knowledge of trading. This was done as Proprietor in the name of Waft Investments.

- *From November 2009 onwards, I have stopped both of my abovementioned schemes. In scheme (i) above, the fund remaining in the accounts of various 3-in-1 account holders were released and they have managed their fund in their own way. In scheme (ii) above, I repay the amount of investment in phased manner so that I can well manage both financially and physically. I assure firmly that by the end of this financial year 2009–10, I will be able to settle with all of my clients.*
- *At present, about 1000 clients are attached to me and the total outstanding position is amounting to about ₹10 Crores.”*

b. In another letter dated January 12, 2010, addressed by Mr. Imtiyazhusain Saiyed to the RBI, the following was stated –

➤ ***“Regarding Repayment to the Investors of Waft Investments.***

I have started to repay the amount of investment which I had collected from different investors for share trading purpose now. I have repaid ₹54,22,427 from current account maintained with Bank of Baroda, Vasna Road. As a reference, I enclose copy of bank statement. I have taken up the matter on priority basis and I will repay upto ₹2 Crores upto the end of current month. Thereafter, upto 31st March 2010, I will completely repay the investment amount and close my relative accounts.”

5.10 As per information received by SEBI from I-Sec (letter received at SEBI on August 26, 2013), Mr. Imtiyazhusain Saiyed, its Sub-broker, had enrolled 257 clients.

5.11 In this context, SEBI sought information from the aforesaid 257 clients/investors, details of which are as under –

- a. Out of the 257 clients/investors to whom letters were sent by SEBI, letters issued to 41 clients/investors were returned undelivered.
- b. No acknowledgment or reply was received from 32 investors, where letters were not returned undelivered.
- c. Letters were delivered to the remaining 184 clients/investors, out of which 7 replied.

5.12 As per the replies received by SEBI from the 7 clients/investors of Mr. Imtiyazhusain Saiyed, it is observed that an amount of ₹17 Lakhs was collected from them. However, no amount was repaid to them. Of the aforesaid 7 clients/investors of Mr. Imtiyazhusain Saiyed, 3 clients/investors also submitted certain documents to SEBI for its consideration.

5.13 From the documents received from the clients/investors of Mr. Imtiyazhusain Saiyed, the following is noted –

- a. Mr. Imtiyazhusain Saiyed entered into Agreements with clients/investors through Notarized *Declaration*.
- b. One such *Declaration* dated May 9, 2009, states –
"I, Mr. Imtiyazhusain Saiyed ... hereby declare on solemn affirmation as under:
 - *That I am a Proprietor of Waft Investments.*
 - *That I am engaged in the business of equity share trading online through icicidirect.com under my A/c No. 8500850333. I possess BSE Regd. No. INB011286854 and NSE Regd. No. INB230773037, duly registered with SEBI as a stock broker of I–Sec.*
 - *That I am in need of Fund for the growth of my business and as per my request Mr. /Ms. _____ residing at _____ is ready to invest with me the sum of Rs. _____ as Joint Venture Holder.*
 - *That on receiving the investment amount from him/ her, I shall provide him/ her the receipt in his / her name. I shall invest the said amount in equity share market through ICICI Direct.Com as per our policy and pay him/ her the Fixed proportion of the profit from the said investment. That I shall pay him/ her the amount towards the profit @10% of*

his/her investment amount i.e. Rs. _____ (Rupees _____ only) each month as per our understanding. This amount of share of profit will be paid regularly on _____ each month till the investment money remains with me.”

Upon a consideration of the preceding paragraphs, I find as under –

- 5.14 At the outset, it is to be determined whether the activities of Mr. Imtiyazhusain Saiyed during the period April 2007 to November 2009, by entering into Agreements with clients/investors for investment in the securities market; collecting and managing their funds for such investment, were in the nature of portfolio management services.
- 5.15 As per Regulation 2(cb) of the Portfolio Managers Regulations, a *Portfolio Manager* has been defined to mean ‘*any person who pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the funds of the client, as the case may be.*’
- 5.16 The aforesaid definition makes it abundantly clear that any person who undertakes the management or administration of a portfolio of securities or the funds of the client as the case may be, pursuant to an arrangement with a client/investor can be said to be a *Portfolio Manager*. As noted from the preceding paragraphs, Mr. Imtiyazhusain Saiyed entered into Agreements with clients/investors through a Notarized *Declaration* and collected funds from them. Upon receipt of the said funds, Mr. Imtiyazhusain Saiyed undertook to invest the amounts in the securities market on behalf of such clients/investors. Incidentally, Mr. Imtiyazhusain Saiyed also promised such clients/investors assured returns @ 10% of their investment. The aforementioned activities of Mr. Imtiyazhusain Saiyed in the securities market during the period April 2007 to November 2009, were in the nature of portfolio management services. Accordingly, Mr. Imtiyazhusain Saiyed clearly falls within the ambit of the definition of *Portfolio Manager*.
- 5.17 Mr. Imtiyazhusain Saiyed was registered with SEBI as a Sub-broker of I-Sec (NSE Registration No. INS235212714 and BSE Registration No. INS 014958313) during the period March 10, 2008 to November 4, 2009. However, Mr. Imtiyazhusain Saiyed was not registered with SEBI as a *Portfolio Manager* at the relevant time when he offered portfolio management services to clients/investors i.e. from April 2007 to November 2009.

5.18 The provisions of Section 12(1) of the SEBI Act read with Regulation 3 of the Portfolio Managers Regulations mandate that a person shall hold a Certificate of Registration from SEBI in order to be associated with the securities market as a *Portfolio Manager*. The conduct of Mr. Imtiyazhusain Saiyed in offering portfolio management services to his clients/investors without being registered with SEBI as a *Portfolio Manager*, constitutes a breach of the aforesaid provisions.

5.19 I, therefore, find that Mr. Imtiyazhusain Saiyed violated Section 12 of the SEBI Act read with Regulation 3 of the Portfolio Manager Regulations on account of having entered into Agreements with clients/investors for investment in the securities market; collecting and managing their funds for such investment despite not being registered as a Portfolio Manager with SEBI.

6.1 ***Whether as a result of the aforementioned activities, Mr. Imtiyazhusain Saiyed committed ‘fraud’ in the securities market and dealt in securities in a fraudulent manner thereby violating Regulation 3(a)–(d), Regulation 4(1) and Regulation 4(2)(f) of the PFUTP Regulations, 2003?***

6.2 The relevant legal provisions are reproduced below –

A. **SECURITIES AND EXCHANGE BOARD OF INDIA (PREVENTION OF FRAUDULENT AND UNFAIR TRADE PRACTICES) REGULATIONS, 2003.**

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

4. PROHIBITION OF MANIPULATIVE, FRAUDULENT AND UNFAIR TRADE PRACTICES.

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

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

f. publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

6.3 The PFUTP Regulations, 2003, have been framed to prohibit fraudulent and unfair trade practices relating to the securities market. Regulation 3(a)–(d) *inter alia* prohibit buying, selling or dealing in securities in a fraudulent manner; employment of any manipulative/deceptive device, scheme or artifice to defraud in connection with dealing in securities; engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in securities. Regulation 4(1) of the PFUTP Regulations, 2003, provides for prohibition on indulging in fraudulent or unfair trade practices in securities while Regulation 4(2)(f) states that dealings in securities by a person shall be deemed as fraudulent if it involves ‘*fraud*’ including publication, reporting, etc. of any information which is not true prior to or in the course of dealing in securities.

6.4 Mr. Imtiyazhusain Saiyed entered into Agreements with clients/investors through a Notarized *Declaration*, collected and managed their funds for investment in the securities market while promising assured returns i.e. profit @10% of investment per month. Mr. Imtiyazhusain Saiyed represented to clients/investors that he was registered with SEBI as a Stock Broker of I–Sec (BSE Registration No. INB011286854 and NSE Registration No. INB23077037). Mr. Imtiyazhusain Saiyed also represented to clients/investors that he was engaged in the business of equity share trading online through icidirect.com.

6.5 In its Order dated October 25, 2016 in *Appeal No. 126 of 2013 (Pan Asia Advisors Limited vs. SEBI)*, the Hon’ble SAT while interpreting the expression ‘*fraud*’ under the PFUTP Regulations, 2003, observed:

13. *“From the aforesaid definition of ‘fraud’ it is absolutely clear that if a person by his act either directly or indirectly causes the investors in the securities market in India to believe in something which is not true and thereby induces the investors in India to deal in securities, then that person is said to have committed fraud on the investors in India.”*

6.6 During the period from April 2007 to November 2009, Mr. Imtiyazhusain Saiyed traded in the securities market through I-Sec only in the capacity of a client and as its registered Sub-broker. Further, Mr. Imtiyazhusain Saiyed was registered with SEBI only as a Sub-broker of I-Sec for the period from March 10, 2008 to November 4, 2009. Mr. Imtiyazhusain Saiyed was never registered as a Stock Broker with SEBI. Investments in the securities market including in the Cash segment (where Mr. Imtiyazhusain Saiyed is noted to have traded) are speculative in nature and involve market risks and assured returns can never be guaranteed. Therefore, the collection of funds alongwith the promise of assured returns on investments in the securities market as made by Mr. Imtiyazhusain Saiyed to his clients/investors, was incorrect and deceitful and such misrepresentation was within his knowledge when viewed in light of the aforesaid. This clearly resulted in ‘fraud’ as defined under the PFUTP Regulations, 2003, being committed by Mr. Imtiyazhusain Saiyed, which in turn affected the interests of investors in the securities market. As a result of such false and deceitful representation, clients/investors were wrongly led to believe that any investment made in the securities market through Mr. Imtiyazhusain Saiyed would result in assured returns @10% of investment per month and thereby were induced to deal in securities.

6.7 From the above, I find that Mr. Imtiyazhusain Saiyed has dealt in securities in a fraudulent manner in contravention of the aforementioned provisions of the PFUTP Regulations, 2003.

7.1 ***Whether in his capacity as a Sub-broker of I-Sec, Mr. Imtiyazhusain Saiyed indulged in fund-based activities involving his personal financial liability, thereby violating Section 12(1) of the SEBI Act; Rule 8(3)(f) of SCRR and Clauses A(1), A (2), D(1) and D(4) of the Code of Conduct for Sub-brokers as specified in Schedule II read with Regulation 15 of the Stock Brokers Regulations?***

7.2 The relevant legal provisions are reproduced below –

A. SECURITIES CONTRACTS (REGULATION) RULES, 1957.

QUALIFICATIONS FOR MEMBERSHIP OF A RECOGNISED STOCK EXCHANGE.

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

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

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

...

B. CODE OF CONDUCT FOR SUB-BROKERS AS SPECIFIED IN SCHEDULE II READ WITH REGULATION 15 OF THE SEBI (STOCK BROKERS AND SUB-BROKERS), REGULATIONS, 1992.

GENERAL OBLIGATIONS AND INSPECTION.

15. (1) The sub-broker shall—

(b) abide by the Code of Conduct specified in Schedule II;

SCHEDULE II

CODE OF CONDUCT FOR SUB-BROKERS.

A. GENERAL.

(1) Integrity: A Sub-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 Sub-Broker shall act with due skill, care and diligence in the conduct of all his business.

D. SUB-BROKERS VIS-A-VIS REGULATORY AUTHORITIES

(1) General Conduct: A sub-broker shall not indulge in dishonourable, disgraceful or disorderly or improper conduct on the stock exchange nor shall he wilfully obstruct the business of the stock exchange. He shall comply with the rules, bye-laws and regulations of the stock exchange.

(4) Manipulation: A sub-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.

- 7.3 Under Section 12(1) of the SEBI Act (refer to page 5 of this Order), a Sub-broker is mandated to act in accordance with the conditions of the Certificate of Registration granted by SEBI in accordance with the Stock Brokers Regulations.
- 7.4 Further, as per Rule 8(3)(f) of the SCRR, a member of the Stock Exchange is prohibited from engaging in any business other than that of securities or commodity derivatives except as a broker or agent not involving any personal financial liability. It is noted that the Sub-brokers are not members of the Stock Exchanges. However, the said Rule is applicable to the Sub-brokers as well since they are affiliates of the Stock broker.
- 7.5 Additionally, as a registered Sub-broker, Mr. Imtiyazhusain Saiyed was also duty bound to abide by the Code of Conduct extracted at page 14 of this Order.
- 7.6 It has been established in the preceding paragraphs that Mr. Imtiyazhusain Saiyed was collecting money from clients/investors with a commitment to pay assured returns, by misusing the trade name granted as a broker of I-Sec. The aforesaid conduct of Mr. Imtiyazhusain Saiyed gives rise to pecuniary liability in his personal capacity to his clients/investors, which is explicitly prohibited under Rule 8(3)(f) of the SCRR. Mr. Imtiyazhusain Saiyed, therefore, failed to act in accordance with the conditions of the Certificate of Registration granted to him as a Sub-broker. Mr. Imtiyazhusain Saiyed also failed to maintain high standards of integrity, promptitude and fairness prescribed for a Sub-broker and failed to act with diligence in the conduct of his business as a Sub-broker. The aforesaid conduct of Mr. Imtiyazhusain Saiyed as a registered Sub-broker was also improper and fraudulent.
- 7.7 I, therefore, find that Mr. Imtiyazhusain Saiyed violated Section 12(1) of the SEBI Act; Rule 8(3)(f) of the SCRR and Clauses A(1), A (2), D(1) and D(4) of the Code of Conduct for

Sub-brokers as specified in Schedule II read with Regulation 15 of the Stock Brokers Regulations.

8.1 *Whether Imtsons Investments, Mrs. Riyazunnisa Imtiyazhusain and Mr. Faiyahasain Imtiyazhusain Saiyed, are liable for directions as contemplated under the SCN?*

8.2 As per the SCN, Imtsons Investments, Mrs. Riyazunnisa Imtiyazhusain and Mr. Faiyahasain Imtiyazhusain Saiyed, were also called upon alongwith Mr. Imtiyazhusain Saiyed to show cause as to why suitable directions under Sections 11(4) and 11B of the SEBI Act, should not be issued against them.

8.3 It is noted that Imtsons Investments was incorporated on November 27, 2009, as a private limited company by Mr. Imtiyazhusain Saiyed and was subsequently converted into a public limited company on February 11, 2010. Mr. Imtiyazhusain Saiyed, Ms. Riyazunnisa Imtiyazhusain Saiyed and Mr. Imtiyazhusain Saiyed were its Directors.

8.4 I note that no replies to the SCN have been received by SEBI, from Imtsons Investments, Mrs. Riyazunnisa Imtiyazhusain and Mr. Faiyahasain Imtiyazhusain Saiyed. I further note that the aforesaid entities have not appeared in the personal hearing held on May 15, 2017.

8.5 Upon a consideration of the SCN on the basis of the material available on record, I find that there are no allegations/averments implicating Imtsons Investments, Mrs. Riyazunnisa Imtiyazhusain and Mr. Faiyahasain Imtiyazhusain Saiyed in the said SCN. Thus, I am of the view that the proceedings initiated against the aforementioned entities vide the SCN, may accordingly be dropped.

CONCLUSION –

9.1 SEBI has been entrusted with the important mandate of protecting the interests of investors and safeguarding the integrity of the securities market under the provisions of the SEBI Act. It is, therefore, necessary that SEBI exercise these powers firmly and effectively to insulate the market and its investors from the fraudulent actions of any of the participants in the securities market, thereby fulfilling its legal mandate. The basic premise that underlines the integrity of securities market is that persons connected with securities market conform to

standards of transparency and ethical behaviour prescribed in securities laws especially in the Code of Conduct and also ensure that they do not resort to *inter alia* dealing in securities in a fraudulent manner.

- 9.2 In the instant proceedings, for the reasons detailed in the preceding paragraphs, I have no hesitation in concluding that Mr. Imtiyazhusain Saiyed has acted in a manner which was detrimental to the interests of investors in the Indian securities market and as a result violated the aforementioned provisions of the SEBI Act read with the Portfolio Managers Regulations; the SCRR; the PFUTP Regulations, 2003 and the Stock Brokers Regulations.

DIRECTIONS –

- 10.1 In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(4) and 11B of the SEBI Act, hereby direct as under –

- i. The following entity is restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in the securities market, either directly or indirectly, for a period of **Three** years from the date of this Order.

	NAME	PAN
1.	MR. IMTIYAZHUSAIN SAIYED	ACCP54868C

- ii. Mr. Imtiyazhusain Saiyed shall refund the money collected from his clients/investors during the period April 2007 to November 2009 with an interest @ 15% per annum (the interest being calculated from the date when the repayments became due till the actual date of payment), supported by a Certificate of two independent Chartered Accountants to the satisfaction of SEBI (to be submitted to SEBI within 7 days of completion of the refund).

- iii. The proceedings initiated vide the SCN dated August 1, 2016, are hereby dropped against the following entities, viz.

	NAME	PAN
1.	M/s IMTSONS INVESTMENTS LIMITED	AACI1780J
2.	MRS. RIYAZUNNISA IMTIYAZHUSAIN	ANYPS7371M
3.	MR. FAIAHUSAIN IMTIYAZHUSAIN SAIYED	BOPPS7014J

10.2 This Order shall come into force with immediate effect.

10.3 A copy of this Order shall be forwarded to the Recognized Stock Exchanges and Depositories for information and necessary action.

Place: Mumbai

Date: October 6, 2017

**G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**