

SECURITIES AND EXCHANGE BOARD OF INDIA

EX PARTE - AD- INTERIM ORDER

UNDER SECTIONS 11(4), 11B AND 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 35 OF SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008.

IN RESPECT OF

S. No.	Entity's name	PAN
1.	F6 FINSERVE PVT. LTD.	AABCF0080D
2.	F6 COMMODITIES PVT. LTD.	AACCF1155G
3.	MR. PANKAJ GOEL	ACTPG7828D
4.	MR. PARVEEN SHARMA	ACDPS3164Q
5.	MS. MEENU GOEL	AFSPG7531F
6.	MR. SANJAY ANAND	AADPA9398N
7.	MS. KAVITA ANAND	ABHPA9289M
8.	MS. ASHA SHARMA	AWHPS6616H
9.	MR. DEEPAK GOEL	ADEPG1122G
10.	MS. RUCHIKA GOEL	AIAPG7306B

1. F6 Finserve Private Limited. (hereinafter referred as 'F6/ 'Broker'/Trading Member) having its registered office at 206, 2nd Floor, Market, Sewa Corporate Park, M.G. Road, Gurgaon – 122002 is registered with SEBI in following categories:
 - a) As a stock broker of equity segment of National Stock Exchange of India Ltd. (NSE) (Registration number: INB231467334).
 - b) As a stock broker in equity derivative segment of NSE (Registration number: INF231467334).
 - c) As a stock broker in Currency Derivative Segment of NSE (Registration number: INE231484739).
 - d) As a stock broker in equity segment of Bombay Stock Exchange Ltd. (BSE) (Registration number: INB011467330).
 - e) As a stock broker in equity derivative segment of BSE (Registration number: INF011467330).

- f) As a stock broker in Currency Derivative Segment of BSE (Registration number: INB011467330).
- i) As a Depository Participant of Central Depository Services Ltd. (CDSL) (Registration number: IN-DP-CDSL-699-2013).
2. F6 Commodities Pvt. Ltd. ("FCPL") having its registered office at Unit no. 206, 2nd Floor, Sewa Corporate Park, M. G. Road, Gurgaon -122002 is registered with SEBI as a commodity derivatives broker of Multi Commodity Exchange of India Ltd (MCX), National Multi Commodity Exchange Ltd. (NMCE) and National Commodity & Derivatives Exchange Limited (NCDEX) (Unique Registration number: INZ000037335).
3. The summary of directorship of F6 and FCPL and the respective tenure of the directors is as under:

S. No	Entity Name	Tenure of the Directors
A	F6 Finserve Private Limited	
1	Present Directors	
a.	Pankaj Goel	27/01/2005-till date
2	Past Directors	
a.	Meenu Goel	24/12/2013-01/01/2018
b.	Sanjay Anand	10/02/2015-01/01/2018
c.	Kavita Anand	10/02/2015-01/01/2018
d.	Asha Sharma	11/04/2016-01/01/2018
e.	Deepak Goel	27/01/2005-01/01/2018
f.	Ruchika Goel	24/10/2016-01/01/2018
g.	Parveen Sharma	11/04/2016- 02/01/2018
B	F6 Commodities Private Limited	
1	Present Directors	
a.	Pankaj Goel	26/12/2012-till date
b.	Meenu Goel	26/12/2012-till date

4. The shareholders of F6 are as under:-

Name	No. of shares	% of holding
Mr. Pankaj Goel	1008000	75%
Ms. Meenu Goel	336000	25%

5. The shareholders of FCPL are as under:

S. No.	Name of the Shareholder	Number of Shares held	% of Shares
1	Mr. Pankaj Goel	1008000	75%
2	Ms. Meenu Goel	336000	25%

6. NSE vide emails dated July 27, 2017 and August 03, 2017 forwarded to SEBI, its observations made during the inspection of F6 conducted during January, 2017 for the period October 01, 2015 -September 30, 2016. NSE during the inspection *inter alia* made following adverse observations against the broker:

a. Mis-utilization of client securities:

- It was observed that F6 had utilized securities belonging to other clients to meet pay-in obligations of client K. K. Advisor Pvt. Ltd (client code - HOKL2) on 100 instances amounting to Rs. 5.86 Cr. during the period 01-Oct-16 to 10-Jul-17. Further, it was observed that F6 had met proprietary ("PRO") pay-in obligations from the client's securities amounting to Rs.1,77,057.35 on the following instances:

SCRIP	Date of Sale	Balance available in Register of Securities ("ROS") before sale	Sold Qty	Misused Qty	Rate (Rs.)	Misused Amount (Rs.)	Settlement No.
BLISS GVS PHARMA LTD.	12-Sep-16	0	1285	1285	137.6	1,76,816.00	2016170
ITC LTD.	14-Sep-16	2	3	1	241.4	241.35	2016171
Total						1,77,057.35	

b. Non-availability of clients securities

- Difference between quantity of securities available in ROS and holding statement of beneficiary accounts was amounting to Rs. 10.74 Cr. as on September 30, 2016.

c. Unexplained use of funds raised by pledging client securities:

- It was observed that the broker had availed overdraft facilities by pledging client securities with IL&FS, Edelweiss and Canara Bank. The total value of shares pledged as on 26-Oct-2015 was Rs. 22,53,40,378 . The broker had pledged shares of 532 clients as on the said date and on 438 instances the overdraft amount was in excess of the obligation of the relevant clients.

d. Actual settlement of client fund and securities not done

- It was observed that F6 had not done settlement for 121 clients as on Sep 30, 2016 having credit balances of funds and securities which were inactive for more than 3 months.

e. False reporting of Margin collected from clients in CD and F&O segments

- From the records produced and other submissions made by the broker, it was observed that the broker has incorrectly reported margin collected from clients trading in Future & Option segment on 1 instance.

7. In view of the observations made by NSE during inspection of F6 (communicated to SEBI vide email dated July 27, 2017) and considering the gravity of the violations observed, SEBI also conducted inspection of F6 between August 10-30, 2017 for the period April 01, 2015 to August 10, 2017 (“the inspection period”).
8. Thereafter, in view of the gravity of the observations made during the inspection conducted in *January, 2017* and complaints received against the broker; NSE conducted another inspection of F6 during *January, 2018*. Vide email dated February 05, 2018, NSE forwarded the observations made in its inspection of F6 to SEBI. In the said inspection also, NSE made several adverse observations against the broker which are *inter alia* as under:

a. Non-availability of clients securities

- On comparison of back office ROS as on January 22, 2018 with holding statements of beneficiary accounts of the broker, it was observed that out of clients securities worth Rs. 51.57 crores recorded in the ROS as on January 22, 2018, only securities worth Rs. 20.59 crores were available with F6. Thus, a shortfall of client securities

worth Rs. 30.98 crores was observed. Out of Rs.20.59 crores, securities worth Rs.6.53 crores were found to be pledged with ICICI, ILFS Financial Services Limited, JM Financial, ECL Finance Limited and Canara Bank. The Broker failed to provide the details of the clients whose securities were pledged.

b. Non-availability of client funds

- On verification of the trial balance of the broker as on January 22, 2018, it was observed that as against creditors amounting to Rs.19.58 crores, available balance in bank/clearing member/Exchange/Clearing Corporation was Rs.14.36 crores. Hence, a shortfall of Rs. 5.22 crores was observed. It was further observed that despite non-availability of funds, trading member had extended loans of Rs.15.71 crores to Mr. Pankaj Goel, director and promoter as detailed below:

(Figures in Rs.)

A/c Code	Account Head Name	Closing Balance (Dr.)
ZPG02	Pankaj Goel	11,00,56,508
ZPL05	Pankaj Goel Loan A/C	4,70,48,971
	Total	15,71,05,478

c. Improper use of client securities

- As per ROS as on January 22, 2018, it has been observed that the broker had met the obligations amounting to Rs. 3.02 crores in proprietary account and in the account of Mr. Pankaj Goel, Director and promoter of F6, from securities belonging to other clients. The trading member had sold clients' securities in these accounts without actually possessing them and securities balances are appearing in negative in the ROS. Further, it was observed that the broker sold securities worth Rs.12.27 crores from the accounts of certain clients namely Distinct Softwares Pvt. Ltd., Jagmohan Garg, Sonia Finvest Pvt Ltd., Manoj Amrutlal Chauhan, Pradeep Agarwal, Arun Kumar Bajpai, Arush Tiwari, Binod Kumar Kushawaha, Mainak Deb, Rajesh Tiwari and Ravindra Nath Tiwari, who actually did not possess those securities as on the date of the respective sale.

d. Actual settlement of client funds and securities not done

- It was observed that F6 had not settled funds and securities aggregating to Rs. 16.74 crores of 791 clients who had not traded since last 3 months (since October 1, 2017) as on January 22, 2018.

9. The main observations of the above mentioned inspection carried out by SEBI during August 10-30, 2017 (as mentioned above) are, *inter alia*, as under-

i) **Non-settlement of funds of inactive clients**

- It was observed that F6 has not settled funds aggregating to Rs. 1.43 cr. of 891 clients who have not traded during last 3 months (since Jan 01, 2017-Mar 31, 2017).

ii) **Improper use/Mis-utilisation of client funds**

- It was observed that on sample 33 instances verified during the inspection, funds received from the clients aggregating to Rs. 17.03 cr. were transferred to the Business Account of F6 (Kotak Bank -7511370042) which is an overdraft account. *Prima facie*, it appears that the funds from clients were transferred to the abovementioned overdraft Bank account to reduce the burden of interest on the said overdraft exposure. Further, on certain instances the funds received from the clients were paid to other clients/ transferred to Business A/c of F6 or paid to Pankaj Goel (Director of F6).
- During the inspection period (April 01, 2015 to August 10, 2017) it was observed that for sample 12 dates, funds lying across all the client Bank accounts (as mentioned in SEBI's circular - SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016) and the cash collateral lying with exchanges (fixed deposits, Bank Guarantee, etc. as mentioned in SEBI's circular - SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016) were less than the gross creditors (clients). The same is depicted in the table below:

(Figures in Rs.)

Date	A (Fund balance available in Client Bank Accounts)	B (collateral deposited with clearing corporation and/or clearing broker)	A+B	C (credit balance of all clients)	G=(A+B)-C (shortfall)	% of Credit Funds Misused to Total Credit Balance
03/06/2015	1,51,71,641	3,35,25,000	4,86,96,641	9,88,93,569	5,01,96,928	50.76%
16/06/2015	1,88,45,174	3,35,25,000	5,23,70,174	10,01,87,745	4,78,17,571	47.73%

Date	A (Fund balance available in Client Bank Accounts)	B (collateral deposited with clearing corporation and/or clearing broker)	A+B	C (credit balance of all clients)	G=(A+B)-C (shortfall)	% of Credit Funds Misused to Total Credit Balance
30/09/2015	37,34,796	3,49,25,000	3,86,59,796	9,47,57,701	5,60,97,905	59.20%
20/05/2015	1,18,70,903	3,35,25,000	4,53,95,903	11,18,76,416	6,64,80,513	59.42%
04/05/2015	1,09,08,199	3,35,25,000	4,44,33,199	10,03,16,802	5,58,83,602	55.71%
08/09/2016	19,27,091	5,91,96,107	6,11,23,198	10,59,04,875	4,47,81,677	42.28%
22/06/2016	37,52,865	5,81,96,107	6,19,48,972	11,42,36,968	5,22,87,996	45.77%
09/09/2016	10,55,292	5,91,96,107	6,02,51,399	10,96,06,910	4,93,55,511	45.03%
28/06/2016	54,23,280	5,81,96,107	6,36,19,387	13,96,47,386	7,60,27,999	54.44%
12/09/2016	12,33,924	5,87,21,107	5,99,55,031	10,76,27,801	4,76,72,770	44.29%
07/08/2017	3,65,65,338	9,33,25,123	12,98,90,461	20,16,08,272	7,17,17,811	35.57%
05/04/2017	1,51,34,043	9,28,56,107	10,79,90,150	12,87,80,735	2,07,90,584	16.14%

- In view of the above, it appears that the funds of the clients, having credit balance with the Broker, were utilized for allowing exposure to the clients having debit balance or were used by F6 for its own purposes. The difference between the credit balance in the clients' ledger as submitted by F6 and the sum of balances lying in the Client Bank accounts and the cash collateral lying with exchanges as on the sample dates (random selection) is tabulated below:

(Figures in Rs.)

Date	Client fund misused (G) (Absolute value of G in the table above)	Debit balance client	Funds Misused for Debit Balance of Clients / own purpose
03/06/2015	5,01,96,928	20,77,53,541	5,01,96,928
16/06/2015	4,78,17,571	19,74,76,616	4,78,17,571
30/09/2015	5,60,97,905	16,33,80,029	5,60,97,905
20/05/2015	6,64,80,513	19,57,24,081	6,64,80,513
04/05/2015	5,58,83,602	19,61,39,372	5,58,83,602
08/09/2016	4,47,81,677	18,05,72,558	4,47,81,677

Date	Client fund misused (G) (Absolute value of G in the table above)	Debit balance client	Funds Misused for Debit Balance of Clients / own purpose
22/06/2016	5,22,87,996	12,30,60,790	5,22,87,996
09/09/2016	4,93,55,511	18,12,10,362	4,93,55,511
28/06/2016	7,60,27,999	11,86,77,248	7,60,27,999
12/09/2016	4,76,72,770	18,23,66,319	4,76,72,770
07/08/2017	7,17,17,811	19,09,79,568	7,17,17,811
05/04/2017	2,07,90,584	19,72,70,584	2,07,90,584

iii) **Non-segregation and mis-utilization of client securities**

- The broker had not maintained segregation between own and clients' securities. It was observed that the securities were transferred to pool account for settlement of the own obligation of F6 and obligations of client from the Margin Beneficiary account (1207770000000041). Further, on verification of the Demat ledger of the PRO account it was observed that in the following instances, the securities were not available in the Demat ledger of the PRO Account which indicates that the broker had used client securities for settlement of its own obligations.

SCRIP	Date of Sale	Balance available in Demat Ledger before sale	Sold Qty	Shares sold in excess of availability
SBI Bank	03-06-15	0	8750	8750
ICICI Bank	03-06-15	0	10,000	10,000
HDFC Bank	03-06-15	0	4,000	4,000
Nectar Lifesciences	16-06-15	0	1,142	1,142
Raj TV	16-06-15	0	18,117	18,117
Unitech Ltd.	05-04-17	10,205	1,27,042	1,16,837
ITC	14-09-16	2	3	1
Bliss GVS Pharma Ltd.	12-09-16	0	1285	0

- Further, on the following instances, the shares were received for settlement of PRO obligation from client beneficiary account which indicates that the clients' shares were used by the broker for settlement of its own obligations.

Trade Date	Scrip	Qty traded in Pro A/c	Shares credited in Pool A/c (1207770000000016)	Remarks
08/09/2016	Meghmani Organics	3,483	3,483	3,483 shares transferred to pool a/c from Margin Beneficiary (Ben.) Account. Shares received in Margin Ben A/c from Client Ben A/c (IN30009511647782)
09/09/2016	Reliance Naval(INE 542F0101 2)	4,850	4,900	4,900 shares settled. Shares received in pool a/c from Margin Ben A/ c. Shares received in Margin Ben A/c from Client Beneficiary A/c (IN30009511647782)
09/09/2016	E-Land Apparel	200	500	500 shares settled. Shares received in pool a/c from Margin Ben A/ c. Shares received in Margin Ben A/c from Client Beneficiary A/c (IN30009511647782)

- NSE in its inspection had observed that F6 has utilized securities belonging to other clients to meet pay-in obligations of client (KK Advisor Pvt Ltd.). During inspection, F6 was asked about the same, in response whereof, it submitted that three of its employees acting in collusion with KK Advisor had sold shares in its client a/c (HOKL2) without owning those shares and utilized securities of other clients for the pay-in obligation. The broker submitted that it had filed an FIR against these three employees with DCP, Gurgaon and provided a copy of the complaint dated May 13, 2017. This shows that the broker did not put adequate systems in place to ensure segregation of clients' securities and to prevent their mis-utilization. In view of the above, it *prima facie* appears that the broker had failed to exercise due diligence which led to mis-utilization of client securities.

iv) Use of client beneficiary accounts for purposes other than specified

- Upon perusal of the demat account statement of client A/c of F6, it was observed that F6 has received 31 lac quantity of Scrip MEP Infrastructure Developers Limited in its client beneficiary account no. (1207770000000073) during September, 2016 from Mr. Mhaskar Dattatray Pandurang who is not a registered client of F6.

v) Loan against Securities

- It was observed during inspection that the broker pledged client securities with IL&FS, ICICI Bank, Edelweiss and Canara Bank to avail overdraft facility. From the data submitted by F6, it was observed that as on 05.10.2017, F6 had pledged securities of 1,116 clients. However, despite several reminders, F6 failed to submit complete information to SEBI in that regard.

vi) Wrong reporting of Margin Collection

- It was observed that on 10 instances (out of 75) F6 had made wrong reporting of margins to the exchange.

vii) Failure to furnish information to the inspection team

- The broker failed to provide complete information/data to the inspection team sought from it during inspection. Therefore, a meeting was held with the broker on September 26, 2017 wherein it was advised to submit the pending data/information. Vide emails dated October 25, 2017; October 27, 2017 and November 28, 2017, F6 was advised again to submit the pending information.
- Thereafter a meeting was again held with the broker on January 18, 2017. Subsequently, email dated January 19, 2018 and letters dated Jan 25, 2018 and January 29, 2018 were also sent to the broker seeking the pending information. However, no response was received.
- On the basis of data available, the observations made during the inspection were communicated to F6 vide letter dated February 02, 2018. Vide email dated February 09, 2018, the broker sought extension of time for submitting the reply. Vide email dated Feb 09, 2018 and reminder email dated Feb 15, 2018, F6 was

advised to submit the reply to the inspection observations. However, no reply was received.

10. In the meantime, NSE also informed that despite regular follow-ups and reminder mails/ letters to F6, it did not submit any reply. In view of the same, F6 was called for a meeting at NSE's office on Sep 20, 2017 to discuss status of observations. Based on the meeting held on September 20, 2017, F6 sent the undertaking on Nov 01, 2017 to NSE wherein it stated that for any shortfall of funds and securities for any client, the director Pankaj Goel shall be responsible and the said shortfall shall be made good from his resources. In this regard, NSE's Internal Committee for Minor Actions (ICMA) in its meeting held on December 05, 2017 decided that the matter should be referred to Disciplinary Action Committee (DAC).
11. On January 22, 2018, NSE received 2 complaints amounting to Rs. 2.33 cr regarding non receipt of funds from F6. As noted above, an inspection of the trading member was also initiated on Jan 23, 2018 by NSE. Considering the significant unavailability of client funds and securities, which may have serious repercussion on safety of clients' assets, the matter was again placed before ICMA. ICMA in its meeting held on February 01, 2018 decided to prohibit the new client registration of F6 till further notice.
12. The DAC of NSE vide its Circular Resolution dated April 13, 2018 decided that F6 be declared a defaulter and be expelled from all segments. Accordingly, F6 was expelled and declared as defaulter w.e.f. April 13, 2018 vide Exchange circular dated April 13, 2018. BSE also declared F6 as a defaulter and expelled it w.e.f. April 3, 2018 from all segments.
13. Further, the data extracted by NSE from the records of F6 were also analysed and the following was observed:-
 - i) The assets/ liabilities status of the broker as on January 22, 2018 on the basis of information obtained from its trial balance, demat account and Bank statements is as follows:

(Rs. in Crores)

Assets	Amount	Liabilities	Amount
Securities Holding Value	32.16	Client Credit Balance	19.58
Deposits available with Clearing Corporation/Exchange(as per trial balance)	14.64	Client securities as per RoS	51.57

Fund Balance in Bank Accounts	0.07		
Total	46.87	Total	71.15
Shortage of funds			24.28

- ii) Further, the broker has also availed Loan against Securities/Overdraft facility from Canara Bank, ICICI Bank and Edelweiss Finance. The details of the loan/overdraft availed from these institutions as on January 22, 2018 is as follows:

(Rs. in Crores)

Loan outstanding with ECL	6.22
ICICI overdraft	14.64
Canara Overdraft	0.84
Total	21.70

- iii) The broker has failed to resolve the complaints of its clients. The number of the complaints and the value of the claim pending against the member as on April 17, 2018 is as under:

No. of complaints	Value of Claim
288	Rs. 41.92 Cr.

14. In view of the observations of SEBI and NSE noted above, it *prima facie* appears that F6 committed the following violations: -

- a. *By not settling the accounts of inactive clients, the broker has violated the SEBI Circular No. MIRSD/SE/Cir-19/2009 dated December 03, 2009.*
- b. *F6 is in violation of SEBI circular No. SMD/SED/CIR/93/23321 dated November 18, 1993 on account of the following:*
 - *Funds from clients received in client A/c were transferred to the overdraft Bank account of the broker to reduce the burden of interest on the said overdraft exposure. Further, it is also observed that on certain instances funds received from clients are paid to other clients/ transferred to Business A/c of F6 or were paid to Pankaj Goel, Director of F6.*
 - *Use of securities of certain clients used for meeting the obligation of another client (KK Advisors Private Limited).*
 - *The securities of client have been mis-utilized by the broker for settlement of PRO/Own obligation.*

- *The broker has received securities from third party (not a client of the broker) in its client a/c indicating that the client beneficiary a/c has been used for purposes other than the specified purpose.*
 - *The broker has not maintained inter-se client segregation of securities.*
- c. *The funds of credit balance clients have been mis-utilized by F6 to fund debit balance clients/for own purposes. Hence, prima facie F6 has not complied with SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular MRD/DoP/SE/Cir- 11/2008 dated April 17, 2008.*
- d. *The broker has raised funds by pledging securities of clients in violation of SEBI Circulars no. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008 and SMD/SED/CIR/93/23321 dated November 18, 1993.*
- e. *By making wrong reporting about margin collection, F6 has not fully complied with SEBI Circular CIR/DNPD/7/2011 dated August 10, 2011 read with SEBI Master Circular No. CIR/DNPD/1/2012 dated January 02, 2012 regarding short collection/non collection of client margins in derivatives segment. It also appears that F6 has not fully complied with the provisions of NSE Circular No. NSE/INSP/19583 dated December 14, 2011.*
- f. *By failing to cooperate with the inspecting authority and failing to provide complete information to the inspecting authority, F6 prima facie violated provisions of regulation 21 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.*
- g. *F6 has also failed to comply with Clauses A (2) and A (5) of the Code of Conduct read with Regulation 9 (f) of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.*

15. It was also observed during the examination that F6 and FCPL are *prima facie* connected to each other on account of the following factors:

- a. They have the same registered office as per the MCA records.
- b. As noted from the MCA website, Mr. Pankaj Goel is the present director of both F6 and FCPL. Meenu Goel is a present director of FCPL and was a director of F6 from December 24, 2013- January 01, 2018

- c. Mr. Pankaj Goel and Ms. Meenu Goel are the promoters of F6 and FCPL and together hold 100% shareholding thereof.
- d. There were huge fund transfers between F6 and FCPL. During the period April 01, 2016- March 31, 2018, the net transfer from FCPL to F6 was approximately Rs. 5.51 cr.

16. As already mentioned, FCPL is registered as a commodity derivatives broker of MCX, NMCE and NCDEX. I note from the material on record that NMCE had suspended FCPL on 16.03.2018 due to non-submission of Half Yearly Internal Audit Report. MCX had disabled the trading terminal of FCPL w.e.f 16.03.2018 and it also issued a show-cause notice dated April 18, 2018 to FCPL for non-cooperation in inspection. Further, on NCDEX, the trading terminal of FCPL was disabled w.e.f 15.03.2018 due to non-submission of half yearly net-worth certificate for Sep 30, 2017 and Internal Audit report for Sep 30, 2017. NCDEX has also issued a show cause notice to FCPL on 10.04.2018 asking it to explain why its membership should not be terminated as it ceases to meet the continuous membership criteria as the directors and promoters no longer meet the fit and proper criteria consequent to their expulsion and declaration of defaulter by BSE and NSE.
17. As informed by MCX, F6 was not registered as a client of FCPL. Also, as informed by BSE, FCPL was not registered with F6 as a client on BSE. Though, FCPL was a client of F6 on NSE, but as informed by NSE, FCPL did not execute any trade through the broker F6 during the period April 01, 2016-Mar 31, 2018. Despite this, there were unreasonably huge fund transfers between F6 and FCPL during the inspection period.
18. Also, similar to F6, investor complaints have been filed against FCPL. It is noted that as on May 7, 2018, there were 61 investor complaints pending against FCPL which total up to a claim value of Rs. 35.95 lakh.
19. It is noted that Mr. Pankaj Goel is the present director of F6. Ms. Meenu Goel, Mr. Sanjay Anand, Ms. Kavita Anand, Ms. Asha Sharma, Mr. Deepak Goel and Ms. Ruchika Goel ceased to be Directors of F6 with effect from January 01, 2018. Mr. Parveen Sharma ceased to be a director of F6 with effect from January 02, 2018. However, all of them were acting as a directors of F6 when the violations observed above were going on. As regards FCPL, Mr. Pankaj Goel and Ms. Meenu Goel are presently its directors. .

20. Regarding the status of F6 Securities Pvt. Ltd. as a Depository Participant of Central Depository Services Ltd., it is noted that it was terminated by CDSL on March 31 2018 and was converted into CDSL managed DP.
21. Any Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. In terms of section 179 of the Companies Act, 2013, the Board of Directors of a company shall be entitled to exercise all such powers and do all such acts and things as the company is authorized to exercise and do. Therefore, the Board of Directors being responsible for the conduct of the business of a company are liable for any non-compliance of law and such liability shall be upon the individual directors also. Hon'ble Supreme court while describing what is the duty of a Director of a company held in *Official Liquidator v. P.A. Tendolkar (1973) 1 SCC 602* that "A Director may be shown to be so placed and to have been so closely and so long associated personally with the management of the Company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of the business of a Company even though no specific act of dishonesty is proved against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the Company even superficially". Further, in cases of fraud, it is a settled position of law that the corporate veil can be lifted and the directors can be held liable for the fraud of the Company.
22. A person acting as a securities market intermediary is expected to protect the interest of investors in the securities market in which he operates. Such a person is required to maintain high standards of integrity, promptitude and fairness in the conduct of his business dealings, and not be motivated purely by prospects of financial gain.
23. As a regulator of the capital markets, SEBI has the duty to safeguard the interest of investors and protect the integrity of the securities market. Since the conduct of F6, FCPL and their directors is not in the interest of investors in the securities market, necessary action has to be taken against them immediately, else it may lead to loss of investors' trust in the securities market. I am also convinced that this is a case where effective and expeditious action is required to be taken to prevent any further harm to investors.
24. Pending detailed inquiry, in view of the liabilities of F6 and FCPL and transfer of clients' funds / securities between F6 and FCPL it is essential to take urgent steps to prevent

F6, FCPL and its present / past directors not to alienate any assets, whether movable or immovable, or any interest or investment or charge in any of such assets, so that the final remedies, if any, do not become infructuous.

25. Further, in order to maintain the *status quo*, pending detailed inquiry, I also find it appropriate that the holdings of the bank accounts of F6 and FCPL are also required to be frozen.

26. It is noted that Mr. Pankaj Goel and his wife, Ms. Meenu Goel are the promoters of F6 and FCPL. Mr. Pankaj Goel has been the director of F6 since 27/01/2005 till date and Ms. Meenu Goel was the director of F6 from 24/12/2013 to 01/01/2018. Both of them have also been the directors of FCPL since 26/12/2012 till date. Further, they were also the Designated Directors of F6 during the relevant period and were also managing the day to day affairs of F6 including overseeing regulatory compliance and correspondence with the stock exchanges. From the analysis of bank accounts of F6, it is observed that during the period April 01, 2016- March 31, 2018, F6 transferred Rs. 16.78 cr. (net) to Mr. Pankaj Goel and Rs. 16.25 Lacs (net) to Meenu Goel. Their association with F6 and FCPL and their position therein *prima facie* shows that they had an active role in the acts and omissions of F6 discussed hereinabove. In view of the *prima facie* non-compliances, movement of funds, misconduct and failure to repay the investors, pending detailed inquiry, it is also appropriate that the holdings of the bank accounts of Mr. Pankaj Goel and Ms. Meenu Goel are also frozen in order to maintain the *status quo*.

27. In view of the above, I, in exercise of powers conferred upon me by virtue of section 19 read with sections 11(1), 11(4), 11B and 11D of the SEBI Act, 1992, Regulation 35 of Securities And Exchange Board of India (Intermediaries) Regulations, 2008, by way of this *ex parte - ad- interim order*, hereby issue the following directions:

- a. F6 Finserve Private Limited, F6 Commodities Private Limited, Mr. Pankaj Goel, Mr. Parveen Sharma, Mr. Meenu Goel, Mr. Sanjay Anand, Ms. Kavita Anand, Ms. Asha Sharma, Mr. Deepak Goel and Ms. Ruchika Goel are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, till further directions;

- b. The aforesaid entities and persons shall cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions;
- c. The aforesaid entities and persons are directed to provide a full inventory of all their assets, whether movable or immovable, or any interest or investment or charge in any of such assets, including details of all their bank accounts, demat accounts and mutual fund investments immediately but not later than 5 working days from the date of receipt of these directions.
- d. The aforesaid entities and persons are directed not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge in any of such assets excluding money lying in bank accounts except with the prior permission of SEBI.
- e. Till further directions in this regard, the assets of these entities shall be utilized only for the purpose of payment of money and/or delivery of securities, as the case may be, to the clients/investors under the supervision of the concerned stock exchange(s).
- f. The depositories are directed to ensure that no debits are made in the demat accounts, held jointly or severally, of the aforesaid entities and persons except for the purpose mentioned in sub-para (e) after confirmation from the concerned stock exchange in this regard.
- g. Registrar and transfer Agents are also directed to ensure that the securities (including mutual fund units) in physical form, held jointly or severally, by the aforesaid entities and persons are not transferred/redeemed except for the purpose mentioned in sub-para (e) after confirmation from the concerned stock exchange in this regard.
- h. The banks are directed to ensure that no debits are made in the bank accounts held jointly or severally by F6 Finserve Private Limited, F6 Commodities Private Limited, Mr. Pankaj Goel, and Mr. Meenu Goel, except for the purpose of payment of money to the clients/investors under the written confirmation of the concerned stock exchange(s).

- i. The above directions are without prejudice to the right of SEBI to take any other action that may be initiated in respect of aforesaid entities/persons.
28. As noted above, during the inspection it has been observed that F6 had misused the securities and funds of its clients to the benefit of a few specific clients. In my view,, it is essential that the role of such clients is examined in detail in the ongoing inquiry / examination by SEBI.
29. The findings recorded in the order are based on the *prima facie* examination of facts and *prima facie* violation of law.
30. This order shall come into force with immediate effect. A copy of this order shall be forwarded to all the Stock Exchanges, the relevant banks, Registrar and Transfer Agents and the Depositories to ensure that the directions given above are strictly complied with.
31. The entities/persons against whom this Order is being passed may file their objections, if any, within twenty one (21) days from the date of this Order and, if they so desire, may avail themselves of an opportunity of personal hearing before the Securities and Exchange Board of India at its Head Office at SEBI Bhavan, Plot No.C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai-400051 on a date and time to be fixed on a specific request in writing, to be received in this regard from the entities/persons.

Sd/-

DATE: May 29th, 2018
PLACE: MUMBAI

MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA