

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

UNDER SECTIONS 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 11 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICE RELATING TO SECURITIES MARKET) REGULATIONS, 2003.

IN THE MATTER OF –

	NOTICEES	PAN
1.	MANSOOR RAFIQ KHANDA PROPRIETOR OF – i. M/S INDIAN TRADING COMPANY ii. M/S OPTION & MCX KING iii. M/S A TO Z SOLUTION AND iv. M/S FULLON CORPORATION.	ALMPK3448B
2.	FIROZ RAFIQ KHANDA PROPRIETOR OF – i. M/S FULLON CORPORATION.	AFMPK5766J

BACKGROUND –

- 1.1 Securities and Exchange Board of India (“**SEBI**”) received complaints against Mansoor Rafiq Khanda (“**Mansoor Khanda**”) and Firoz Rafiq Khanda (“**Firoz Khanda**”) *inter alia* alleging that they were offering trading tips through WhatsApp messages and internet websites including www.fullonoption.com.
- 1.2 Pursuant to a preliminary examination, SEBI vide an *Ex Parte Interim Order* dated June 5, 2014 (“**Interim Order**”), *prima facie* found Mansoor Khanda and Firoz Khanda to have engaged in providing *investment advisory services* to investors upon receipt of requisite fees without obtaining registration from SEBI to act as ‘*Investment Adviser*’ and to have solicited and induced investors to deal in securities on the basis of such *investment advisory services*.
- 1.3 Accordingly, SEBI issued directions against the aforementioned entities restraining them from buying, selling or dealing in the securities market, either directly or indirectly, in any manner whatsoever, till further directions. The aforementioned entities were further directed –

- a. to cease and desist from acting as investment advisors and not to solicit or undertake such activities or any other unregistered activity in the securities market, directly or indirectly, in any manner whatsoever and
 - b. to immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, etc. in relation to their investment advisory or any unregistered activity in the securities market.
- 1.4 The abovementioned directions contained in the Interim Order were confirmed by SEBI vide an Order dated September 15, 2014 (“**Confirmatory Order**”).
- 1.5 Thereafter, an investigation was conducted by SEBI in view of further complaints received against Mansoor and Firoz Khanda *inter alia* alleging unregistered *investment advisory services* undertaken by them and their Proprietorship concerns including solicitation of subscriptions from investors through WhatsApp messages and internet websites. The scope of the investigation *inter alia* was to ascertain whether the aforementioned entities rendered *investment advisory services* during the period from April 21, 2013–June 5, 2014, without obtaining registration from SEBI to act as *Investment Adviser*.
- 1.6 Upon completion of the investigation, SEBI issued directions against Mansoor and Firoz Khanda vide an Order dated May 12, 2016 (“**Impounding Order**”) to impound the unlawful gains of a sum of ₹5,04,01,896 (gain of ₹3,83,80,477 + interest of ₹1,20,21,419) jointly and severally from the aforementioned entities. The aforementioned entities have not provided any proof to SEBI with regard to creation of an Escrow account or transfer of funds to the said account for the purpose of impounding of unlawful gains.
- 1.7 Subsequently, SEBI issued a Show Cause Notice (“**SCN**”) dated January 31, 2017, under Section 11B of the SEBI Act, to Mansoor and Firoz Khanda.
- 1.8 The SCN, which was based on the Investigation Report, *inter alia* states –
 - a. Mansoor Khanda is the Proprietor of M/s Indian Trading Company, M/s Option & MCX King, M/s A to Z Solution and M/s Fullon Corporation.
 - b. Firoz Khanda is the Proprietor of M/s Fullon Corporation.

- c. Mansoor and Firoz Khanda were alleged to have solicited subscriptions from investors towards investment in the securities market through WhatsApp messages and through internet websites containing misleading claims.
- d. The contents of one such WhatsApp message sent by them to an investor on December 6, 2013, is reproduced below –

“2 Days Positional Target Hit In ICICIBANK 1140 Call Buy @ 20 Booked Profit @ 40 Total Profit ₹2 Lakh In Rs 2 Lakh Capital Call Now For Next Tip – Earn More Than 25 To 50 Lakh Per Month In Our Super Jackpot Stock–MCX–(Currency) Tips – 9925305293 www.fullonoption.com Fulloncorp@gmail.com”

- e. The following was also stated on the internet website i.e. www.fullonoption.com, which contained bank account details wherein customers could deposit a requisite fee for availing the services offered by Mansoor and Firoz Khanda –

“Our aim is to provide people with opportunities to make fast money with low risk in a short period of time. Long term future prediction of the market is too tough because, stock market is affected by many factors like foreign Markets, Bank policies, Companies results, FII’s trend, domestic mutual funds trend & political behavior, which keep changing.”

- f. Investors were allegedly induced to deal in securities on the basis of information provided through the aforementioned modes of communication, which were in the nature of *investment advisory services*.

1.9 The SCN contains the following allegations –

- i. Mansoor and Firoz Khanda were alleged to have engaged in providing *investment advisory services* to investors through WhatsApp messages and internet websites, on receipt of requisite fees, without obtaining registration from SEBI to act as Investment Advisers. As a result of the aforementioned, Mansoor Khanda and Firoz Khanda were alleged to have violated Section 12(1) of the SEBI Act, 1992 (“**SEBI Act**”) read with Regulation 3 of the SEBI (Investment Advisers) Regulations, 2013 (“**Investment Advisers Regulations, 2013**”);

- ii. Further, Mansoor and Firoz Khanda were alleged to have solicited and induced investors to deal in securities on the basis of such *investment advisory services* including stock trade tips, etc. Accordingly, Mansoor Khanda and Firoz Khanda were alleged to have violated Section 12A(a)–(c) of the SEBI Act read with Regulation 3(b)–(d) and Regulation 4(1), 4(2)(k) and (r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (“**PFUTP Regulations, 2003**”).
- 1.10 In view of the aforementioned allegations, Mansoor Khanda and Firoz Khanda were called upon to show cause as to why suitable directions under Sections 11(1), 11(4)(b) and 11B of the SEBI Act, should not be issued against them *including*:
- i. Directions for restraining them from accessing, buying, selling or otherwise dealing in securities in any manner for a suitable period of time;
 - ii. Directions confirming the Impounding Order dated May 12, 2016;
 - iii. Disgorgement of the unlawful gains made by them along with interest earned thereon.
- 1.11 The SCNs issued to Mansoor Khanda at A–605, Shilpraj Apartment, Adajan Patia, Surat–395009 and Firoz Khanda at Flat no. 7, Sardar Complex, Adajan Road, Surat–395009, respectively, were returned undelivered.
- 1.12 Subsequent service of the SCNs was effected on Mansoor and Firoz Khanda by SEBI Western Regional Office, Ahmedabad, on June 8, 2017. However, no reply to the SCN was received by SEBI from the aforementioned entities.
- 1.13 Thereafter, an opportunity of personal hearing was granted by SEBI to Mansoor and Firoz Khanda on September 5, 2017. However, the personal hearing was deferred to a later date by SEBI, on account of the request for adjournment made by Mansoor and Firoz Khanda.
- 1.14 Another opportunity of personal hearing was granted by SEBI to Mansoor and Firoz Khanda on February 7, 2018. However, the aforementioned entities did not appear for the personal hearing on that date.

FINDINGS –

2.1 I have considered the Interim Order June 5, 2014; the Confirmatory Order dated September 15, 2014 and the Impounding Order dated May 12, 2016 along with all the material available on record. Mansoor Khanda and Firoz Khanda have not filed any reply to the SCN or made any submission for consideration during the course of these proceedings. Even though Mansoor Khanda and Firoz Khanda remained *ex parte*, I find it relevant that I should be guided by the documents available on record as laid down by the Hon'ble SAT in its Order dated May 12, 2017 in the matter of *Shri B. Ramalinga Raju vs. SEBI (Appeal No. 286 of 2014)*. Accordingly, for the purpose of the instant proceedings, the issues for consideration are as under –

A. *Whether Mansoor Khanda and Firoz Khanda provided 'investment advice' to investors on receipt of requisite fees without obtaining registration from SEBI to act as 'Investment Adviser' in contravention of Section 12(1) of the SEBI Act read with Regulation 3 of the Investment Advisers Regulations, 2013?*

2.2 During the Investigation, Mansoor and Firoz Khanda were summoned by the Investigating Officer, SEBI vide Summons dated December 30, 2015, to provide *inter alia* the following information –

- a. Details of the investors who availed of the *investment advisory services* provided by them;
- b. Details of consideration received by them from such investors (supported by documentary evidence);
- c. Details of persons in whose names the mobile numbers (allegedly used for providing *investment advisory services* by them) were registered.

2.3 In their reply dated February 24, 2016, Mansoor and Firoz Khanda failed to provide the information sought vide the aforementioned Summons. However, they stated that they had carried out businesses through their Proprietorship concerns, viz. M/s Indian Trading Company, M/s Option & MCX King, M/s A to Z Solution and M/s Fullon Corporation, during the period from July 19, 2013 to January 21, 2014

- 2.4 In addition to the message reproduced at paragraph 1.8(d) of page 3, it is noted from the SCN that the following WhatsApp messages were forwarded to investors –

November 28, 2013: “Our Target Complete in Voltas 95 Call Buy at 0.50 Paisa Target Hit 9 Profit 18 Lac in 1 Lac Capital Our Target Complete in HDIL 47.50 Call Buy At 0.50 Paisa Target Hit 4 Profit 8 Lac In 1 Lac Capital 9925305293 Call 9925305293 www.fullonoption.com Fulloncorp@gmail.com”

December 9, 2013: “Sir I give u monthly 4 call 1 week one call 4 day holding call Sir. I give you no free trial Sir. My company Indian trading company. 25000 deposit payment profit 30% share Sir. Monday 10 clock 35 paise call target today 21 target achieved Sir 50000 only investment Sir. 200% Sure guarantee call ... 1 Rs no loss my company Sir”

December 26, 2013: “DEC 2013 SERIES PERFORMANCE REPORT (1) VOLTAS 95 CALL BUY @ 50 PAISA TGT HIT @ 9 PROFIT 8.5 LAC. (2) LT 1100 CALL BUY @ 10 TGT HIT @ 60 PROFIT 6 LAC. (3) NTPC 140 PUT BUY @ 50 PAISA TGT HIT @ 7 PROFIT 14 LAC. (4) TATAMOTORS 380 PUT BUY @ 4 TGT HIT @ 10 PROFIT 5 LAC. (5) APOLLO TYRE 95GT HIT @ 6 PROFIT 5 LAC. (6) TATA GLOBAL 165 CALL BUY @ 30 PAISA TGT HIT @ 1.5 PROFIT 3.9 LAC IN 1 MONTH WITH ₹50000/- CAPITAL CALL NOW AT 9925305293.”

- 2.5 Details of mobile numbers (used for forwarding the abovementioned messages) [as obtained by SEBI from the Telecom Service Providers (“**TSP**”)] and which are provided below, reveal that such numbers were registered in the name of Firoz Khanda or his Proprietary concerns. Further, in respect of 3 such numbers i.e. 8306257818, 8306773041 and 9099623465, it was found that they were registered in the name of Afan Anis Motiwala, the brother-in-law Firoz Khanda, who vide letter dated February 24, 2016, stated that he had given the SIM cards obtained for two of the said numbers to Firoz Khanda.

TABLE I			
Sr. No.	MOBILE NUMBER	NAME OF CUSTOMER REGISTERED WITH TSP	ADDRESS AS PER TSP
1.	7405332683	ATLAS CORPORATION (PROPRIETOR: FIROZ KHANDA)	A-605, SHILPRAJ APARTMENT, ADAJAN PATIA, SURAT-394210
2.	9909785863	FIROZ KHANDA	A/24, AMBER COLONY, HARI NAGAR-1, UDHNA, SURAT-394210
3.	9913266412	FIROZ KHANDA	A-605, SHILPRAJ APARTMENT, ADAJAN PATIA, SURAT-394210
4.	7405769421	LALSHAH MCX MANAGEMENT CO. (PROPRIETOR: FIROZ KHANDA)	17-B/536,537 , FLAT-7, SARDAR COMPLEX, ASSOCIATION, GURU UDYOG BOARD, ADAJAN, SURAT-395009
5.	8306257818	AFAN ANIS MOTIWALA	A-24, GAYATRINAGAR SOCIETY, ADAJAN RANDER ROAD, SURAT-395009
	8306773041		
	9099623465		

- 2.6 On the internet website www.fullonoption.com, the following was also stated [see also paragraph 1.8(e) of page 3] –

“₹50000 Registration Charge after Profit 30% Sharing from Profit Daily. Trade in 2 MCX Lots and Earn Daily ₹25,000/- Profit or Trade in Option with Investment of 1 Lac and Earn 9 to 10 Lac Monthly...”

- 2.7 It is also noted from the SCN that the internet website www.avloption.com also had similar content.
- 2.8 The websites www.fullonoption.com and www.avloption.com were found to have been hosted by Quad Softech Private Limited (“**Quad Softech**”). Vide an e-mail dated February 2, 2016, Quad Softech informed SEBI that the ‘domain registration’ services for the aforementioned websites were provided to Firoz Khanda.

- 2.9 It is observed that the website www.fullonoption.com is not operational anymore and its domain name was registered only till July 10, 2014. Further, the messages sent to the prospective investors in the name of '*fullonoptions*' carried reference to the email id- fulloncorp@gmail.com, which belonged to Fullon Corporation. Therefore, Fullon Corporation and fullonoption are one and the same.
- 2.10 As observed from the SCN, details of bank accounts mentioned on the internet website www.fullonoption.com and also in the complaints received by SEBI wherein prospective investors/clients could deposit the requisite fee/consideration for the services provided by Mansoor and Firoz Khanda, are reproduced below –

TABLE II				
Sr. No.	ACCOUNT HOLDER NAME	ACCOUNT NAME	ACCOUNT NO.	BANK
1.	MANSOOR KHANDA	FULLON CORPORATION	085005500802	ICICI BANK
2.		FULLON CORPORATION	085005500754	ICICI BANK
3.		INDIAN TRADING COMPANY	913020051857131	AXIS BANK
4.		OPTION & MCX KING	913020052272399	AXIS BANK
5.		A TO Z SOLUTION	913020051407482	AXIS BANK
6.		LALSHAH MCX ALGO MANAGEMENT CO.	17077610000583	HDFC BANK
7.		GLOBAL MCX MANAGEMENT SERVICE	17058730000423	HDFC BANK
8.		ATLAS CORPORATION	170687300001462	HDFC BANK
9.	FIROZ KHANDA	FULLON CORPORATION	50200001578790	HDFC BANK
10.		FULLON CORPORATION	913020033489310	AXIS BANK
11.		LALSHAH MCX ALGO MANAGEMENT CO.	913020022649020	AXIS BANK
12.		ATLAS CORPORATION	913020024444696	AXIS BANK
13.		EAGLE BROKING	913020030267928	AXIS BANK
14.		GLOBAL MCX MANAGEMENT SERVICE	913020029879932	AXIS BANK
15.		FULLON CORPORATION	33131936514	SBI BANK

- 2.11 An examination of the account statements of the aforementioned bank accounts reveals that funds were received from prospective investors/clients across various cities in Maharashtra, Karnataka, Tamil Nadu, Gujarat, Chhattisgarh, Andhra Pradesh and Haryana.

- 2.12 The total funds received by Mansoor Khanda and Firoz Khanda in all the aforementioned bank accounts from the account opening date till completion of the Investigation by SEBI i.e. June 5, 2014, is provided below –

TABLE III				
	ACCOUNT NAME	ACCOUNT No.	BANK	DEPOSITS [₹]
1.	FULLON CORPORATION	085005500802	ICICI BANK	32,01,538
2.	FULLON CORPORATION	085005500754	ICICI BANK	17,73,001
3.	INDIAN TRADING COMPANY	913020051857131	AXIS BANK	8,67,829
4.	OPTION & MCX KING	913020052272399	AXIS BANK	20,88,538
5.	A TO Z SOLUTION	913020051407482	AXIS BANK	47,62,200
6.	LALSHAH MCX ALGO MANAGEMENT CO.	17077610000583	HDFC BANK	60,48,271
7.	GLOBAL MCX MANAGEMENT SERVICE	17058730000423	HDFC BANK	20,57,770
8.	ATLAS CORPORATION	170687300001462	HDFC BANK	7,40,240
9.	FULLON CORPORATION	50200001578790	HDFC BANK	19,57,606
10.	FULLON CORPORATION	913020033489310	AXIS BANK	21,92,600
11.	LALSHAH MCX ALGO MANAGEMENT CO.	913020022649020	AXIS BANK	53,12,172
12.	ATLAS CORPORATION	913020024444696	AXIS BANK	9,80,421
13.	EAGLE BROKING	913020030267928	AXIS BANK	31,50,365
14.	GLOBAL MCX MANAGEMENT SERVICE	913020029879932	AXIS BANK	10,64,910
15.	FULLON CORPORATION	33131936514	SBI BANK	21,83,016
TOTAL				3,83,80,477

- 2.13 In all the above mentioned bank accounts, a similar pattern of fund transfers/deposits received from investors/clients across India followed by ‘Self’ paid cheques and ATM withdrawals of such amounts by Firoz and Mansoor Khanda is observed.
- 2.14 It is also observed that fund transfers/cash deposits to such bank accounts during the Investigation period April 21, 2013–June 5, 2014 matched with the details of fund transfers/deposits provided by complainants/investors/clients to SEBI in their complaints against Mansoor Khanda and Firoz Khanda.
- 2.15 The *modus operandi* followed by Mansoor Khanda and Firoz Khanda involved –
- Dissemination of messages to investors/clients through WhatsApp or internet websites containing assertions/claims *inter alia* of making *fast money with low risk in a short period of time*;
 - Inviting such investors/clients to enroll with them to avail of *investment advisory services* followed by
 - Dissemination of trading tips to such investors/clients for a consideration.

2.16 The following assertions/claims have been made by Mansoor and Firoz Khanda through WhatsApp messages and the internet websites www.fullonoption.com and www.avloption.com –

- *200% sure guarantee call;*
- *1 Rs no loss;*
- *3.9 Lac In 1 Month With ₹50000;*
- *Total Profit ₹2 Lakh in Rs 2 Lakh Capital;*
- *Earn More Than 25 To 50 Lakh Per Monthly In Our Super Jackpot Stock-MCX-(Currency) Tips*
- *Profit 18 Lac in 1 Lac Capital;*
- *Trade in 2 MCX Lots and Earn Daily ₹25,000;*
- *Trade in Option with investment of 1 Lac and Earn 9 to 10 Lac monthly.*

2.17 The following instances illustrate the aforementioned activities of Mansoor Khanda and Firoz Khanda and the response of the investors/clients to the messages communicated by them –

- a. From a WhatsApp chat between a complainant/client, Jitendra Tiwari and M/s Indian Trading Company (Proprietor: Mansoor Rafiq Khanda), which occurred on December 9, 2013, it is observed that Indian Trading Company (through the mobile no. +91-8306257818) solicited an amount of ₹25,000 from the said complainant in lieu of *'investment advice'*. From the bank account statement of M/s Indian Trading Company (Axis Bank Account no. 913020051857131), it is observed that the complainant had deposited ₹25,000 in the said bank account.
- b. Arun Gupta, a complainant/client from whom money was solicited for *'investment advice'*, had provided a copy of his bank statement to SEBI for bank account no. 047010100409186 wherein he had highlighted the transactions with regard to transfer of funds to bank account no. 913020033489310 (Axis Bank) of M/s Fullon Corporation (Proprietor: Firoz Rafiq Khanda). From the bank account statements of the complainant, it is observed that he had transferred ₹30,000 and ₹4,000 respectively on October 10, 2013 and October 12, 2013 to the aforesaid bank account no. 913020033489310.

- c. Another complainant/client i.e. Pradeep K, from whom money was also solicited for *'investment advice'*, claimed that he had transferred ₹4,000 and ₹30,000 on August 13, 2013 and September 3, 2013, respectively to the State Bank of India bank account no. 33131936514 of M/s Fullon Corporation. On a perusal of statement of account for the aforesaid bank account, it is observed that there were 2 fund receipt transactions in the account matching with the complainant's claim.
- 2.18 As per Regulation 2(m) of the Investment Advisers Regulations, 2013, an *'Investment Adviser'* has been defined to mean *'any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called;'*
- 2.19 Regulation 2(l) of the Investment Advisers Regulations, 2013 states that *'investment advice'* means *'advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning: **Provided** that investment advice given through newspaper, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public shall not be considered as investment advice for the purpose of these regulations;'*
- 2.20 The aforesaid definitions make it abundantly clear that any person who is engaged in the business of providing *'advice'* to clients/investors either through electronic or telecommunications medium *inter alia* relating to investing in, buying or selling or otherwise dealing in securities or investment products, for a consideration, can be said to be an *'Investment Adviser'*.
- 2.21 As stated earlier, Mansoor and Firoz Khanda stated that they had carried out businesses through their Proprietorship concerns, viz. M/s Indian Trading Company, M/s Option & MCX King, M/s A to Z Solution and M/s Fullon Corporation, during the period from July 19, 2013 to January 21, 2014. Incidentally, the bank accounts of the aforementioned entities were mentioned on the website www.fullonoption.com and also in the complaints received by SEBI wherein investors could deposit the requisite fee/consideration for the services provided by Mansoor and Firoz Khanda. The aforesaid bank accounts showed fund flows from various investors/clients. This supported with the claims/assertions

made by Mansoor Khanda and Firoz Khanda to such investors/clients *inter alia* to make *'fast money with low risk in a short period of time'* would go to show that the receipt of funds were towards services that were promised, which were in the nature of *'investment advice'*. Moreover, the dissemination of messages over WhatsApp also indicates that it was for a select group of clients. Having regard to the aforementioned, I find that Mansoor Khanda and Firoz Khanda clearly fall within the ambit of the definition of *'Investment Adviser'*. However, they were not registered with SEBI as *'Investment Adviser'* at the relevant time when they offered and provided *'investment advice'* to clients/investors i.e. from April 21, 2013–June 5, 2014.

- 2.22 The provisions of Section 12(1) of the SEBI Act read with Regulation 3 of the Investment Advisers Regulations, 2013 mandate that a person shall hold a Certificate of Registration from SEBI in order to be associated with the securities market as an *'Investment Adviser'*. I, therefore, find that the conduct of Mansoor Khanda and Firoz Khanda in offering and providing *'investment advice'* to their clients/investors on receipt of requisite fee/consideration without being registered with SEBI as *'Investment Adviser'* constitutes a breach of the aforesaid provisions.

B. Whether as a result of the aforementioned activities, Mansoor Khanda and Firoz Khanda committed 'fraud' in the securities market and dealt in securities in a fraudulent manner in contravention of Section 12A(a)–(c) of the SEBI Act read with Regulation 3(b)–(d) and Regulation 4(1), 4(2)(k) and (r) of the PFUTP Regulations, 2003?

- 2.23 Section 12A(a)–(c) of the SEBI Act read with Regulation 3(a)–(d) of the PFUTP Regulations, 2003 *inter alia* prohibit 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 Regulations 4(2)(k) and (r) states that dealings in securities by a person shall be deemed as fraudulent if it involves *'fraud'* including misleading and false news/advertisements, which may influence the decision of investors or induce sale or purchase of securities.

2.24 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 ... to deal in securities, then that person is said to have committed fraud on the investors ...*"

2.25 Mansoor Khanda and Firoz Khanda offered and provided '*investment advice*' to their clients/investors in the securities market for a consideration/fee *inter alia* promising guaranteed returns on investments from April 21, 2013–June 5, 2014. During the aforementioned period, Mansoor and Firoz Khanda were not registered as '*Investment Adviser*' with SEBI. Investments in the securities market are speculative in nature and involve market risks and assured returns can never be guaranteed. Therefore, the collection of consideration/fee coupled with the promise of '*fast money with low risk in a short period of time*'/ guaranteed returns on investments in the securities market as made by Mansoor and Firoz Khanda to their clients/investors, was incorrect and deceitful and such misrepresentation with respect to the '*fast money with low risk in a short period of time*', etc. was within their knowledge when viewed in light of the aforesaid. This clearly resulted in '*fraud*' as defined under the PFUTP Regulations, 2003, being committed by Mansoor Khanda and Firoz Khanda, 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 as per the '*Investment Advice*' provided by Mansoor and Firoz Khanda would result in assured/guaranteed returns and thereby were induced to deal in securities.

2.26 From the above, it is clear that Mansoor Khanda and Firoz Khanda solicited and induced clients/investors to deal in securities on the basis of '*Investment Advice*' provided by them, for a consideration/fee. Accordingly, I find that Mansoor Khanda and Firoz Khanda have dealt in securities in a fraudulent manner in contravention of Section 12A(a)–(c) of the SEBI Act read with Regulation 3(b)–(d) and Regulation 4(1), 4(2)(k) and (r) of the PFUTP Regulations, 2003.

CONCLUSION –

- 3.1 SEBI has been entrusted with the 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 exercises these powers firmly and effectively to insulate the market and its investors from the fraudulent actions of any of the participants in the securities market, thereby fulfilling its legal mandate. The basic premise that underlines the integrity of securities market is that persons connected with securities market do not resort to dealing in securities in a fraudulent manner and conform to standards of transparency and ethical behaviour prescribed in securities laws.
- 3.2 In the instant proceedings, for the reasons detailed in the preceding paragraphs, I have no hesitation in concluding that Mansoor Khanda and Firoz Khanda have 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 Investment Advisers Regulations, 2013 and the PFUTP Regulations, 2003.
- 3.3 As noted from the preceding paragraphs, Mansoor Khanda and Firoz Khanda were not registered with SEBI as ‘*Investment Adviser*’ at the relevant time when they offered and provided ‘*investment advice*’ to clients/investors i.e. from April 21, 2013–June 5, 2014. The Impounding Order records that the entire deposits made into the bank accounts of Mansoor and Firoz Khanda’s proprietorship concerns have been treated as consideration received from investors/clients in connection with the said ‘*investment advice*’ provided by them. It is reiterated that the aforementioned entities have failed to participate in the instant proceedings either through filing of a reply to the SCN or through their appearance at the personal hearing to counter the allegations made in the SCN. Therefore, I do not have the benefit of their explanation to identify the nature of funds received in their published bank accounts. Having regard to the aforementioned, I hereby confirm the directions contained in the Impounding Order dated May 12, 2016, passed against Mansoor Khanda and Firoz Khanda.

ORDER –

4.1 In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(4) and 11B of the SEBI Act read with Regulation 11 of the PFUTP Regulations, 2003, hereby direct as under –

- i. Mansoor Khanda and Firoz Khanda are 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.
- ii. Mansoor Khanda and Firoz Khanda shall, jointly and severally, disgorge the unlawful gains along with interest as determined by SEBI in the Impounding Order dated May 12, 2016 i.e. ₹5,04,01,896 (gain of ₹3,83,80,477 + interest of ₹1,20,21,419). Mansoor Khanda and Firoz Khanda shall pay the aforesaid amount within 45 days from the date of this Order.
- iii. Mansoor Khanda and Firoz Khanda shall pay the aforesaid amount either by way of Demand Draft drawn in favour of “*Securities and Exchange Board of India*” payable at Mumbai or by e-payment* to SEBI account as detailed below:

BANK	BRANCH	RTGS CODE	BENEFICIARY NAME	BENEFICIARY ACCOUNT NO.
BANK OF INDIA	BANDRA KURLA BRANCH	BKID 0000122	SECURITIES AND EXCHANGE BOARD OF INDIA	012210210000008

**Noticees who are making e-payment are advised to forward the details and confirmation of the payments so made to the Enforcement department of SEBI for their records as per the format provided in Annexure A of Press Release No. 131/2016 dated August 09, 2016 which is reproduced as under:*

1.	Case Name:	
2.	Name of the payee:	
3.	Date of payment:	
4.	Amount paid:	
5.	Transaction No:	
6.	Bank Details in which payment is made:	
7.	Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details:	

- 4.2 The Banks, with whom Mansoor Khanda and Firoz Khanda's accounts lie (in their individual capacity or through their Proprietary concerns), are directed that no debit shall be made, without permission from SEBI, in respect of the aforesaid bank accounts held by Mansoor Khanda and Firoz Khanda, except for the purposes of compliance with this Order.
- 4.3 The Depositories, with whom the Mansoor Khanda and Firoz Khanda's demat accounts lie, are directed that no debit shall be made, without permission from SEBI, in respect of the demat accounts held, by Mansoor Khanda and Firoz Khanda except for the purposes of compliance with this Order. However, credits, if any, into the accounts may be allowed.
- 4.4 Mansoor Khanda and Firoz Khanda are also directed not to dispose of or alienate any of their assets/properties/securities, till such time the direction of this Order are complied with.
- 4.5 In case Mansoor Khanda and Firoz Khanda fail to pay the unlawful gains along with interest as directed herein within the above specified time, SEBI shall initiate recovery process under Section 28A of the SEBI Act.
- 4.6 This Order shall come into force with immediate effect.
- 4.7 The Interim Order dated June 5, 2014 read with the Confirmatory Order dated September 15, 2014 and the Impounding Order dated May 12, 2016 along with the SCN dated January 31, 2017, are accordingly disposed of.
- 4.8 A copy of this Order shall be forwarded to the recognized Stock Exchanges and Depositories for information and necessary action.

Place: Mumbai
Date: June 20, 2018

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