

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

S. RAMAN, WHOLE TIME MEMBER

ORDER

Under Section 11(1), 11 (4) and 11B of the Securities and Exchange Board of India Act, 1992 in respect of MCX Biz Solutions, its Proprietor Mr. Syed Sadaq (PAN: BACPS3885C).

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') noticed that MCX Biz Solutions (hereinafter referred to as "MBS") a Proprietary concern of Mr. Syed Sadaq was soliciting and collecting money from members of public with a promise of high returns. Upon preliminary inquiries the following were noted:
 - MBS was maintaining a website viz., www.mcxbizsolutions.com wherein MBS claimed to be active in stock trading and commodities trading.
 - MBS had displayed a fake and forged certificate of sub broker registration claiming itself to be registered with SEBI as a sub-broker and affiliated to an entity, namely, Bonanza Promotional Ltd., portraying it to be registered with SEBI as a stock broker with SEBI registration no. 'INB632370386' and a member of National Stock Exchange of India Limited.
 - Neither MBS nor Bonanza Promotional Ltd. are or were registered at any point in time with SEBI as sub broker or stock broker, respectively.
2. As the aforesaid activities of MBS were *prima facie* in violation of provisions of SEBI Act, 1992 ("SEBI Act"), the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 ("Brokers Regulations") and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 ("PFUTP Regulations"), SEBI passed an *ad interim ex-parte* order dated November 18, 2013 ('**ex-parte order**') against MBS and its sole proprietor Mr. Syed Sadaq (PAN: BACPS3885C) with the following Directions:
 - a. *"to restrain from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner till further directions;*
 - b. *to cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions;*

- c. to immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, etc. in relation to any activity in the securities market;*
 - d. prohibiting from mobilizing funds from the public, in whatever form, till further directions; and*
 - e. to keep the entire money collected by them from the investors forthwith in an escrow account opened with any nationalized bank and file a report with SEBI in this regard within 7 days from the date of this Order.”*
3. The said ex-parte order provided that MBS and its proprietor Mr. Syed Sadaq may file their objections, if any, within twenty one (21) days from the date of receipt of the said interim order. The order further provided that they may avail an opportunity of personal hearing before SEBI on a date and time to be fixed on a specific request in writing.
 4. Vide separate letters dated November 18, 2013 the ex-parte order was sent to MBS and Mr. Syed Sadaq. However, the same got returned undelivered with remarks "No such person in the flat" and "Addressee left", respectively. In view of this, the ex-parte order was served through publication in newspapers "The Hindu" and "Sakshi" (Andhra Pradesh edition at the last known address of the entities). The ex-parte order was also uploaded on the SEBI website www.sebi.gov.in. The entities were also granted additional time of 14 days from the date of publication of the advertisement to file reply/comply with the ex-parte order. However, no communication was received from MBS and Mr. Syed Sadaq.
 5. A copy of the ex-parte order was also forwarded to all the Stock Exchanges and the Depositories vide letters dated November 19, 2013 for the compliance of the above mentioned directions. Further, vide separate letters dated November 22, 2013, a copy of the said order was also forwarded to the Telecom Regulatory Authority of India and Cyber Crime Investigation Cell and requested them remove all the advertisements, representations, literatures, brochures, materials, publications, documents, websites etc. by MBS using digital media.
 6. MBS/Mr. Syed Sadaq have neither filed any written reply/submission to the interim order nor expressed any desire to avail opportunity for personal hearing. Further, they have not complied with SEBI's direction to keep the entire money collected by them from the investors in an escrow account as indicated in the interim order. In view of this, SEBI vide order dated February 27, 2015 confirmed

the directions issued in respect of MCX Biz Solutions and its proprietor Mr. Syed Sadaq vide ex-parte order dated November 18, 2013.

7. Vide letters dated March 03, 2015 the confirmatory order was sent to MBS and Mr. Syed Sadaq. However, the letters were returned undelivered. A copy of the confirmatory order was also forwarded to all the Stock Exchanges and the Depositories vide letters dated March 03, 2015 for compliance.
8. Considering the fact that the entities forged SEBI sub-broker registration certificate and created an impression of being a SEBI registered sub-broker by using the aforementioned forged certificate, SEBI lodged FIR under Sections 420, 465, 467, 468, 471, 472, 473, 474 and 255 of Indian Penal Code, 1860 against MBS and Mr. Syed Sadaq by SEBI on June 29, 2015 at L.B. Nagar Police Station, Hyderabad.
9. Thereafter, SEBI conducted further investigation into the matter. Subsequent to completion of investigation, SEBI issued a Show Cause Notice (“SCN”) dated October 06, 2016 against MBS and Mr. Syed Sadaq (hereinafter referred to as **“the Noticees”**), calling upon the Noticees to show cause as to why suitable directions under sections 11(4) and 11B of the SEBI Act should not be passed against them for the alleged violations of the provisions of SEBI Act and PFUTP Regulations. The said SCN got returned undelivered with the remarks ‘*untraceable*’.
10. Thereafter an opportunity of personal hearing was scheduled before me for MBS and Mr. Syed Sadaq on June 14, 2017. As the entities are untraceable, the hearing notice was served through publication in the newspapers viz., ‘Times of India’ (English Daily) and ‘Loksatta’ (Marathi Daily) Mumbai Edition having circulation in Maharashtra. Despite the same, neither the Noticees nor their authorized representative attended the personal hearing or filed any reply till date in the matter.
11. Considering that no communication has been received from MBS and Mr. Syed Sadaq and also considering the fact that they failed to avail the opportunity of personal hearing, I am of the view that the Noticees are deliberately avoiding any communication from SEBI. In view of the same, I am constrained to proceed in the matter on the basis of the material available on record.
12. I have considered the material available on record such as Orders passed by SEBI, the SCN, information published in the website of MBS, bank statements, etc., Before dealing with the charges

levelled against the Noticees, the relevant legal provisions, the contravention of which have been alleged in the instant case are reproduced hereunder:-

Section 12A of the SEBI Act-

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

"12A. No person shall directly or indirectly—

(a) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made there under;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;"

Regulation 3 and 4 of the PFUTP Regulations -

Prohibition of certain dealings in securities

" No person shall directly or indirectly—

(a)...

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under."

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

13. I shall now proceed to deal with the charges alleged against the Noticees. In the instant case, the issue for consideration is whether the Noticees have violated the provisions of Sections 12A (a), (b) and (c) of the SEBI Act and Regulations 3 (b), (c), (d), 4(1) and 4(2)(k) of the PFUTP Regulations.

14. On an examination of the material available on record the following are observed:

- (a) The Noticees viz., MBS and Mr. Syed Sadaq solicited and collected funds from members of public through its various schemes and promised assured returns.
- (b) MBS was maintaining a website with the web address www.mcxbizsolutions.com ("**website**") wherein it claimed to be active in stock trading and commodities trading. The following are noted from the said website:
 - i. MBS mentioned the following on its homepage:
 - *"....Mcx biz solutions is a great trading arena for making profits, for everybody, and its fun."*
 - *"mcxbizsolutions.com is a winning system for making money. We know all about MCX commodity or stock tips for trading and earnings."*
 - *"We are the best service provider for the stock & commodity market. We have more than 20 years of experience to serve investors and traders by showing them the correct path of success."*
 - *"Based on analysis and reports on mcx or nifty, we provide the most successful tips for commodity & share market on Mobile via sms. mcxbizsolutions.com uses most faithful tools and tips for picking the right strategies for commodity & share trading and minimize the risk in today's volatile trading environment. In addition, you will find all the guidance you need on the entire investment process for both commodity and equity."*
 - *"If your passion is stock trading then Mcx biz solution provides the best online stock trading calls you can get. With daily calls on some of the current hottest stock, perhaps you like trading penny stocks online, investing in ETFs or just looking for which stocks to buy or sell follow Mcx..."*
 - ii. MBS displayed a sub-broker registration certificate bearing number "0095979" showing it to have been issued by SEBI with registration number "INS838639255".
 - iii. In the said certificate, MBS was shown as an affiliate to an entity, namely, Bonanza Promotional Ltd., purportedly registered with SEBI as a stock broker having registration number "INB632370386" and a member of National Stock Exchange of India Limited.
 - iv. MBS also displayed five e-mail addresses namely: "admin@mcxbizsolutions.com", "help@mcxbizsolutions.com", "pin@mcxbizsolutions.com", "accounts@mcxbizsolution.com" and "query@mcxbizsolutions.com" and two contact addresses at :

- a. "MCX Biz Solutions, 4th Ground Floor, Channani Nivas, Opposite Vyashali Hall, MV Road, Andheri East, Mumbai – 400069, Maharashtra ; and
- b. "MCX Biz Solutions, Unit A-3-7/2 Block D, Pelangi Square, PJU 8, Persiaran Surian, 49811 Pelangi Damansara, Petaling Jaya, Selangor Darul Ehsan, Malaysia".

As one of the address mentioned above was located in Malaysia, SEBI took up the matter with Securities Commission Malaysia. Securities Commission Malaysia, however, informed SEBI that the above mentioned address of MBS in Malaysia was not existent and the company did not exist as per the records of the Companies Commission of Malaysia.

- v. MBS also displayed a Certificate of Recognition purportedly issued to it by Joint Director General of Foreign Trade, the Ministry of Commerce and Industry, recognizing it to be a "One Star Export House".

- (c) From the brochure circulated by MBS the following schemes offered by the Noticees are noted and reproduced hereunder for reference:

<i>Type of Upgrade</i>	<i>Investment (Rs.)</i>	<i>MTR (%) on investment</i>	<i>MSD (Rs.)</i>	<i>MTR+ MSD (Rs.)</i>	<i>MTR + MSD for 15 Months</i>	<i>LSR (Rs.)</i>	<i>CMR (Rs.)</i>	<i>ISB (%)</i>	<i>Referral (%)</i>	<i>Binary (%)</i>
MCX test	2200	20	200	640	9600	50	250	5	5	10
MCX Silver	10200	25	1000	3550	53250	200	1000	5	5	10
MCX Gold	51200	30	2000	17360	260400	1000	3000	5	5	10
MCX Diamond	100200	35	3000	38070	571050	2000	5500	5	5	10

[Note:- Monthly Trade Remittance (MTR); Monthly Share Dividend (MSD); Leadership Remittance (LSR); Club Membership Remittance (CMR); Instant Signoff Business (ISB)]

- (d) MBS was maintaining the following two bank accounts wherein money had to be deposited by the investors subscribing to the abovementioned schemes:

Name of Bank	Account Number	Account Holder Name	Date of account opening
State Bank of India, Hyderabad	33167757783	MCX Biz Solutions	July 2, 2013
Axis Bank, Hyderabad	913020031252318	MCX Biz Solutions	July 30, 2013

- (e) As per the bank statements of the aforementioned bank accounts, the following are noted:

- About 17 people/ investors deposited their funds in Axis Bank account as of August 27,

2013 (account balance as on August 27, 2013: Rs.3,56,944/-)

- A total of debit as well as credit transactions amounting to approximately Rs.27,83,161 were observed in the Axis Bank account no. 913020031252318 during the period from July 04, 2013 to July 25, 2014.
- The below mentioned deposits appear to be deposits by investors for the schemes floated by the Noticees as these can be identified as deposits made in denominations or multiples of denominations mentioned in the schemes offered by MBS:

Mode of deposit	Amount (Rs)
Cash	6,65,800
Deposit transfer	5,95,600
Cheque	9,55,200
Total	22,16,600

- About 10 people/investors deposited their funds in State Bank of India account as of August 28, 2013 (account balance as on August 28, 2013: Rs.1,42,689/-).
- A total of debit as well as credit transactions amounting to approximately Rs. 27,83,161 were observed in the SBI account no. 33167757783 during the period from July 30, 2013 to November 12, 2013.
- The below mentioned deposits appear to be deposits by investors for the schemes floated by the Noticees as these can be identified as deposits made in denominations or multiples of denominations mentioned in the schemes offered by MBS:

Mode of deposit	Amount (Rs)
Cash	1,43,200
Deposit transfer	11,02,200
Cheque	84,600
Total	13,30,000

15. The facts of the case detailed in the preceding paragraphs of this order make it abundantly clear that the Noticees viz., MCX Biz Solutions and its proprietor Mr. Syed Sadaq solicited and collected money from public with the promise of high returns by misrepresenting as a SEBI registered as a sub-broker. This is evident from the following:

- Displayed a fake and forged certificate of registration claiming itself to be registered with SEBI as a sub-broker.

- Made misrepresentations by making fraudulent and deceitful claims regarding registration with SEBI.
- Made representations and statements in their website about their activities in securities market in an entirely untruthful manner.

16. In the light of the above discussions and in the absence of any reply from the Noticees, I am of the considered view that the Noticees by their the act and omissions including false statements and representations in deceitful manner, have fraudulently solicited, enticed and induced investors to deal in securities and therefore, the Noticees have violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act and Regulations 3 (b), (c), (d), 4(1) and 4(2)(k) of the PFUTP Regulations.

17. In this regard, it is pertinent to note that the Hon'ble Securities Appellate Tribunal (SAT) in the matter of V. Natarajan vs. SEBI, SAT Appeal No.104 of 2011 (order dated June 29, 2011) observed that "... *we are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, were violated. These regulations, among others, prohibit any person from employing 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 an exchange. They also prohibit persons from engaging 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 that are listed on stock exchanges. These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true. Any advertisement that is misleading or contains information in a distorted manner which may influence the decision of the investors is also an unfair trade practice in securities which is prohibited. The regulations also make it clear that planting false or misleading news which may induce the public for selling or purchasing securities would also come within the ambit of unfair trade practice in securities*".

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

"SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of

foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto."

19. SEBI has been entrusted with the important mandate of protecting the investors and safeguarding the integrity of the securities market. In this regard, necessary powers have been conferred upon it under the securities laws. It is, therefore, necessary that SEBI exercises these powers firmly and effectively to insulate the market and its investors from the fraudulent actions of any of the participants in the securities markets. A basic premise that underlines the integrity of securities market is that persons connected with securities market conform to standards of transparency, good governance and ethical behaviour prescribed in securities laws and do not resort to fraudulent activities. In view of the gravity of the violations perpetrated by the Noticees viz., MCX Biz Solutions and its proprietor Mr. Syed Sadaq as brought out in the foregoing paragraphs, I am of the opinion that they should not be allowed to have access to the securities market in view of the possible danger to the investors at large.
20. In view of the above, I, therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11 (1), 11 (4) and 11B of the SEBI Act, do hereby pass the following directions:
 - i. MCX Biz Solutions and its Proprietor Mr. Syed Sadaq (PAN: BACPS3885C) are prohibited from mobilizing or pooling any fresh funds from their clients, other general investors or members of public in whatever form;
 - ii. MCX Biz Solutions and its Proprietor Mr. Syed Sadaq (PAN: BACPS3885C) shall refund the monies so collected from the investors in various schemes along with income, profits or returns promised to the investors under such schemes or interest at the rate of 10% per annum, whichever is higher, from the date of investment till the date of refund, within a period of **thirty (30)** days from the date of this order and submit a repayment report to SEBI in the following format as certified by two independent Chartered Accountants who are in the panel of any public authority or public institution:

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

- iii. MCX Biz Solutions and its Proprietor Mr. Syed Sadaq (PAN: BACPS3885C) shall provide a full inventory of all their assets and properties and details of all their bank accounts, demat accounts and holdings of shares/securities, if additionally held in physical form.
- iv. MCX Biz Solutions and its Proprietor Mr. Syed Sadaq (PAN: BACPS3885C) are directed not to access the securities market directly or indirectly, and are further restrained and prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly for a period of **ten (10) years** from the date of this Order.
21. This Order shall come into force with immediate effect. The stock exchanges and the depositories are directed to ensure that the above directions are strictly enforced.

Place: Mumbai
Date: July 20, 2017

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