

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11(4), 11B and 11D of Securities and Exchange Board of India Act, 1992

In the matter of Amrapali Aadya Trading & Investment Pvt. Ltd., Aadya Commodities Pvt. Ltd. & Others

In respect of:

SR. No.	NOTICEE(S)	PAN
1.	Amrapali Aadya Trading & Investment Pvt. Ltd.	AAECA3909P
2.	Aadya Commodities Pvt. Ltd.	AAHCA2094C
3.	Sanjeeva Kumar Sinha	ALEPS6005L
4.	Pawan Mishra	AMIPM6148D
5.	Amita Sinha	AOIPS2038G
6.	Vandana Sinha	ASUPS6193E
7.	Sujeet Kumar Sona	CWTPS3069L
8.	Abnish Kumar Sudhanshu	AXQPS1237C
9.	Narayan Jee Thakur	ADIPT8774F

Background:

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) had received a reference dated August 10, 2017 from National Stock Exchange (hereinafter referred to as “**NSE**”) containing the preliminary findings of inspection of Amrapali Aadya Trading & Investments Pvt. Ltd. (hereinafter referred to as

'Amrapali' or 'AATIPL'), for the period from April 01, 2016 to March 31, 2017, which revealed serious *prima-facie* violations of various provisions of SEBI Act, 1992 / Rules / Regulations / Circulars. AATIPL is registered with SEBI as a stock broker (having membership of NSE, BSE and MSEI), as a Depository Participant of CDSL and as a Portfolio Manager. Pursuant to receiving the said inspection report, SEBI issued an *ex-parte* ad-interim order dated August 22, 2017 (hereinafter referred to as the **'Interim Order'**) against AATIPL, Aadya Commodities Pvt. Ltd (hereinafter referred to as **'Aadya' or 'ACPL'**) (a sister concern of AATIPL, registered as a Commodity Derivatives Brokers having membership of MCX) and their directors (present and past) namely, Mr. Sanjeeva Kumar Sinha, Mr. Pawan Mishra, Ms. Amita Sinha, Ms. Vandana Sinha, Mr. Sujeet Kumar Sona, Mr. Abnish Kumar Sudhanshu and Mr. Narayan Jee Thakur (hereinafter collectively referred to as **"Noticees"**), containing *inter alia* the following directions.

- (i) *Amrapali Aadya Trading & Investment Pvt. Ltd, Aadya Commodities Pvt. Ltd., Mr. Sanjeeva Kumar Sinha, Mr. Pawan Mishra, Ms. Amita Sinha, Ms. Vandana Sinha, Mr. Sujeet Kumar Sona, Mr. Abnish Kumar Sudhanshu and Mr. Narayan Jee Thakur 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;*

- (ii) *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;*
- (iii) *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.*
- (iv) *The aforesaid entities and persons are directed not to dispose off 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.*
- (v) *Till further directions in this respect, the assets of these entities shall be utilized only for the purposes 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).*
- (vi) *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 para 56(v) after confirmation from the concerned stock exchange in this regard.*
- (vii) *The banks are directed to ensure that no debits are made in the bank accounts held jointly or severally by Amrapali Aadya Trading & Investment Pvt. Ltd. and Aadya Commodities Pvt. Ltd. and Mr. Sanjeeva Kumar Sinha except for the*

purpose of payment of money to the clients/investors under the written confirmation of the concerned stock exchange(s).

2. Subsequently, SEBI vide order dated October 31, 2018 (**Confirmatory Order**) confirmed the said directions issued vide the Interim Order, subject to certain modifications. In the meantime, SEBI conducted an investigation in the matter covering the period from April 01, 2011 to March 31, 2017 (hereinafter referred to as the "**Investigation period**").

Summary of the findings of investigation

3. The investigation had revealed the commission of the following acts by AAT IPL and / or ACPL:
 - (a) Non-segregation of clients' securities and funds by the broker from its own funds and securities, as mandated by SEBI Circulars.
 - (b) Mis-utilization of clients' securities by transferring them to the demat accounts of certain employees of the broker (by misusing the Power of Attorney granted by the clients for movement of securities) and selling the said securities in open market.
 - (c) Mis-utilization of clients' securities by pledging with Banks / FIs / NBFCs for availing loans against securities for own purposes
 - (d) Misappropriation of clients' securities by fraudulently routing them out of the system

- (e) Misappropriation of funds raised through pledging of clients' securities and sale of shares via employees' accounts by transferring funds to third parties (non-clients) and to related parties, withdrawing funds in cash from bank accounts and paying monthly interest to clients in violation of applicable laws.
- (f) Falsification of accounts by concealing entries of receipts and cash withdrawals in bank accounts
- (g) Failure to carry out running account settlement and redress investor grievances.

4. Based on the findings of investigation, the brokers AAT IPL and ACPL and their present and past directors are alleged to have violated the following provisions of law:

AAT IPL and its past / present directors:

s.no	Name of the entity	Charges / Violations	Regulatory provisions violated
I	<p>1. Amrapali Aadya Trading & Investments Pvt. Ltd.</p> <p>AAECA3909P/ Stock Broker</p> <p><u>Directors-</u></p> <p>2. Mr. Sanjeeva Kumar Sinha</p>	<p>A. Non- segregation of client's funds & Securities from own.</p> <p>B. Selling of clients' securities from the employee's a/c of AAT IPL.</p> <p>C. Funds and securities were moved to ACPL (sister concern of AAT IPL).</p>	<p>Circular no. SMD/SED/CIR/93/23321 dated 18 Nov, 1993; SEBI/MRD/SE/Cir- 33/2003/27/08 dated Aug 27, 2003.</p> <p>Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.</p> <p>Clause A (1), (4) and (5) of the Code of Conduct prescribed for the Stock brokers under</p>

	<p>ALEPS6005L</p> <p>3. Mr. Sujeet Kumar Sona</p> <p>CWTPS3069L</p> <p>4. Mr. Pawan Mishra</p> <p>AMIPM6148D</p>	<p>D. Funds have been transferred from the Business bank account of the AAT IPL to its related/ group entities.</p> <p>E. Mis-utilizing client securities by pledging</p>	<p>Regulation 9 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.</p> <p>Section 12A (a), (b) & (c) of the SEBI Act.</p> <p>Regulation 3(a), (b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.</p>
II	<p>5. Mr. Narayan Jee Thakur</p> <p>ADIPT8774F</p> <p>6. Mr. Abnish Kumar Sudhanshu</p>	<p>Failure to carry out running account settlement.</p>	<p>Clause 12 of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009.</p> <p>Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.</p>
III	<p>AXQPS1237C</p>	<p>Non-disclosure of demat accounts by AAT IPL to the stock exchange.</p>	<p>SEBI Circular SEBI/HO/MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016.</p>
IV		<p>Non-redressal of Investor grievance within one month of the date of receipt of the complaint and failure to follow the directions of the Orders of IGRP and pursue the next level of resolution, i.e. arbitration.</p>	<p>Circular no. CIR/MRD/ICC/ 30/2013 dated Sept 26, 2013</p> <p>Conditions of registration as specified under Regulations 9(e) of the Stock Brokers SEBI (and Sub Brokers) Regulations, 1992.</p>
V		<p>AAT IPL Failed to furnish information sought through summons.</p>	<p>Clauses A(1), (2), (3) and (5) of the Code of Conduct specified in Schedule II of Regulation 9 of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.</p> <p>Conditions of registration as specified under Regulation 9(b) and (f) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992</p>
VI		<p>Indulging in activities other than Stock broking such as withdrawal /deposits of cash from various bank account(s)</p>	<p>Section 12 (1) (1A) of the SEBI Act.</p> <p>Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957</p> <p>Section 12(A) (a) of the SEBI Act.</p>

		and providing assured returns to clients/ investors.	
VII		<p>a) Falsification of bank books to conceal cash withdrawal/ Dealings in cash</p> <p>b) Falsification of books of a/cs to conceal the creation of pledge of its clients' securities and entries on debtors liability.</p>	<p>Regulations 3 (a), (b), (c) & (d), 4(1) and 4(2) (p) of PFUTP Regulations.</p> <p>Clause A (1) (4) and (5) of the Code of Conduct prescribed for the Stock brokers under Regulation 9 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.</p> <p>Section 12(A) of the SEBI Act.</p>

ACPL and its past / present directors:

S.no	Name of entity	Charges / Violations	Regulatory provisions violated
I	<p>1. Aadya Commodities Pvt. Ltd.</p> <p>AAHCA2094C/ Commodity Derivative Broker</p> <p><u>Directors-</u></p> <p>2. Ms. Vandana Sinha</p> <p>ASUPS6193E</p>	<p>A. Non-segregation of client's funds & Securities from own.</p> <p>B. Funds and securities were moved from AATIPL.</p> <p>C. Funds have been transferred from the Business bank account of the ACPL to its related/ group entities/ persons.</p>	<p>SEBI Circular no. SMD/SED/CIR/93/23321 dated 18 Nov, 1993 read with SEBI/MRD/SE/Cir- 33/2003/27/08 dated Aug 27, 2003.</p> <p>Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011</p>
II	<p>3. Mr. Sanjeeva Kumar Sinha</p> <p>ALEPS6005L</p> <p>4. Mr. Sujeet Kumar Sona</p>	<p>Failure to carry out running account settlement.</p>	<p>Clause 12 of SEBI Circular no. MIRSD/SE/Cir- 19/2009 dated December 03, 2009.</p> <p>Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.</p>

III	CWTPS3069L 5. Ms. Amita Sinha AOIPS2038G	Non-redressal of Investor grievance within one month of the date of receipt of the complaint and failure to follow the directions of the Orders of IGRP and pursue the next level of resolution, i.e. arbitration.	Circular no. CIR/MRD/ICC/ 30/2013 dated September 26, 2013 Conditions of registration as specified under Regulations 9(e) of the Stock Brokers SEBI (and Sub Brokers) Regulations, 1992.
IV		ACPL failed to furnish information sought through summons.	Clauses A(1), (2), (3) and (5) of the Code of Conduct specified in Schedule II of Regulation 9 of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992. Conditions of registration as specified under Regulation 9(b) and (f) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992
V		Indulging in activities other than Commodity Derivative broking such as withdrawal /deposits of cash from various bank account(s) and providing assured returns to clients/ investors	Section 12 (1) (1A) of the SEBI Act. Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957
VI		Misuse of AAT IPL's client securities by providing collateral to Clearing member for taking exposers.	Section 12A (c) of the SEBI Act. Regulation 3(a), (b), (c) & (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

5. A gist of the abovementioned legal provisions is provided below:

(a) Circular nos. SMD/SED/CIR/93/23321 dated 18 Nov, 1993 and SEBI/MRD/SE/Cir- 33/2003/27/08 dated Aug 27, 2003 – The provisions of these circulars mandate segregation of clients' funds and securities from broker's own funds and securities.

- (b) Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011 – This provides that *“The stock broker shall ensure that the money/securities deposited by the client shall be kept in a separate account, distinct from his/its own account or account of any other client and shall not be used by the stock broker for himself/itself or for any other client or for any purpose other than the purposes mentioned in Rules, Regulations, circulars, notices, guidelines of SEBI and/or Rules, Regulations, Bye-laws, circulars and notices of Exchange.”*
- (c) Clauses A (1), (2), (3), (4) and (5) of the Code of Conduct prescribed for the Stock brokers under Regulation 9 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 – These mandate that a broker shall maintain high standard of integrity, promptitude and fairness and shall act with due skill, care and diligence in the conduct of all its business. Further, the broker shall not indulge in manipulation and malpractices and shall ensure compliance with statutory requirements.
- (d) Section 12A (a), (b) & (c) of the SEBI Act. – These provisions prohibit use of any manipulative or deceptive device or contrivance in contraventions of SEBI Act, rules or regulations; employment of any device, scheme or artifice to defraud in connection with issue or dealing in securities and engagement in any act, practice, course of business which operates or would operate as

fraud or deceit upon any person in connection with the issue and dealing in securities.

- (e) Regulation 3(a), (b), (c) and (d) & 4(1) and 4(2) (p) of PFUTP Regulations – These provisions prohibit buying, selling or otherwise dealing in securities in fraudulent manner and contain provisions similar to those provided in Section 12A (a), (b) & (c) of the SEBI Act. Further, Regulation 4(2) (p) prohibits an intermediary from predating or otherwise falsifying records.
- (f) Clause 12 of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009 and Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/16/2011 dated August 22, 2011 – These provided for periodical settlement of funds and securities in running accounts. The Circular dated August 22, 2011 *inter alia* states - *“The stock broker shall make pay out of funds or delivery of securities, as the case may be, to the Client within one working day of receipt of the payout from the relevant Exchange where the trade is executed unless otherwise specified by the client and subject to such terms and conditions as may be prescribed by the relevant Exchange from time to time where the trade is executed.”*
- (g) SEBI Circular SEBI/HO/MIRSD/ MIRSD2/CIR/P/2016/95 dated September 26, 2016 – This Circular contains provisions for Enhanced Supervision of Stock Brokers/Depository Participants and prohibits mis-utilization of clients’ funds by a broker.

- (h) Circular no. CIR/MRD/ICC/ 30/2013 dated Sept 26, 2013 – This Circular provides for timely redressal of investor grievances.
- (i) Conditions of registration as specified under Regulations 9, (b), (e) and (f) of the Stock Brokers Regulations and Section 12 (1) & (1A) of the SEBI Act – These provide that a broker has to act in accordance with the conditions of registrations granted to it. A broker has to abide by the rules, regulations and byelaws of the exchange; to take adequate steps for redressal of investor grievances and has to abide by the provisions of Code of Conduct.
- (j) Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957 read with Section 12 (1) & (1A) of the SEBI Act, 1992 – These provide that no broker shall continue as a member of the exchange if 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. Thus, the activity of providing assured returns to investors / clients by a broker is prohibited.

- 6. In view of the above, a common show cause notice dated February 26, 2020 (SCN) was issued to the Noticees whereby they were called upon to show cause as to why suitable directions under sections 11(4) and 11B of SEBI Act, 1992 should not be issued against them for the violations alleged herein above.

Personal Hearings and Replies:

7. The SCN was served upon Noticee nos. 1 & 2 by way of issuance of notice in the newspaper, whereas to Noticee nos. 3 to 9, it was served by dispatch through Speed Post. While some Noticees filed their replies to the SCN, some Noticees did not provide any response. The individual replies of the Noticees are summarised and stated later in this order.
8. The Noticees were granted an opportunity of personal hearing by scheduling the same on January 13, 2021. The notices of hearing were served upon the Noticees by Speed Post / Email / Newspaper publications. The said hearing was attended by Noticee no. 3 (Sanjeeva Kumar Sinha), in person, through video conferencing from Tihar Jail where he was lodged then. Noticee no. 4 (Pawan Mishra) appeared in person along with his representative Shri Shambhu Mishra. Similarly, Noticee no. 7 (Sujeet Kumar Sona) and Noticee no. 9 (Narayan Jee Thakur) attended the hearing through video conferencing. Noticee no. 8 (Abnish Kumar Sudhanshu) attended the hearing through his representative, Shri Sachin Mittal, Advocate. On behalf of Noticee no. 6 (Vandana Sinha), her counsel Sheikh Imran Alam, vide email dated January 13, 2021, requested for adjournment of hearing. The Noticee no. 1 (AATIPL), Noticee no. 2 (ACPL) and Noticee no. 5 (Amita Sinha) did not attend the personal hearing.

9. Subsequently, another opportunity of personal hearing was provided to Noticee no. 5 (Amita Sinha) and Noticee no. 6 (Vandana Sinha) by scheduling the same on February 18, 2021. Notice of hearing was served on the said Noticees through email. The Noticee no. 5 attended the hearing through her representative, Naveen Kumar (Advocate) via video conferencing. However, Noticee no. 6 failed to attend the hearing.
10. The Noticee nos. 1, 2 and 6 (AATIPL, ACPL and Vandana Sinha respectively) have not filed any reply to the SCN. Considering the same, matter against them has been proceeded with *ex-parte*, on the basis of material available on record.

Consideration of Issues and Findings:

11. I have examined the facts of the case and the allegations against the Noticee companies. I note that AATIPL and ACPL have not filed any reply / response whatsoever in respect of the SCN. Nevertheless, I proceed to look into the allegations against them and decide the matter based on material available on record. The allegations have been dealt with under different heads, one by one, in subsequent paragraphs.

Non-submission of information sought through summonses:

12. As regards the allegation of non-submission of information sought through summonses, I note from records that during the investigation, various

summonses were issued to AATIPL which were dated August 31, 2017, October 09, 2017, January 24, 2018 and February 07, 2018 under Section 11(2), 11(3) and 11C(3) read with 11C (5) of the SEBI Act, 1992 directing the Noticee company to furnish various information and documents. Similarly, summonses dated August 31, 2017 October 09, 2017, and February 07, 2018 were issued to ACPL. The SCN has alleged that the said Noticee companies did not furnish any information / documents. I note that there is nothing on record which shows that the Noticee companies had complied with the said summonses. Clauses A(1), (2) and (5) of the Code of Conduct for Stock Brokers (Code of Conduct) specified in Schedule II of the SEBI (Stock Brokers) Regulations, 1992 (Stock Brokers Regulations), provide that a stock broker shall maintain high standard of integrity, promptitude and fairness and shall act with due skill, care and diligence in the conduct of all its business. Further, the stock broker shall abide by all the provisions of SEBI Act and rules and regulations etc. Further, Regulation 9(f) of the Stock Brokers Regulations mandate that a stock broker shall at all times abide by the Code of Conduct. I find that since the Noticee companies have failed to comply with the abovementioned summonses, the allegation of violation of Clauses A(1), (2) & (5) of the Code of Conduct read with Regulation 9(f) of the Stock Brokers Regulations against the Noticee companies, AATIPL and ACPL, stands established.

Sale of clients' securities through employees' accounts:

13. As per the findings of investigation, AATIPL had sold off securities belonging to some clients through the accounts of certain employees, viz. Deepak Kumar, Ranjit Kumar, Sanjeet Kumar and Mukesh Kumar. An analysis of the trades carried out in the accounts of the aforesaid 4 employees revealed that during the period from 01-Apr-16 to 10-Aug-17, these employees had sold securities worth Rs. 130.85 cr. It was observed that on those dates, the securities required for making the pay-in were not available in the aforesaid employees' accounts. However, AATIPL has made the pay-in successfully, which meant that the securities for pay-in were arranged from other sources. This clearly indicated that the securities of other clients were utilised for the pay-in. The details of clients' securities sold, as provided by NSE, are as under:

Table 05: Client securities details

Client code	Client name	Total value of net sell trades for the period (01-Apr-16 to 10-Aug-17)	Total amount of net sell trades verified	Amount of securities sold without possessing the same
DK21	Kumar Deepak	1,34,63,88,628	1,34,40,63,404	1,19,58,41,419
RK36	Kumar Ranjit	75,07,45,984	19,04,66,684	3,50,66,856
MK11	Mukesh Kumar	1,88,10,46,533	6,77,89,919	3,86,87,311
SK24	Sanjeet Kumar	1,96,68,43,176	6,91,29,502	3,89,17,999
	Total			1,30,85,13,585.00

14. During the investigation, the statements of Deepak Kumar and Ranjit Kumar, two of the above named employees, were recorded. As per their submissions, these employees had been working in the capacity of field boy/ peon/ pantry boy in

AAT IPL. They further submitted that they had neither traded in the securities market nor had any knowledge of trading account having been opened in their names. They also stated that they had not entered into any financial transaction with the company and had not received any funds in their account except for salary. From the same, it was apparent that the aforesaid employees did not have the financial ability to carry out such large quantum of trading and neither were they owners of the securities which were sold through their trading account. Therefore, it was alleged that the trading accounts of the said employees were merely used as a conduit by AAT IPL for selling clients' securities for its own benefit.

15. In the above regard, I note that the recorded statement of the employees, Deepak Kumar and Ranjit Kumar, who had sold shares amounting to Rs.119.58 Crores and Rs.3.50 Crores without possessing the same, are available as Annexure 2 & 3 of the SCN. From the said statement, I note that the said employees have clearly submitted that they were working as pantry / field boy / peon with AAT IPL and had not executed the alleged transactions in their account. I further note from the said statements that on specifically being asked whether they were aware that any trading account was opened in their name with AAT IPL, the said employees categorically denied having any knowledge. I note that Ranjeet Kumar in his statement has stated - *"No, I have no knowledge. In 2010, I was made to sign a form. Sanjeeva Sinha had asked him to sign. I have studied till class 8. I*

have no knowledge of trading (translated from Hindi)". Similarly, Deepak Kumar in his recorded statement has stated - *"No, I have no knowledge. I used to sign wherever I was told to sign. I am 10th pass. I have no knowledge of these things* (translated from Hindi)." I further note that Deepak Kumar had also submitted a copy of his ID Card with AAT IPL which showed his designation as 'Field-Executive'. From the above observations, it is clear that the securities sold through the accounts of the abovementioned employees did not belong to them. Apart from the above, I also note that Sanjeeva Sinha, the MD of AAT IPL, in his statement recorded before SEBI on 11/08/2017 has admitted that *"Some of the clients' stocks were sold off in the company. These stocks were sold off through some of the employees' account and the loss of the company was covered, which were mainly due to clients' debit, branch expansion and interest payment to clients."* Considering the fact that the abovementioned employees have admitted that the securities sold through their accounts did not belong to them and also the fact that Sanjeeva Sinha, MD of AAT IPL, has admitted that securities of some of the clients were sold, it is clear that the securities sold through the accounts of the abovementioned employees belonged to other clients.

Pledge of Securities with Banks / NBFCs / FIs

16. As per the findings of investigation, analysis of demat statements of AAT IPL and ACPL showed regular movement of securities between client beneficiary account

and own / business account of AAT IPL. It was observed that the broker had raised funds by way of pledging the clients' securities with Banks / FIs, viz. Axis Bank Ltd. (Axis), Globe Fincap Ltd. (GFL) and ECL Finance Ltd. (ECL). As per the submissions made by Axis, GFL and ECL during investigation, the outstanding position against pledge as on March 31, 2017 was as under:

Table : Pledge details

Sl. No.	Name of the entity	Outstanding position	Stock value
1	Axis Bank Ltd.	18,549,252.00	37,098,504.00
2	Globe Fincap Ltd. (GFL)	181,957,124.00	22,345,584.00
3	ECL Finance Ltd.	315,758,925.00	621,514,020.00
	Total	516,265,301.00	680,958,108.00

17. From the above table, it was observed that as on March 31, 2017, securities worth Rs. 68 crores were pledged by AAT IPL with the aforesaid bank / FIs and the total outstanding against them was Rs 51.63 crores. An analysis of the bank statements of AAT IPL revealed several entries of receipts and payments from / to the aforesaid Bank / FIs in broker's Own / Business Bank A/c nos. 909020031142977, 000705028003 14422000000372, with Axis Bank, ICICI and HDFC Bank respectively. The same indicated that the broker was pledging securities with these Bank / FIs on regular basis.
18. In response to an enquiry regarding the ownership of the pledged securities, GFL had submitted that the pledging was done by AAT IPL through its demat a/c no. 1205920000000211. It was observed that the aforesaid demat a/c was the 'client

beneficiary' account held in the name of AAT IPL with the DP AAT IPL. Since the 'client beneficiary account' contains the securities belonging to the clients, it was clear that the securities pledged with GFL belonged to the clients.

19. As regards pledging with ECL and Axis, these entities had submitted that pledging was carried out by way of marking pledge in the AAT IPL's demat a/c no. 1205920000002692. It was observed that the aforesaid demat a/c was the pledge account held in the name of AAT IPL. In addition, these entities also submitted that AAT IPL had submitted an undertaking with them mentioning that the *securities which are being pledged are absolute property of AAT IPL and same is unencumbered*. However, the investigation revealed that in reality, the pledged securities belonged to the clients, since it was clients' securities which were transferred from the client beneficiary account to AAT IPL's own accounts for pledging, as explained below.
20. For pledging the clients' securities with ECL and Axis, AAT IPL used to transfer the securities from its client beneficiary account no. 120592000000211 to its own pledge account no. 1205920000002692. Thereafter, in case of pledge with ECL, the pledge used to be set up in favour of a/c no. 1203230000060781 (DP a/c maintained by AAT IPL with ECL DP). Similarly, in case of pledge with Axis bank, after transfer of shares from 'client beneficiary account to its own pledge account, AAT IPL used to set up pledge in favour of a/c no 1302750000000281 (DP a/c maintained by AAT IPL with Axis DP). Further, at the time of un-pledge,

the securities were transferred/released back to the source a/c i.e. client beneficiary demat a/c no. 1205920000000211. The same indicated that the securities being pledged by AAT IPL with GFL, ECL and Axis, actually belonged to clients since the same were being taken out of 'Client Beneficiary Account' prior to the pledge and were being returned to the same place after unpledged. It was thus alleged that AAT IPL had not only failed to maintain segregation between own and clients' securities but also misused the client's securities by pledging / transferring the same to the NBFCs.

21. As it was found that AAT IPL had siphoned off clients' securities by pledging them with Banks / FIs and selling them through employee' accounts, in order to ascertain the position of securities available with the broker, the depositories were advised to provide the holding and valuation statements of all demat accounts held by AAT IPL as on August 10, 2017. Further, the value of securities as per the Register of Securities maintained by AAT IPL was obtained from NSE. It was observed that client securities amounting to Rs. 411.3 crores recorded in the back office books as on August 10, 2017 were not available in the beneficiary accounts of AAT IPL or with the clearing member. Details of the same are provided in the table below:

Table 16: Details of securities

Sr. No.	Particular	Value in Rs. Crores
1	Value of securities as per Register of Securities as on August 10, 2017 (A)	516.26
2	Value of securities as per client beneficiary (B)	93.12

3	Value of securities with Clearing member (C)	9.64
4	Value of securities with Globe Fincap Limited (D)	2.17
5	Difference A- (B+C+D)	411.3

22. From the above, it was evident that client securities had been routed out of the system by AAT IPL by pledging with NBFCs and by selling the same from its employees' account.
23. In the above regard, I note that the SCN has provided an extract of AAT IPL's demat account no. 1205920000002692 (AAT IPL's own pledge account) showing certain pledge transactions. From the extracts of the said transactions, I observe several instances of transfer of securities from 'Client Beneficiary Account' to the said pledge account before marking pledge in favour of ECL and Axis and return of identical quantity of securities from the pledge account to 'Client Beneficiary Account' after securities are unpledged. The same clearly indicates that the pledging of securities with Bank / FIs was done by using securities lying in the 'Client Beneficiary Account' of AAT IPL. I note that the Noticees have failed to provide any explanation in respect of these transactions. From the above, it is clear that AAT IPL had misused clients' securities by pledging the same with NBFCs and had failed to maintain segregation between own and clients' securities, in violation of SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular no. SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003. Further, the fact that clients' securities amounting to

Rs.411.3 Crores recorded in the back office books as on August 10, 2017 were not available in the beneficiary accounts of AAT IPL or with the clearing member further corroborates the finding that AAT IPL was pledging the clients' securities and was selling them through its employees, as discussed earlier. The same lends credence to the findings that the missing securities have been routed out of the system by AAT IPL.

Misappropriation of funds raised through pledging and sale of clients' securities

24. During investigation, in order to know the general financial position about the availability of funds in AAT IPL's client accounts, the trial balance dated March 31, 2017, submitted by AAT IPL to NSE on August 17, 2017, was verified, which showed the following summary of funds:

Table 08: Summary of Funds

Sr. No.	Particulars	As per trial balance dated 31/03/17 collected by NSE from AAT IPL on 17/08/17 (Total) (In crores)	As per trial balance dated 31/03/17 collected by NSE from AAT IPL on 17/08/17 (after excluding balances of employees**)
1	Total receivables		
	- Receivable from clients	69.37	57.44
	- Other receivables	64.69	64.69
2	Total Payables		
	- Payable to clients (A)	77.1	41.82
	- Other payables	20.28	20.28

3	Total cash/bank Balance (B)	0.34	0.34
4	Funds with NSE along with clearing member (C)	6.45	6.45
5	Minimum deposit with exchange (D)	1.6	1.6
6	Non-Available funds [(A-(B+C-D))]	71.91	36.63

****List of employees registered as clients**

- | | |
|------------------------|-----------------------|
| 1. DK 21- Deepak Kumar | 3. RK36- Ranjit Kumar |
| 2. SK24-Sanjeet Kumar | 4. MK11-Mukesh Kumar |

25. From the above, it was observed that the available funds across all bank a/cs were short of payable funds. It has already been pointed above that AAT IPL had a total outstanding of Rs. 51.63 crores as on March 31, 2017 against pledging of clients' securities with bank / FIs. It was observed that the said outstanding amount of Rs.51.63 was also not appearing in the trial balance. On verification of deposits available with exchange, clearing member and bank balances, the funds available with AAT IPL were found to be short by Rs 71.91 Crores as against the amounts payable to clients as on March 31, 2017. Therefore, it was alleged that the funds that had been raised by pledging the clients' securities were not available in the bank accounts of broker and that such funds had not been used for the purpose of meeting client obligations but were routed out of the system.
26. In the above regard, I note that it has already been discussed above that AAT IPL had fraudulently sold clients' securities worth Rs.130.85 Crores through the accounts of its employees. Further, AAT IPL had pledged securities worth Rs.68 Crores with Bank / FIs (Axis Bank, GLF and ECL), against which there was an outstanding amount of Rs.51.63 Crores as on March 31, 2017. The

abovementioned shortage of Rs.71.91 Crores in available funds as per the trial balance clearly indicates that the funds had been routed out of the system and had been misappropriated for own purposes. I note that the Noticee companies or their directors have not provided any credible explanation for such shortage of funds. Thus, the allegations of diversion of clients' funds stand established. The modus operandi of the diversion of funds belonging to the clients for broker's own purposes has been discussed in subsequent paragraphs.

Transfer of funds to non-client entities (third parties):

27. As AAT IPL had a total outstanding of Rs. 51.63 crores against pledged securities as on March 31, 2017 and the same was not appearing in the trial balance, an examination of AAT IPL's and ACPL's bank statements was carried out to understand the utilization of funds. From the analysis of bank statements of AAT IPL, it was observed that AAT IPL had undertaken a number of fund transfers worth several crores with various entities that were not its clients. Such transactions were observed to be of three types which are follows:

Table 09: Summary of net payment

S. No.	Transaction Type	Total Amount (Rs.)
a.	Transactions involving both receipts and payments with certain entities (Net Payment)	(134,361,326.00)
b.	Transactions involving receipt of funds from certain entities	95,690,000.00
c.	Transactions involving payment of funds to certain entities	(338,193,627.00)
	Total Payments	(376,864,953.00)

** It may be mentioned that since the bank statement analysis spans from April 2011 to the date of investigation, entities with whom net transfers of less than Rs. 10,00,000 have taken place have not been considered.*

28. The abovementioned transfers had mainly taken place from AAT IPL's own / Business bank a/cs with Axis and ICICI. The total money transferred from own/Business accounts of AAT IPL & ACPL to third parties was Rs. 37.69 crores. However, due to lack of cooperation from AAT IPL, the nature of transactions of the payments made to the third parties in many cases could not be ascertained as there was limited access to third party bank statements and the funds had moved through several layers involving multiple banks. In some cases, where entities' details could be ascertained, summonses were issued to these entities for seeking information about nature/reason of funds transfer to/from AAT IPL own/Business accounts along with relationship with AAT IPL, ACPL and its directors. Some of the entities submitted their responses, from which it appeared that the bank account transfers which were apparent from Own / Business bank account of the broker with Axis bank were in the nature of own / Business transactions between the AAT IPL and these entities. In view of the same, it was alleged that clients' money was routed/ diverted by AAT IPL to other entities.
29. In the above regard, I note that though the nature of transactions of payments made to third parties in many cases could not be ascertained due to lack of cooperation from AAT IPL and other factors, the surrounding facts and

circumstances clearly indicate that such payments were made out of funds belonging to clients. In this regard, it has already been discussed above that AAT IPL had fraudulently sold clients' securities worth Rs.130.85 Crores; that AAT IPL had an outstanding amount of Rs.51.63 Crore against clients' securities pledged with Bank / FIs and that there was a shortfall of Rs.71.91 Crore in the available funds. I note that the Noticees have failed to justify the said transfer of funds. Keeping in view all these factors, I am constrained to agree with the findings of investigation that the abovementioned payments made to third parties actually belonged to the clients and had been siphoned off by AAT IPL for its own purposes.

Cash Withdrawals:

30. Analysis of the bank account statements of AAT IPL during investigation reflected that large amounts of cash deposits and withdrawals had been made by the broker during the investigation period. Total cash withdrawal by AAT IPL and ACPL from their bank accounts, during the years 2011 to 2017, stood at Rs.31,10,89,860 and the total deposit by them for the corresponding period amounted to Rs.10,63,50,400. The amount of net withdrawal by AAT IPL and ACPL was Rs.20,47,39,460.

31. It was noted that cash withdrawals were mainly made from Own/Business bank accounts of AAT IPL and ACPL. The net amount withdrawn by the broker since April 2011 onwards was Rs. 20.47 crores. Major amounts of withdrawal had happened between the period from 2014 till 2016 i.e. when the broker was misusing client's securities by way of pledging and also by selling clients securities through its employees a/cs, as mentioned in the above paragraphs. In view of the above, it is alleged that the clients' money had been withdrawn by the broker on regular basis from the various own/Business a/cs of AAT IPL and ACPL. Further, as per the submissions made by the directors of Broker namely, Mr. Sanjeev Sinha, Mr. Narayan Jee Thakur and Mr. Sujeet Kumar Sona, the purpose of making such withdrawal was to make interest payment to the clients, details of which are discussed in subsequent paragraphs.
32. In the above regard, I note from Annexure 7 of the SCN, which contains the bank statement of AAT IPL, that the same contains numerous entries of cash withdrawals and deposits. The entries of credit and debit reflecting therein are of amounts as high as Rs.9,50,000 and Rs.9,75,000 respectively. I note that the Noticees have failed to explain the said cash withdrawals. In these circumstances, I am inclined to accept the findings of investigation that the money withdrawn in cash on regular basis from AAT IPL's and ACPL's bank accounts belonged to the clients.

Interest payments made to clients:

33. Investigation has revealed that AAT IPL was making payments towards interest (fixed return) to its clients as per the pre-agreed terms of interest payment (monthly). The same was also confirmed by Directors, namely Sanjeeva Kumar Sinha, Narayan Jee Thakur and Mr. Sujeet Kumar Sona during Statement recordings. Further, from the analysis of bank statements, certain payments to some of AAT IPL's clients were observed which appeared to be interest payments, since fixed amounts were being paid to the clients on a regular basis (mainly monthly). Such payments were mainly being done from AAT IPL's Own/Business bank account nos. 90902003114297 (Axis Bank) and 000705028003 (ICICI) and account no. 371010200008778 (Axis) of ACPL. It was observed that the clients to whom such regular fixed payments were being done from ACPL bank account no. 371010200008778 were not registered as clients of ACPL but were clients of AAT IPL.
34. An analysis of the trade data revealed that some of the client's names which were noticeable in the aforesaid bank a/cs did not trade during the relevant period. Therefore, it could be inferred that the payment made to such entities were in the nature of fixed interest payments. From the above, it was inferred that broker was running fixed return scheme for some of its clients and was making interest payments on regular basis.

35. In the above regard, I note that Narayan Jee Thakur (Noticee no. 9), who was a director of AATIPL / ACPL, in his recorded statements to SEBI, which are enclosed as Annexure 9 of the SCN, has admitted that AATIPL was paying monthly interest to the clients. Narayan Jee Thakur in his statement dated 17/10/2017 has stated – *“Interest payments were being made to most of the clients of AATIPL. This interest payment was being made in cash and was against the shares / funds of the clients kept with the company. The frequency of these payments was monthly / quarterly basis. Such cash was made available through withdrawal from business a/c of the company (Axis, HDFC, ICICI).”* Further, the fact regarding regular interest payments to clients by AATIPL has also been admitted by Sanjeeva Kumar Sinha, Sujeet Kumar Sona, and Narayan Jee Thakur, the directors of AARTIPL / ACPL in their respective replies to the SCN filed before me. Further, I note that Annexure 10 of the SCN contains extracts from various bank statements of AATIPL’s bank accounts held with Axis Bank and ICICI Bank. The same contain entries which show regular monthly payments of amounts, which are mostly of identical value, being made to the same entity over years. Some of the names of clients appearing in the bank statements are Altaf Sheikh, Amit Arora, Bharati Katyal, Geeta Tripathi, Pooja Arora, Anil Kumar. For example, the extract of AATIPL’s bank account statement for account no. 909020031142977 (Axis Bank) shows that an amount of Rs.24,800 was being paid every month to the client, Altaf Shaikh. The SCN has

also provided under para 4.6.4 a summary of the net payments made to such clients.

36. Considering that the Noticee directors have admitted to the fact that monthly interest payments were being made and also the fact that the extract of AAT IPL's bank statements *prima facie* reflect such monthly payments, I conclude that the allegation that the broker was running a fixed income scheme for some of its clients stands established. The same is in violation of Rule 8(3)(f) of the SCR Rules which prohibit such activities by the broker. Further, since it is established that the Noticee brokers had misappropriated clients' securities and funds, I am constrained to infer that such interest payments were being done out of the misappropriated funds of other clients.

Payment to related parties:

37. During investigation, analysis of various bank statements of AAT IPL and ACPL, revealed that AAT IPL and ACPL had transferred net amount of Rs. 32.62 Crores during the period of investigation to its related entities and its directors. Some such transactions that were observed are as below:

Table 15: Related party transfer

Sl. No.	Entity names	Debit	Credit	Net Funds paid	Bank Details
1	Aadya Finsec Limited (PAN-AAHCA0895R)	2,990,000.00		(2,990,000.00)	AAT IPL ICICI-000705028003
		7,470,000.00		(7,470,000.00)	AAT IPL Axis-909020031142977
	Total (A)	10,460,000.00		(10,460,000.00)	

2	Aadya Commodities Private Limited	22,001,786.59	9,068,000.00	(12,933,786.59)	AAT IPL Axis-909020031137920
		1,961,300.00		(1,961,300.00)	AAT IPL HDFC-14422000000365
		2,067,000.00	199,000.00	(1,868,000.00)	AAT IPL HDFC-14422000000372
			940,000.00	940,000.00	AAT IPL ICICI-705010268
		81,553,000.00	1,003,642.66	(80,549,357.34)	AAT IPL ICICI-000705028003
		13,945,100.00	7,594,700.00	(6,350,400.00)	AAT IPL Kotak-02082000001819
		262,291,082.00	219,817,800.00	(42,473,282.00)	AAT IPL Axis-909020031142977
	Total (B)	383,819,268.59	238,623,142.66	(145,196,125.93)	
3	Tri-Deep Leasing and Finance Ltd (PAN-AABCT9035G)	10,000,000.00	12,500,000.00	2,500,000.00	AAT IPL Axis-909020031137920
			1,000.00	1,000.00	AAT IPL DCB-04621600000514
		125,000.00		(125,000.00)	AAT IPL ICICI-000705011161
		87,600,000.00		(87,600,000.00)	AAT IPL ICICI-000705028003
		955,500.00	3,250,000.00	2,294,500.00	AAT IPL Kotak-02082000001819
		397,986,000.00	381,973,000.00	(16,013,000.00)	AAT IPL Axis-909020031142977
			2,000,000.00	2,000,000.00	AAT IPL Axis-371010200008778
	Total (C)	496,666,500.00	399,724,000.00	(96,942,500.00)	
4	Shubhshree Portfolios Private Limited (PAN-AAICS8132L)	1,300,000.00		(1,300,000.00)	AAT IPL ICICI-000705028003
		1,500,000.00		(1,500,000.00)	AAT IPL Axis-909020031142977
	Total (D)	2,800,000.00		(2,800,000.00)	
5	Sujeet Kumar Sona	272,771.20		(272,771.20)	AAT IPL ICICI-000705011161
		673,000.00		(673,000.00)	AAT IPL Kotak-02082000001819
		142,500.00	49,150.00	(93,350.00)	AAT IPL Kotak-8111112414
		311,875.00		(311,875.00)	AAT IPL Axis-909020031142977
	Total €	1,400,146.20	49,150.00	(1,350,996.20)	
6	Vandana Sinha	4,300,000.00		(4,300,000.00)	AAT IPL Axis-909020031137920
		6,800,000.00	2,315,000.00	(4,485,000.00)	AAT IPL ICICI-705010268
		1,900,000.00	-	(1,900,000.00)	AAT IPL ICICI-000705011161
		4,375,000.00	6,900,000.00	2,525,000.00	AAT IPL ICICI-000705028003
		850,000.00		(850,000.00)	AAT IPL Axis-371010200008778
		200,000.00		(200,000.00)	AAT IPL HDFC-14428190000044
		2,383,546.12		(2,383,546.12)	AAT IPL ICICI-000705026747
		1,500,000.00		(1,500,000.00)	AAT IPL Kotak-02082000001819
		21,050,000.00		(21,050,000.00)	AAT IPL Axis-909020031142977
	Total (F)	43,358,546.12	9,215,000.00	(34,143,546.12)	
7	Sanjeeva Kumar Sinha	7,506,221.91		(7,506,221.91)	AAT IPL Axis-909020031137920
		4,460,228.00	150,000.00	(4,310,228.00)	AAT IPL HDFC-14422000000365
		120,000.00		(120,000.00)	AAT IPL HDFC-14422000000372
		14,015,000.00		(14,015,000.00)	AAT IPL ICICI-705010268
		8,563,754.00		(8,563,754.00)	AAT IPL ICICI-000705011161
		12,483,012.00	4,450,000.00	(8,033,012.00)	AAT IPL ICICI-000705028003

		5,970,000.00		(5,970,000.00)	AAT IPL Axis-909020031142977
	Total (G)	53,118,215.91	4,600,000.00	(48,518,215.91)	
8	Sanjeeva Kumar Sinha & Sons (HUF) (PAN-AATHS0938J)	1,750,000.00	600,000.00	(1,150,000.00)	AAT IPL ICICI-705010268
		300,000.00		(300,000.00)	AAT IPL ICICI-000705011161
			4,000,000.00	4,000,000.00	AAT IPL ICICI-000705028003
	Total (H)	2,050,000.00	4,600,000.00	2,550,000.00	
9	First Milestone Infrastructure Pvt. Ltd. (PAN- AABCF7418F)		4,850,000.00	4,850,000.00	AAT IPL Kotak-02082000001819
		5,200,000.00		(5,200,000.00)	AAT IPL Axis-909020031142977
	Total (I)	5,200,000.00	4,850,000.00	(350,000.00)	
	Net (A+B+C+D+E+F+G+H+I)	998,872,676.82	661,661,292.66	(337,211,384.16)	

38. The details of certain related parties (associate / group Companies of AAT IPL & ACPL) named above, which had received funds from AAT IPL, are as follows.

Table 04: Associate/Group company of the broker

Sr.no.	Entity names	Entity Details
1	Tri-Deep Leasing and Finance Ltd.	CIN- U65910DL1990PLC040141 Address- 13 Vaishali, 2 nd Floor Pitampura New Delhi – 110088 Directors- Mr. Sanjeeva Sinha (20/07/2017-till date) Ms. Vandana Sinha (03/04/12- till date) Mr. Amit Kumar (31/05/12- 06/08/2015)
2	Shubhshree Portfolios Private Limited	CIN- U67190DL2005PTC133028 Address- 13 Vaishali, 2 nd Floor Pitampura New Delhi -110088 Directors- Ms. Amita Sinha (13/12/06-till date) Ms. Vandana Sinha (15/02/05 till date)
3	Aadya Finsec Pvt. Ltd.	CIN- U65990DL2008PLC179144 Address- 13 Vaishali, Pitampura New Delhi -110088. Directors- Ms. Amita Sinha (05/05/08-till date) Ms. Vandana Sinha (05/05/08-till date) Mr. Sanjeeva Sinha (05/05/08-till date)
4.	First Milestone Infrastructures Private Limited	CIN- U45400DL2011PTC214425 Address- LB-15, B, Ansal Bhawan, KG Marg Connaught Place, Delhi -110001 Directors- Mr. Mrityunjay Kumar (20/02/2013-till date) Mr. Rishab Roy (12/09/2012-till date) Ms. Vandana Sinha (12/09/2012-15/12/2017)

39. During the investigation, summonses were sent to AAT IPL and its Directors seeking details of all fund transfers with related parties. However, AAT IPL did not respond to any of the summons. Since, AAT IPL could not explain the said transactions, it is alleged that the net amount of Rs. 33.72 crores transferred by AAT IPL to its related entities was out of the funds raised through pledging and selling of client's securities from employees a/cs and it belonged to the clients.
40. In the above regard, I note from Annexure 11 of the SCN that large amounts have been paid to Subhashree Portfolios Pvt. Ltd., ACPL, Tri-Deep Leasing and Finance Ltd., Aadya Finsec Ltd., Vanda Sinha, Sanjeeva Kumar Sinha, Sanjeeva Kumar Sinha & Sons (HUF) and First Milestone Infrastructure Pvt. Ltd., which are related entities of AAT IPL and ACPL, as can be seen from the Table above. For example, I note from records that Tr-Deep Leasing and Finance Limited, which has received a net amount of Rs.9.69 Crores from the bank accounts of AAT IPL, holds 15.89% shares in AAT IPL and its directors include Sanjeeva Sinha (MD of AAT IPL) and his wife, Vandana Sinha. Similarly, Subhashree Portfolios Pvt. Ltd., Aadya Finsec Ltd. and First Milestone Infrastructures Pvt. Ltd., which had received net funds from AAT IPL are connected to AAT IPL / ACPL through common directorship and / or their shareholding in AAT IPL and ACPL. I note that AAT IPL and ACPL or their directors have not provided any explanation as to the purpose of these transactions. Further, it has already been established above that AAT IPL has misappropriated clients' funds and securities. In these

circumstances, I am constrained to draw an inference that the abovementioned net funds transferred to related parties by AAT IPL belonged to the clients which were siphoned off.

Falsification of records

41. Apart from mis-utilization of clients' securities and funds, it was observed during investigation that AAT IPL had also falsified certain records submitted to SEBI. Upon examination of the bank statement of the broker, it was observed that there were entries of receipt /payment of money from GFL indicating the receipt of money out of pledge from GFL. However, on examination of the books of the broker, it was observed that such receipts of funds by way of pledge were not appearing but were concealed in the trial balance and bank books submitted by the broker. Further, from examination of the trial balance submitted by AAT IPL to NSE, it was observed that the same was also falsified in respect of the entries relating to the debtors. As per trial balance as on March 31, 2017 submitted on April 19, 2017 by the broker, an amount of Rs. 16.80 crores was appearing towards debtors. However, as per trial balance as on March 31, 2017 submitted on August 3, 2017 by the Broker, an amount of Rs. 22.23 crore was appearing towards debtors. The same indicated that the trial balance details in respect of debtors had also been falsified. Further, it was also observed that certain entries pertaining to cash withdrawals in AAT IPL's Own/Business Bank a/c no.

909020031142977 with Axis Bank were concealed in the Bank statements provided by AAT IPL during the visit to AAT IPL's office on August 10, 2017. The same was evident from the records obtained from Axis Bank.

42. In the above regard, I note that Annexure 13 to the SCN contains several individual entries of credit in the range of Rs.10 Lakh to Rs.2.25 Crores, which were allegedly concealed, and the total amount credited in the accounts stands at Rs.24.55 Crores. Further, I note that Annexure 14 of the SCN shows several cash withdrawal entries appearing in AAT IPL's own / business account bank statement, which were allegedly concealed. I note from the said Annexure 14 that there are 62 entries of cash withdrawals in the range of Rs.1 Lakh to Rs.9.90 Lakh. I note that AAT IPL has not provided any explanation in respect of the above concealments and falsification of accounts. Thus, I conclude that the allegation of falsification of records to conceal pledging of securities, cash withdrawals and fund movements to related entities by AAT IPL stands established.
43. Considering the abovementioned findings, the allegations against AAT IPL, as mentioned in the SCN, stand established.

Role of ACPL

44. During investigation, an analysis of bank and demat account statements of AAT IPL had revealed several instances of movement of funds and securities between AAT IPL and its sister concern ACPL. On enquiring with the exchanges regarding ACPL's trades as a client of AAT IPL, the NSE had informed SEBI that though ACPL was registered as a client of AAT IPL, no trading was carried out by it. Further, BSE informed that ACPL was not registered as a client with any trading members of BSE.
45. Investigation has pointed out that as per information provided by Globe Commodities Ltd. ('GCL', Clearing Member of ACPL), ACPL's securities worth Rs. 1.76 crore were lying with GCL as on October 24, 2017. For ascertaining the source of such securities, ACPL's demat statement of a/c no. 1205920000001019 was examined which revealed several instances of receipt of shares in ACPL's demat account via off market transactions from the demat accounts of AAT IPL. It was also noticed that immediately after the said receipts, ACPL used to transfer the said securities to demat account of GCL, in order to avail margin facility. Thus, it was inferred that the shares transferred by ACPL to GCL as collateral belonged to the clients of AAT IPL, since it has already been observed above that AAT IPL had siphoned off clients' securities.

46. In the above regard, I note that ACPL used to receive shares via off market transaction from the demat accounts of AAT IPL and immediately thereafter, used to transfer the said securities to demat account of GCL in order to avail margin facility. Since AAT IPL's role in misappropriation of clients' securities has already been established, it is clear that securities transferred by ACPL to GCL did not belong to ACPL but to AAT IPL's clients. The abovementioned transactions by ACPL point towards the complicity of ACPL in diversion of clients' funds and securities by AAT IPL, which amounts to violation of SEBI Circular no. SMD/SED/CIR/93/23321 dated 18 Nov, 1993 read with SEBI/MRD/SE/Cir-33/2003/27/08 dated Aug 27, 2003 and Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.

Failure to carry out running account settlement

47. A broker is required to ensure periodical settlement of clients' funds/ securities on a monthly/ quarterly basis. However, on verification of records of sample clients by investigation, it was observed that AAT IPL have not done actual settlement of funds & securities in case of 2296 clients amounting to Rs 32.80 Crore for the period April 01, 2016 to March 31, 2017. Further, a perusal of complaints received against AAT IPL showed that the clients' securities/funds had not been settled by the broker. As per SCORES, the total number of complaints received against AAT IPL was 1975 (pertaining to non-receipt of funds and

securities) and the total number of complaints received against ACPL was 17. Since almost all complaints against pertained to non-receipt of funds and securities, it was clear that AAT IPL & ACPL had failed to carry out running account settlement.

48. In the above regard, I note that Annexure 15 to the SCN contains a list of 1975 complaints pending against AAT IPL in the SCORES System. I further note that out of said 1975 complaints, 1971 complaints have been received from June 03, 2017 onwards, which is the period immediately prior to the unearthing of fraud by AAT IPL and ACPL. Further, Annexure 15 shows a list of 2 complaints pending against ACPL in SEBI Scores System. Considering that there are investor complaints against AAT IPL and ACPL regarding non-settlement of securities /funds which are still pending, it is clear that AAT IPL and ACPL had failed to carry out running account settlement, in violation of Clause 12 of SEBI Circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009 and Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients as prescribed in Annexure 04 of the SEBI Circular no. CIR/MIRSD/ 16/2011 dated August 22, 2011.

Redressal of investor grievances

49. As per information received, a summary of the total complaints against AAT IPL and ACPL as on March 15, 2018 is as under:

Table 19: Complaints details

Entity	No. of Claims	Claim value (in crores)	Compliant Against
NSE	1850	167.39	AAT IPL- Stock Broker
BSE	547	60.2	AAT IPL- Stock Broker
MCX	361	4.56	ACPLL-CD Broker
CDSL	168	2.83	AAT IPL-DP
Total	2926	234.98	

50. All the above complaints pertained to non-receipt of funds and securities of clients and the total value of clients' claims is Rs.234.98 Crores as on March 15, 2018. Majority of the complaints were received between August 2017 till March 2018, when the fraud by AAT IPL and ACPL was discovered. Therefore, it was clear that AAT IPL and ACPL did not settle funds and/or securities of the clients.
51. In the above regard, I find that since the abovementioned complaints have remained pending for an unreasonably long time, it is clear that the Noticee had failed to address investor grievances by not settling the funds and securities of clients, which amounts to violation of Circular no. CIR/MRD/ICC/ 30/2013 dated Sept 26, 2013 and Conditions of registration as specified under Regulations 9(e) of the Stock Brokers Regulations.

Role of Directors

52. Any company, though a legal entity, cannot act by itself. It can act only through its directors who are expected to exercise their power on behalf of the company with utmost care, skill and diligence. Therefore, the Board of Directors, being

responsible for the conduct of the own/Business of a company, is liable for any non-compliance of law and such liability shall be upon the individual directors also. Thus, having decided about the allegations made against AATIPL and ACPL, I now proceed to decide whether the individual directors of AATIPL and ACPL are responsible and liable for the above contraventions by AATIPL and ACPL, by looking into specific role as brought out by the investigation and the replies and explanations submitted by the said individual directors. The details of AATIPL's and ACPL's directors are provided in the Table below. Their individual roles have been examined, one by one, in subsequent paragraphs.

Table 02: Directorship

S. No	Entity Name	Tenure of the Directors
A	Amrapali Aadya Trading & Investment Pvt. Ltd.	
	Present Directors	
1	Mr. Sanjeeva Kumar Sinha	21/09/11 till date
2	Mr. Sujeet Kumar Sona	14/06/17till date
	Past Directors	
1	Mr. Abnish Kumar Sudhanshu	21/12/13- 24/01/17
2	Mr. Narayan Jee Thakur	12/06/10- 30/04/17
3	Mr. Pawan Mishra	23/01/17-15/06/17
B	Aadya Commodities Pvt. Ltd	
	Present Directors	
1	Ms. Amita Sinha	05/08/08 till date
2	Ms. Vandana Sinha	05/08/08 till date
3	Mr. Sanjeeva Kumar Sinha	01/08/17 till date
4	Mr. Sujeet Kumar Sona	24/07/17 till date
	Past Directors	
	NIL	

Mr. Sanjeeva Kumar Sinha (Noticee no. 3)

53. As per the findings of investigation, Sanjeeva sourced new clients by promising them assured/ fixed returns, which is in contravention of the provisions of Stock Brokers Regulations. During the investigation period, Sanjeeva had received net funds amounting to Rs. 4.85 crores. Since no justification was provided for the reason of such transfers, it was inferred that the clients' money was misused by Sanjeeva for own purposes. Sanjeeva also falsified the bank books and provided wrong data to NSE in order to conceal the pledging of client's securities and cash withdrawal. Being the Managing Director of AATIPL, Sanjeeva Sinha owed fiduciary duties of utmost good faith, scrupulous honesty, and loyalty towards the company. However, Mr. Sanjeeva failed to perform these duties, ensure compliance with the regulatory provisions and cooperate during investigation.
54. Mr. Sanjeeva Kumar Sinha (Noticee no. 3) vide his letter (undated) received by SEBI on February 12, 2021 and during the personal hearing has submitted *inter alia* the following:
- (a) There was no siphoning of funds, as alleged. The money and securities were utilized for the survival of the company as the same had run into losses. The Noticee had also put his personal money and borrowings into the company,

but he has no records to show. In 2017, he was arrested and police had seized the records.

(b) Mr. Narayan Jee Thakur, who is a commerce graduate, was already working in the company as a Finance and Accounts Executive, though he now claims that he was working as a client acquisition executive.

(c) The Noticee joined the company Aadya Trading & Investment Private Ltd. (AT IPL) in 2002. In 2008, he registered another company in the name of ACPL with Vandana Sinha and Amita Sinha as two directors, since AT IPL being the member of NSE, was not eligible for MCX membership. Both AT IPL and ACPL were registered and operating from the same premises and had common clients; there was no need of two directors of ACPL to be involved in the operations of the company. They were directors for name sake only.

(d) In 2010, the Noticee had a verbal agreement with the chairman of Amrapali Group of companies to have a substantial equity stake in the company, pursuant to which AT IPL's name was changed to AAT IPL and it also took the membership of BSE. A number of people were hired in the marketing team for client acquisition. One such team was headed by Abnish Kumar Sudhanshu, who was looking after the functioning of this team, in addition to his Research Analyst work.

(e) The Noticee expanded the company's operations to more than 20 branches and almost 200 franchises across the country and acquired about 25,000 clients. However, the assured equity stake by Amrapali Group could not get

any funds for the extended operations of the company. That is when the Noticee started paying interest to the clients through his marketing team. But the company's revenue was not sufficient to sustain the operation and it started incurring heavy losses.

(f) No funds were ever taken out of the company. Whatever was done was in good faith to make the company sustain and make good the losses with time. Whatever money was received in the Noticee's account was mainly returned back to the company as equity in order to increase the net worth of the company. The Noticee even encashed his meagre fixed deposits and borrowed funds from friends to save the company.

(g) Subsequently, the company's trading operations were stopped by NSE and the Interim Order was issued by SEBI. The Noticee was arrested on 03/11/2017 and since then, he is in jail. Meanwhile, since the company could not pay its loan instalments, its premises were seized and auctioned by bank. The Noticee could not get any of the company's records back from new owner / bank.

55. I have examined the observations of the investigation in respect of Sanjeeva Kumar Sinha and his submissions summarised above. I note from records that Sanjeeva Kumar Sinha is the Managing Director and promoter of AAT IPL. He has been a director of AAT IPL since 21/09/2011 and continues to hold directorship as on date. I note that as per information submitted by NSE to SEBI

vide email dated 14/08/2017, Sanjeeva Kumar Sinha was a designated director of AAT IPL during 2014-16 and as on May 23, 2017. I further note that he along with his wife, Vandana Sinha, holds more than 47% shares in AAT IPL. Thus, it is quite clear that Sanjeeva Sinha was the main person responsible for managing the affairs of AAT IPL. I note that Sanjeeva Sinha in his reply to the SCN (undated letter received on 12.02.2021) has admitted that fixed returns in the form of monthly interest were being paid to the clients. Further, he has also admitted during the personal hearing that funds and securities were utilized by AAT IPL since it had run into losses. I further note that Sanjeeva Sinha in his statement recorded before SEBI on 11/08/2017 has admitted that *“Some of the clients’ stocks were sold off in the company. These stocks were sold off through some of the employees’ account and the loss of the company was covered, which were mainly due to clients’ debit, branch expansion and interest payment to clients.”* From the said statement, it is apparent that clients’ securities were sold by AAT IPL through employees’ accounts to cover up its own losses. The Noticee being the Managing Director of AAT IPL, cannot evade any responsibility for such fraudulent acts of AAT IPL. However, in this regard, the Noticee, except narrating some general facts as to how the company went into losses, has not offered any credible explanation for the non-segregation of clients’ funds and securities, pledging and selling of clients’ securities, mis-utilization of clients’ funds and other contraventions done by AAT IPL and ACPL. I further note that Sanjeeva Sinha was a direct beneficiary of the misappropriated funds belonging to clients since

he had personally received a net amount of Rs.4.85 Crores from AATIPL. This clearly brings out the complicity of the Noticee in the entire fraud. Considering the same, I hold the Noticee liable for various contraventions done by AATIPL and ACPL, as established above in the order.

Pawan Mishra (Noticee no. 4)

56. As per the findings of investigation, Mr. Pawan Mishra was working for AATIPL and ACPL since September 2011 as a franchisee coordinator cum accountant. It was Mr. Mishra's responsibility to look after the pay-in and pay-out obligation of all the branch offices of AATIPL. Thereafter, Mr. Mishra was appointed as Director in AATIPL w.e.f. 23.01.2017 till 15.06.2017. Further, he was well aware about the shortage of funds in AATIPL as the payment of Brokerage/ commission to Franchisee began to be delayed since April 2017. Although Mr. Pawan Mishra was director in AATIPL for a period of 05 months, his association with the broker was since 2011. Further, this fact cannot be ignored that he was aware about pledging of securities from clients beneficiary account and cash withdrawals.
57. Shri Pawan Mishra (Noticee no. 4) vide his letters dated July 22, 2020 and January 20, 2021 and during the personal hearing has submitted *inter alia* the following:
- (a) The SCN is based on surmises and conjectures and lacks specific and precise averments against the Noticee. There is no substantial or specific evidence of

any sort of wrongdoing or monetary gain by the Noticee in lieu of directorship. The Noticee was forcibly inducted as director, as a stop gap arrangement on 24.01.2017 after the previous incumbent, Mr. Abnish Kumar Sudhanshu (21.12.2013 to 24.01.2017) had resigned. The Noticee was asked either to accept the directorship or resign from the job. Since Noticee's job since 2011 was his only source of income to support his family, the Noticee agreed to become a director. However, as additional director, he had no role and power and he never participated in any meeting related to the alleged misdeeds. When the Noticee sensed the misdeeds, he started protesting from the month of March-April 2017 and for that his salary of those months was delayed. Later, when the Noticee's protest went unheard, he tendered his resignation dated 01.06.2017. On that basis, he was stripped off his job. The Noticee had also given a public notice regarding his dissociation from the company in any form by publishing the same in two widely circulated dailies in Hindi and English.

- (b) The alleged violations occurred in between April 01, 2011 to March 31, 2017, whereas the Noticee was a director from 23.01.2017 to 15.06.2017.
- (c) The Noticee was a small employee who had joined the company in July 2011 and performed the function of franchisee accounting / branch coordinator. His role was limited to interaction with the franchisees and branches and looking after their businesses and their pay-in and pay-out. This role was very insignificant. His appointment as additional director did not change his power

or responsibility. When the summons dated 31.08.2017 were issued, he had already disconnected his relationship with the company.

- (d) As regards alleged siphoning of clients' funds and securities, the Noticee was neither aware of the same nor did he have any authority for banking and demat transactions or any involvement in day-to-day affairs of the company. Even if he was aware of something wrong within the company, he could not have stopped the same since he was only a small employee. He was used only for unfair means and was made a scapegoat. He was not a party to a single resolution or authority for wrong activities. As a director, he has not pocketed any additional benefits either in cash or kind. Though he was promised hiked salary as a director, no such hiked payment was made to him.
- (e) Except the consent letter to act as a director, which the Noticee was forced to sign, he has not signed any other document. During the entire period of directorship, there was no Board meeting which he had attended. During this period, the Noticee continued his job as usual. The franchisee commission which used to be finalized by 1st day of month, got delayed for the first time in April, 2017. In May, it got delayed to 15th May, 2017. Sensing that something was seriously wrong which management was not discussing, the Noticee put his resignation on May 23, 2017 and stopped going to office from 25th May, 2017. On June 01, 2017, the Noticee sent the reminder for acceptance of his resignation. Later, the Noticee arranged to update his resignation at MCA site on June 15, 2017. The Noticee was sacked from his job while leaving the directorship.

58. I have examined the observations of the investigation in respect of Pawan Mishra and his submissions summarised above. I note that the period covered by investigation stretches from April 01, 2011 to March 31, 2017 and the Noticee held the directorship during 23.01.2017 to 15.06.2017. The Noticee has submitted that he had resigned from the directorship on May 23, 2017 itself, though his resignation was accepted on 15.06.2017. I note that even if the Noticee's resignation date is taken as May 23, 2017, the period of his directorship is still covered under the period of investigation. In fact, that is the period when the mis-utilization of clients' funds and securities by AAT IPL had peaked, since the Noticee himself has admitted in his submissions that the broker in April 2017 had started defaulting on payments to franchisees. I note that the Noticee has claimed that he was not involved in managing the day-to-day affairs of AAT IPL as a director and did not have any authority within the management of AAT IPL. However, I note from records that as per the directors' details submitted by AAT IPL to NSE on May 23, 2017, Pawan Mishra was shown as a 'Designated Director'. Further, I note from the Noticee's statement recorded by SEBI on 14/09/2017 that he has admitted that he was aware about pledging of client' securities as well as cash withdrawals by AAT IPL. Considering the same, the Noticee cannot shirk the responsibility arising out of his directorship in the company. However, considering the fact that the Noticee was a director only for a short period and also that there is no allegation of his direct personal

involvement in the fraud committed by AATIPL and ACPL, I am inclined to take a lenient view in respect of the Noticee while passing the appropriate directions.

Amita Sinha (Noticee no. 5)

59. As per the findings of investigation, Amita Sinha is holding Directorship in ACPL since August 2008. As per information received from MCX, Ms. Amita was one of the Designated Directors of ACPL. Further, Ms. Amita Sinha also holds directorship in Shubhshree Portfolios Private Ltd., which holds 7.21 % stake in ACPL and had entered into financial transaction with AATIPL on various occasions. As per the SCN, Ms. Amita Sinha was acting as a Director of ACPL for a period of more than 10 years. Being the principle in-charge of the Company, Ms. Amita owed fiduciary duties of utmost good faith, scrupulous honesty, and loyalty towards the company. However, Ms. Amita failed to perform these duties and ensure compliance with the regulatory provisions.
60. The Noticee no. 5 (Amita Sinha) vide her letter (undated) has submitted *inter alia* the following:
- (a) The Noticee had never attended or taken any part in the day-to-day affairs of ACPL. She has never signed any document as Authorized Signatory or Agent or Representative of the company, ACPL. She was merely a dormant Director and was not aware of the transactions conducted by ACPL along with AATIPL.

- (b) The Noticee was made a director of ACPL only because the directors of AATIPL, which was an equity broker, could not incorporate a company under their own directorship or commence commodities exchange business through the same entity AATIPL, because of regulatory hurdles. In this background, ACPL was incorporated and the requirement of 2 directors was met by constituting board of directors which included Vandana Sinha (wife of Sanjeeva Kumar Sinha) and the Noticee (sister of Sanjeeva Kumar Sinha). She could not refuse her brother's request to join as a director of ACPL because of personal love and affection towards him.
- (c) The Noticee is a graduate in field of science and her attention had chiefly been focused on rearing young child and thus she only had bare minimal involvement in affairs of ACPL. She had no reason to doubt the credentials of the persons who were in control of day to day affairs of ACPL or AATIPL.
- (d) Noticee was not aware about the transitions between M/s. ACPL or M/s. Amrapali in any manner whatsoever.
- (e) Even if there were any undesirable activities in the conduct of the affairs of the company, the Noticee cannot be held responsible in as much as she never had any ill-intention and at the best she can be termed as ignorant of facts regarding the transactions of the company. The Noticee does not have any meaningful shareholding in the company, M/s. ACPL nor the Noticee has received any dividend etc. from the said companies. The management / running of affairs of ACPL was effectively carried out by the management of

AAT IPL. The two entities had a common sales team, accounts team, operated from the same office premises and used the same systems. All operational purposes were mixed and all the resources answered to the management and promoters of AAT IPL.

61. I have considered the submissions of the Noticee. I note that Amita Sinha has been a director of ACPL since 2008 and continued to be so during the entire period under investigation. In fact, she has been one of the two directors of ACPL, along with Vandana Sinha (wife of Sanjeeva Sinha), since inception (2008 to 2017). Apart from the same, I note from the Confirmatory Order that she was one of the 'Designated Directors' of ACPL notified to SEBI and used to sign on the statutory filings of ACPL. In this regard, I note that from the copy of ACPL's balance sheet for the period ended March 31, 2016 that Amita Sinha has signed the same, along with Vandana Sinha, as one of directors of ACPL. Considering the same, the Noticee's argument that she was not involved in the management of ACPL cannot be accepted. I also note from records that the Noticee is one of the directors of Shubhshree Portfolios Private Limited and Aadya Finsec Pvt. Ltd. which had received a net amount of Rs.28 Lakh and Rs.14.51 Crores respectively from AAT IPL, which appears to be out of clients' funds misappropriated by AAT IPL. Considering all these factors, I am of the opinion that the Noticee cannot escape the liability arising out of her directorship of ACPL during the relevant period.

Vandana Sinha (Noticee no. 6)

62. As per the findings of investigation, Ms. Vandana is holding Directorship in ACPL since August 2008. As per information received from MCX, Ms. Vandana was one of the Designated Directors of ACPL. Analysis of Bank statements had revealed that Ms. Vandana had entered into financial transactions with AATIPL & ACPL on regular basis. During the investigation Ms. Vandana had received net sum of Rs. 34.366 crores from the broker. Moreover, summons seeking details of all funds transfers with AATIPL and ACPL were sent to Ms. Vandana. However, Ms. Vandana did not submit any justification about receipt of funds from the broker. Further, Ms. Vandana also holds directorship in Shubhshree Portfolios, which holds 7.21 % stake in ACPL and which had entered into financial transaction with AATIPL on various occasions. Being the principal in-charge of the Company, Ms. Vandana owed fiduciary duties of utmost good faith, scrupulous honesty, and loyalty towards the company. However, Ms. Vandana failed to perform these duties and ensure compliance with the regulatory provisions.
63. I note from the records that like Amita Sinha, Vandana Sinha has been a director of ACPL since 2008 and continued to be so during the entire period under investigation. In fact, she has been one of the two directors of ACPL, along with Amita Sinha (wife of Sanjeeva Sinha), since inception (2008 to 2017). Apart from

the same, I note from the Confirmatory Order that she was one of the 'Designated Directors' of ACPL notified to SEBI and used to sign on the statutory filings of ACPL. In this regard, I note that from the copy of ACPL's balance sheet for the period ended March 31, 2016 that Vandana Sinha has signed the same, along with Amita Sinha, as one of directors of ACPL. The same shows that Vandana Sinha was involved in the management of ACPL. I also note from records that the Noticee is one of the directors of Tri Deep Leasing and Finance Limited, Shubhshree Portfolios Private Limited, Aadya Finsec Pvt. Ltd. and First Milestone Infrastructures Limited, which had received a net amount of Rs.9.69 Crores, Rs.28 Lakh, Rs.14.51 Crores and Rs.3.50 Lakh respectively from AAT IPL, which appears to be out of clients' funds misappropriated by AAT IPL. I further note that she has been a direct beneficiary of the misappropriated funds of clients, since she had directly received a net amount of Rs.2.10 Crores from AAT IPL. Considering all these factors, I am of the opinion that the Noticee cannot escape the liability arising out of her directorship of ACPL. The Noticee has failed to respond to the allegations against her. Considering all the above, I am of the view that the Noticee is accountable for the contraventions done by ACPL and cannot escape liability.

Sujeet Kumar Sona (Noticee no. 7)

64. As per the findings of investigation, Mr. Sujeet Kumar Sona was appointed as Director in AAT IPL w.e.f June 14, 2017 and in ACPL w.e.f. July 24, 2017.

However, Mr. Sona had joined AAT IPL as Admin Head in September 2010. Although Mr. Sona became Director in June 2017, his association with the broker was since 2010. As per the SCN, the Noticee was fully aware about the interest being provided on client stocks, which is a prohibited activity under SEBI Regulations. Thus, the Noticee allegedly failed to perform his duties diligently.

65. The Noticee no. 7 (Sujit Kumar Sona) vide letters (undated) has submitted inter alia the following:

(a) The allegations against the Noticee are baseless. The Noticee was appointed as a director in ACPL on 24.07.2017. However, he was a director only for name sake. From the date of his appointment, no board meeting of the company was called and he did not get any access to the records of the company. The Noticee had no concern with the affairs of AAT IPL where he was only an employee. As an employee of AAT IPL, he only looked after administration as admin head. His work was to look after the employees and verify them. On being asked by Sanjeeva Kumar Sinha, the Noticee became an assistant director during June-July 2017, so that there was no default by the company. On December 17, 2018, the Noticee had sent his resignation to the email id of Sanjeeva Kumar Sinha, which is enclosed.

66. I have examined the allegations against the Noticee and his submissions in respect of them. I note from records that while the period covered by investigation

stretches from April 01, 2011 to March 31, 2017 when the alleged contraventions appear to have taken place, the Noticee became a director only on 14.06.2017 in AAT IPL and 24.07.2017 in case of ACPL and continues to remain so. I note that even though the Noticee held directorship of AAT IPL and ACPL after the period covered by investigation, the fraud by the company was still continuing during his directorship, since the fraud was brought to light by NSE during August 2017. I note from the findings of investigation that a total amount of Rs.13,50,996.20 was received by Sujeet Kumar Sona from the bank accounts of AAT IPL. However, I find from Annexure 11 of the SCN, containing the details of such transactions, that the said receipt of funds had happened over a period of more than 3 years starting from 09.04.2011 to 01.11.2014. Since the said payments are scattered and involve small amounts (the largest being Rs.2 Lakh), these appear to be payments relating to employment benefits. I note that as per available records, Sujeet Kumar Sona continues to be a director of AAT IPL and ACPL. Considering the same, he cannot escape the liabilities associated with the directorship of AAT IPL and ACPL. However, since there is no direct allegation regarding the Noticee's personal involvement in the fraud committed by AAT IPL and ACPL, I am inclined to take a lenient view in respect of the Noticee.

Abnish Kumar Sudhanshu (Noticee no. 8)

67. As per the findings of investigation, Mr. Abnish worked for AAT IPL from 2008 till 2013. Thereafter, he was appointed as Director for the period December 21, 2013

to January 24, 2017. Further, as per information received from NSE, Mr. Abnish was one of the Designated Directors of AAT IPL. He was a Director of AAT IPL for a period of 04 years, during which the fraud was committed by AAT IPL. Further, being one of the designated directors, Mr. Abnish failed to perform his duties of ensuring compliance with the regulatory provisions. It was also Mr. Abnish's responsibility to look after the affairs of the company.

68. The Noticee no. 8 (Abnish Kumar Sudhanshu) vide his letter dated July 22, 2020 has submitted *inter alia* the following:

- (a) The Noticee had merely acted as 'Director-Research' and his job responsibilities in the organisation had not even a remote connection with the account / finance department of AAT IPL. The Noticee was not involved in the conduct / management of the account / finance department of AAT IPL and he did not have any power to operate the bank and demat accounts of AAT IPL. There is nothing on record to presume that the Noticee, at the time of commission of contraventions, was in charge of and responsible to the company for the conduct of its business.
- (b) Not only the alleged contraventions were done without Noticee's knowledge, he had also exercised all due diligence. The Noticee was made a director in AAT IPL as part of a larger conspiracy which has been unearthed now.
- (c) The Noticee by his hard work had earned enormous goodwill and reputation in the securities market. He is a well-known researcher in the securities

market and used to be frequently invited by various news channels for airing his research views. AATIPL offered directorship to the Noticee with the motive of harnessing his goodwill. Noticee, while performing his duties as research director, despite exercising due diligence, could not become privy to various contraventions allegedly committed by the company and its top management.

(d) The Noticee, on 22.04.2015, had taken a certificate from AATIPL regarding his role and responsibilities in the company, which certified that he was not involved in any trading / DP and day-to-day financial activity of the company and that he was confined to area of equity research.

(e) No board resolution or power of attorney was ever passed / executed by the board of directors in favour of the Noticee. The Noticee's pay slip show his designation as 'Research Head'. He has not made any unlawful gains out of the various contraventions.

(f) When the Noticee realized that he had been made director for name sake and had no role in the conduct and management of the day to day affairs of the company, he tendered his resignation from directorship on 13.01.2016. He also sent a reminder on 29.12.2016.

69. I have examined the observations of the investigation in respect of Abnish Kumar Sudhanshu and his submissions summarised above. I note from the records that the Noticee was a director of AATIPL from 21/12/2013 to 24/01/2017, which substantially overlaps with the period under investigation, when the fraudulent

dealings by the company were happening. I also note from the Confirmatory Order that as per the directors' details submitted by AAT IPL to NSE, the Noticee was one of the 'Designated Directors' of AAT IPL. That being so, the Noticee cannot claim that he was not involved in the management of the company. I note from the Noticee's submissions that he is a well-known researcher in the securities market and used to provide his views on news channels. Considering that the Noticee is quite familiar with the securities market, it can safely be presumed that he was well aware of the responsibilities of a director and understood the implication of accepting the post of director. Being a very informed and educated person, the Noticee cannot claim that he was unaware about the happenings with the company. The Noticee in his defence has submitted a copy of certificate dated April 04, 2015 which is signed by Sanjeeva Kumar Sinha and AAT IPL's company secretary. The said certificate states – *"This is to state that Mr. Abnish Kumar Sudhanshu (Director-Research) is not involved in Trading/DP and day to day financial activity of the company. He has been dealing with the Equity research and has been confined in this area only. He bears a good moral character."* However, it appears to me that, as observed in the Confirmatory Order, the Noticee as well aware of the happenings inside the company but tried to protect himself from any liability. Otherwise, it defies logic as to why a director would want to obtain such a specific certificate as to what he was not doing in the company. Further, I note from information submitted by NSE to SEBI vide email dated 14/08/2017 that Abnish Kumar Sudhanshu was one of

the 'Designated Directors' of AAT IPL during 2014-2016. Considering all the above, I find that there is sufficient material on record to establish that the Noticee was well aware of the happenings inside the company. In such circumstances, he cannot escape from the liabilities arising out of his directorship in the company. In view of the same, I hold Abnish Kumar Sudhanshu accountable for the contraventions done by AAT IPL.

Narayan Jee Thakur (Noticee no. 9)

70. As per the findings of investigation, Mr. Narayan Jee Thakur had association with AAT IPL since 2003 and was also appointed as director for a period from June 2010 to April 2017. Many employees (Hiranand, Ranjit Kumar and Ravi Niwas) and directors (Sujeet Kuamr Sona and Abnish Kumar Sudhanshu) informed that Mr. Thakur was holding Key position in the Company and was looking after Finance of AAT IPL. Further, Mr. Thakur during his statement recording submitted that he was aware about cash withdrawal and fixed interest being paid to the clients. Being one of the designated director during the period in which fraud was committed, Mr. Thakur cannot escape his responsibility towards the Company and the fraud committed by AAT IPL as he was part of Management when the violations were ongoing.
71. The Noticee no. 9 (Narayan Jee Thakur) vide his letter dated February 07, 2021 has submitted *inter alia* the following:

- (a) It has wrongly been alleged in the SCN that many employees and directors informed that the Noticee was holding Key Position in the Company and was looking after finance of the Company. The Noticee denies each and every allegation. Even after becoming a director, the Noticee's work profile remained of a clerk and he was not given any power or privilege of a director in the Company.
- (b) The SCN failed to produce a single piece of evidence which shows that the Noticee was holding Key Position and looking after the finance in the Company or that he became a beneficiary of the alleged violations of the regulatory provisions. No relation has been established in the SCN with regard to alleged financial transactions i.e. demat transaction, cash withdrawal and funds movement among different entities with the Noticee.
- (c) The Noticee had joined AATIPL during the period 2004-05 for the position of clerk and had been discharging his duty as per work allocated by the Company. The Company had forced the Noticee to become director of the Company, which the Noticee accepted, since he wanted to save his employment and livelihood. However, he continued to work as a clerk even after becoming a director and had never ever received any benefit of director. When the Company's business was growing, additional work of development and coordination with branches was allocated to him. However, he was not authorised to sign any financial instrument i.e. cheque or RTGS form or any other document, except balance sheet, which was mandatory as per the ROC provisions.

- (d) Abnish Kumar Sudhanshu, who had joined in the Company as a technical Analyst, later became the main person holding Key Position in the Company. The entire financial matters of the Company and the Managing Director of the Company were under his control, since he was leading a result-oriented marketing team who brought huge amount of clients' shares and securities on interest and fixed return. He was also one of the major beneficiaries. The shares and securities brought by the team of Sudhanshu used to get pledged with NBFC and the funds raised were used by the Company. Sudhanshu was getting salary in Lacs in his own name along with his wife, Samalokita, who was a house wife, from the AATIPL as well as ACPL.
- (e) When the Company failed to give respectable space to the Noticee, he resigned from the employment in December 2015 by serving 2 months' notice as per the Company policy. But the Company did not give him acknowledgement for the same. Thereafter, the Noticee never visited the office of the Company. The Company has filed documents with regard to resignation of the Noticee with ROC only in 2017 which was beyond the control of the Noticee. SEBI and police did not obtain any evidence which shows that the Noticee was beneficiary of alleged siphoned off money except his monthly salary. With regard to interest payment made to the clients, the Noticee submits that the marketing team of the Company was liable for the violation because they had lured the greedy clients to give the shares and securities to the Company to earn interest and fixed return.

72. I note that the Noticee in his reply to the SCN has denied that he was holding a Key position in the company and was looking after finance of AAT IPL. He has submitted that he was involved in the day-to-day management of the company and was not aware about the contraventions. I have examined the submissions of the Noticee as listed before. From the documents available on record, I note that unlike other directors who were also employees of AAT IPL / ACPL, the Noticee had held the directorship since June 2010 to April 2017 (during the entire period covered by the investigation when the contraventions by AAT IPL was done). Further, the Noticee in his submissions has admitted that he was aware about pledging of securities of clients and payment of monthly interest on funds and securities. Further, as per the available records, Narayan Jee Thakur was a designated of AAT IPL and he himself has admitted to signing statutory filings (balance sheet) of the company. Being a director of the company for such a long period which is entirely covered by the investigation and during which all the contraventions have taken place and being fairly involved in the business and operations of AAT IPL, the Noticee cannot escape liability for the contraventions done by AAT IPL. Considering all these above, I hold the Noticee accountable for the contraventions done by AAT IPL.

Summary of findings:

73. After having examined the matter in detail and considering all the material available on record, I find that AAT IPL and ACPL have grossly and blatantly

indulged in mis-utilization of clients' securities and funds through fraudulent pledging and sale of securities and routing off clients' funds by transferring them to related / third party entities, cash withdrawals and payment of regular monthly interest in contravention of various laws. The Noticee brokers have also hindered the process of investigation by failing to furnish information and documents sought from them, which could unravel the fraud with more details. The Noticee brokers have also attempted to falsify their records in order to conceal their misdeeds. Further, the Noticee brokers have failed to redress a large number of investors' grievances regarding non-payment of securities and funds within the prescribed time, as reflected by pending complaints in SCORES system, thereby further strengthening the inference that the funds and securities have already been misappropriated. Considering all these above, I deem it fit to issue appropriate directions in the matter, keeping in mind the interest of the securities market.

74. I note that NSE, BSE and MCX have already declared AAT IPL and ACPL as "defaulters" under the provisions of exchanges' bye-laws and the Defaulters' Committee has already been constituted by respective exchanges for the settlement of claims of investor / clients of AAT IPL and ACPL. SEBI, vide paras 50 & 51 of the Confirmatory Order, has *inter alia* directed opening of demat accounts and interest bearing bank escrow accounts by NSE (in respect of AAT IPL) and MCX (in respect of ACPL) and transferring therein all the securities,

free balances, Mutual fund units etc. held by AAT IPL and ACPL respectively, with the objective of faster processing of claims, as and when the same is directed. I further note that the settlement of claims of investors by the exchanges is already underway through the Defaulters Committee of the respective exchanges under the provisions of their bye-laws. In this regard, I further note that Clause 28 of Chapter XII of NSE's Bye-laws provide the following:

“The Defaulters' Committee shall be empowered to (a) initiate any proceedings in a court of law either in the name of the Exchange or in the name of the defaulter against any person for the purpose of recovering any amounts due to the defaulter (b) to initiate any proceedings in a court of law either in the name of the Exchange or in the name of the creditors (who have become creditors of the defaulter as a result of transactions executed subject to Byelaws, Rules and Regulations of the Exchange) of the defaulter against the defaulter for the purpose of recovering any amounts due from the defaulter. The defaulter as well as the creditors of the defaulter shall be deemed to have appointed the Exchange as their constituted attorney for the purpose of taking such proceedings.”

75. I note that similar provisions as above are also there in the BSE's Byelaws. I further note that SEBI vide Circular no. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/186 dated 28.09.2020 has inter alia provided for the following:

4. In the case of default by TM/CM, it has been noted that in certain cases there is shortfall of funds/securities with defaulter member to meet the obligation of clients/

SE / CC. The bye-laws of SE/CC provide for the procedure for declaring a member as defaulter when, amongst other reasons, the member is not able to fulfil its obligations and also provide for initiation of proceedings in a court of law whenever a member is declared as a defaulter and there is a shortfall of funds/securities with the defaulter member.

5. The SE/CC are advised to initiate suitable actions for liquidating the assets (movable and immovable) of defaulter member including that of debit balance clients (to the extent of debit balance), within six months of declaration of defaulter, for recovery of the assets not in possession of the SE/CC, before appropriate court of law.

76. From the above, I note that to deal with shortfall of funds/ securities with defaulter member to meet the obligations of clients /SE / CC, the provisions of the abovementioned SEBI Circular read with the provisions of byelaws of the exchanges, clearly provide for initiation of suitable actions by the exchanges for liquidating the assets (movable and immovable) of the defaulter member, including that of the debit balance clients (to the extent of debit balances), for recovery of assets not in possession of the SE / CC, before the appropriate court of law. I note that in the instant case, the funds and securities of the clients have been mis-utilized by AATIPL and ACPL and for the same I have already found, in the earlier parts of this order, Noticee no. 1, 2, 3 & 6 to be liable. Accordingly, the assets (movable & immovable) of the aforesaid Noticees are also liable to be

utilized by the exchanges for refund of funds and securities to the clients / investors of AAT IPL and ACPL, in case of shortfall in funds and securities which are legitimately due to such clients / investors of AAT IPL and ACPL. Accordingly, appropriate directions are issued later in this order. Further, while deciding the appropriate direction of restraint / prohibition to be issued against the Noticees, I have considered the gravity of charges and the roles played by respective entities. Further, I am of the view that though Pawan Mishra (Noticee no. 4), and Sujeet Kumar Sona (Noticee no. 7) have been found accountable for the violations committed by AAT IPL and ACPL, the period of restraint / debarment already undergone by them is sufficient and the same need not be extended any further.

77. Before passing the appropriate directions, at this juncture, I deem it appropriate to consider and dispose of the representation dated 20/04/2021 filed by certain investors, Shri Yogendra Nath Bhardwaj and others, pursuant to the directions of the Hon'ble High Court of Delhi issued vide order dated April 08, 2021.

Representation submitted by Shri Yogendra Natha Bhardwaj & others

78. I note that aggrieved by the directions issued by SEBI in the Interim Order, certain clients of AAT IPL, Shri Yogendra Nath Bhardwaj and others, had filed a petition [Writ Petition (Civil) No. 8748 of 2017] in Hon'ble High Court of Delhi, whereby

the petitioners inter alia prayed for directing SEBI and other respondents to not give effect to an order for sale of shares owned by the petitioners; passing appropriate directions for restoration of status quo ante as it existed prior to illegal pledge of shares made by AATIPL; restoration of shares in favour of petitioners and directing SEBI to revert shares of petitioners back to them and also to remit credit balance lying in the trading account of petitioners with AATIPL to the bank account of concerned petitioner. However, the Hon'ble High Court while disposing of the said petition vide order dated April 08, 2021 has observed the following:

*“Having regard to the aforesaid facts and circumstances, I am of the view that **SEBI may conclude its proceedings and pass orders in accordance with law. The contentions of the petitioners in the present proceedings, which are directed towards a possible resolution of the matter which has been pending before SEBI, may be borne in mind by SEBI while passing its order.** In order to balance the interest of the parties, in view of the fact that the petitioners have been protected by the interim order dated 27.09.2017 for the last three and half years, it is further directed that the orders passed by SEBI, insofar as they may affect any shares claimed by the petitioners, would not be implemented for a period of four weeks after the order is uploaded to SEBI's website. This time is granted in order to enable the petitioners to approach the Appellate Tribunal, which may pass such interim or final orders, as it considers appropriate. It is made clear that the present order is without prejudice to the rights and contentions that the parties may take before the Appellate Tribunal.*

7. Mr. Virmani finally submits that in addition to the petitioners' shares, there was also a credit balance lying in the petitioners' credit accounts with the respondent no. 2. The petitioners, in prayer (iii) of the writ petition, have sought a direction upon SEBI to remit the said amount to the petitioners' bank accounts. **With regard to the same, the petitioners may take such proceedings as are available to them in law, including by way of a representation to SEBI, which would be considered in accordance with the regulatory provisions."**

79. Accordingly, Shri Yogendra Nath Bhardwaj and others (Representors) vide their letter dated April 20, 2021 have made a representation before SEBI. Vide the said representation, Shri Yogendra Nath Bhardwaj and others have submitted *inter alia* the following:

(a) The Interim Order and the Confirmatory Order have clearly held that the conduct of AAT IPL was illegal and unlawful. Further, the following also holds true:

- i. AAT IPL did not have legal authority to pledge shares of its clients. Actions of AAT IPL in falsification of accounts and its fraudulent conduct cannot constitute a valid and enforceable pledge in law.
- ii. Once it is held that AAT IPL did not have legal authority from its clients to pledge shares, the act of the pledge by AAT IPL is null and void ab initio.

- iii. In any case, financial institutions and banks did not comply with obligations before accepting pledge of shares by AAT IPL in their favour as cast upon them by SEBI inter alia since it had not been ascertained whether the securities which were being pledged actually belonged to AAT IPL or not. Since the financial institutions and the banks committed a grave lapse and error in not following the condition precedent to accepting the pledge which was in contravention of pre-requisites prescribed by SEBI, even on that count, the said pledge was not enforceable by law.

(b) Now, in addition to the aforesaid points, the following issues and questions must be considered while passing final order in the matter:

- i. Having observed that AAT IPL did not have legal authority to pledge shares of its clients, it ought to be held that the fraudulent and illegal act of AAT IPL does not convey and transfer a legal right in favour of financial institutions and banks.
- ii. AAT IPL was not beneficial owner in respect of fully paid shares / securities owned by its clients and consequently, did not have legal competence to pledge the same by it in favour of financial institutions and banks.
- iii. The financial institutions and banks had not conducted due diligence exercise in respect of the shares / securities allegedly pledged in their favour by AAT IPL.

- iv. The financial institutions and banks had not duly fulfilled requirements of Notifications and Regulations of SEBI before and subsequent to accepting pledge from AAT IPL.
- (c) In this context, it is pertinent to point out that SEBI itself by Order dated December 13, 2019 and January 14, 2020 in the matter of Karvy Stock Broking Ltd. has answered and dealt with the above mentioned questions / issues. The observations and findings made in the said order squarely apply to the facts of the present case. Accordingly, similar order as passed in the case of Karvy must also be passed in the present case and the pledge of shares by AAT IPL with the banks / NBFCs must be declared as illegal and invalid pledges. Further, as a sequitur, the said financial institutions / banks must be held that they are not entitled to the fruits of such illegally pledged securities and they must not be permitted to retain undue benefits on account of such illegally pledged shares.
- (d) In the present case, the banks / Financial institutions must be held guilty of 'contributory negligence' as they were negligent. They are not entitled to retain the illegally pledged shares and the same must be returned by them to the rightful beneficial owners of the said shares and securities.
- (e) In case the shares have already been sold by the Financial Institutions / banks to recover the loans, the financial institutions / banks must be directed to purchase the shares from the market and transfer them back to the investors / clients. In the alternative, all monies received as a result of sale of such

shares must be directed to be paid back in full to actual shareholders / clients. Additionally, in case of a shortfall in the amount received from sale of shares by FIs / banks vis-à-vis the price of the said shares as on the date of pledge, the FIs / Banks must be held liable to make good the said amount as well. Wherever applicable, the financial institutions and banks are liable to pay interest on the proceeds of sale of the said unauthorized and illegal pledge of shares. On the other hand, in case shares are found intact with the FIs / Banks, the said shares must be returned to the clients as it is.

- (f) Further, the representors have various amounts lying as credit balance in the accounts of AATIPL which belong entirely to them and no person other than representers has any right or interest in the said amounts. Therefore, the said amounts must be repaid to the representors by transferring the same to their bank accounts along with applicable interest. Accordingly, the representors request for transfer of the said amounts to their bank accounts.
- (g) SEBI by its own statute and other applicable laws is duty bound to protect lawful rights and interest of investors and clients of AATIPL and therefore, SEBI should restore the legal rights of the Representors. The Representors are the victims of fraud perpetrated by AATIPL and the FIs/ Banks which failed to discharge their duties. The representors cannot be forced to suffer financial losses and illegal and vexatious proceedings arising out of sale of their shares, when they are not guilty of any violation / fault.

80. I have considered the various submissions made by the Representors. I note that in respect of the pledge of securities by AATIPL with the above-mentioned Bank / NBFCs, the Representors have prayed for issuance of directions similar to those issued by SEBI vide orders dated 22.11.2019, 13.12.2019 and 14.01.2020 in the matter of Karvy Stock Broking Limited. In this regard, I deem it appropriate to refer to the abovementioned SEBI Circular dated 28.09.2020 which provides for initiation of proceedings for recovery against a defaulter member by the exchanges through a competent court. Further, the bye-laws of the exchanges also mandate that creditors shall deem the exchange to be their constituted attorney for the purpose of any recovery proceedings. This, in my view, provides an opportunity to the Representors and the concerned Bank/ NBFCs, to seek suitable relief through the exchanges and / or the courts. In any case, I am not inclined to grant any relief selectively to the Representors as the same would not be in the interest of the securities market as a whole. Keeping these aspects in mind, I am inclined to pass directions as hereunder:

Order:

81. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of section 19 read with sections 11(1), 11(4), 11B & 11D of the SEBI Act, 1992, issue the following directions: -

- (a) AAT IPL (Noticee no. 1), ACPL (Noticee no. 2), Sanjeeva Kumar Sinha (Noticee no. 3) and Vandana Sinha (Noticee no. 6) shall continue to be restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities or being associated with the securities market in any manner whatsoever, either directly or indirectly, for a further period of 5 years from the date of this order.
- (b) Amita Sinha (Noticee no. 5), Abnish Kumar Sudhanshu (Noticee no. 8) and Narayan Jee Thakur (Noticee no. 9) shall continue to be restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly, for a further period of 2 years from the date of this order.
- (c) AAT IPL (Noticee no. 1), ACPL (Noticee no. 2), Sanjeeva Kumar Sinha (Noticee no. 3) and Vandana Sinha (Noticee no. 6) shall, jointly and severally, be liable to repay / refund the investors / clients' money with an interest of 15 %per annum from the date when the repayment became due till the date of actual repayment, under the supervision of NSE, BSE and MCX.
- (d) AAT IPL (Noticee no. 1), ACPL (Noticee no. 2), Sanjeeva Kumar Sinha (Noticee no. 3) and Vandana Sinha (Noticee no. 6) shall, jointly and severally, be liable to return the securities due to the clients / investors of AAT IPL having credit balances or money equivalent to their value as on the date when the

settlement of securities by AAT IPL became due to such clients, under the supervision of NSE, BSE and MCX.

- (e) The Noticees mentioned at sub-para (c) above shall not dispose of or alienate any of their assets, whether movable or immovable (including funds in their bank accounts), or create any interest or charge in any such assets, till such time the refunds / repayments as directed at (c) and (d) above are completed.
- (f) The modalities of selling the assets, depositing the proceeds thereof in the Escrow Account(s) opened in accordance with the directions contained in para 50 (ii) & (iv) of the Confirmatory Order, and disbursing the amounts to the clients / investors after verifying the claims shall be worked out by NSE, BSE and MCX by their mutual co-ordination. NSE, BSE and MCX shall have a lien on the remaining amount, if any, lying in the Escrow Account(s), after satisfying the claims of the investors/clients. The lien shall be up to the extent of total money disbursed by the exchanges out of their IPF accounts to the clients/investors of AAT IPL and ACPL.
- (g) NSE, BSE and MCX shall deal with the claims of their clients / investors in accordance with their respective bye-laws and procedures, after adjusting the disbursements made through the Defaulters' Committee mechanism.
- (h) NSE, BSE & MCX shall proceed with the recovery of funds and securities from the assets of AAT IPL (Noticee no. 1), ACPL (Noticee no. 2), Sanjeeva Kumar Sinha (Noticee no. 3) and Vandana Sinha (Noticee no. 6) to cover any

shortfall in funds and securities in the Escrow Accounts(s) and Demat Account, opened pursuant to the directions in the confirmatory order.

- (i) NSE, BSE and MCX shall consider the representation dated April 08, 2021 submitted by the Representators (a copy of which shall be forwarded to them along with this SEBI Order), while considering the claims of investors, as directed at sub-para (g) above.
- (j) The Depositories shall transfer all securities pledged by AAT IPL with Axis Bank Limited, Global Fincap Limited and ECL Finance Limited to the demat account opened by NSE in terms of the directions contained in the Confirmatory Order.
- (k) The concerned Banks /NBFCs (i.e. Axis Bank Limited, Globe Fincap Limited and ECL Finance Limited) shall present their claims against AAT IPL and ACPL to the exchanges. The exchanges shall process such claims in accordance with its bye-laws.
- (l) The direction of restraint / prohibition, issued against Pawan Mishra (Noticee no. 4), and Sujeet Kumar Sona (Noticee no. 7), as contained in the Interim Order and confirmed by the Confirmatory Order, shall stand vacated with immediate effect.

82. This order shall come into force after a lapse of four weeks from the date of uploading of this order on SEBI's website, in terms of the directions of the Hon'ble High Court of Delhi, issued vide its order dated April 08, 2021.

83. A copy of this order shall be served upon the exchanges, depositories, the RTAs, the Bank / NBFCs/FIs named above, as well as the Representors, for information and necessary action.

PLACE: MUMBAI

DATE: AUGUST 06, 2021

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

SECURITIES AND EXCHANGE BOARD OF INDIA

CORRIGENDUM

In the matter of Amrapali Aadya Trading & Investment Pvt. Ltd., Aadya Commodities Pvt. Ltd. & Others

1. Securities and Exchange Board of India (SEBI) had passed a Final Order dated August 06, 2021 bearing reference number WTM/GM/NRO/25/2021-22 (hereinafter referred as as “the Order”) in the matter of Amrapali Aadya Trading & Investment Pvt. Ltd., Aadya Commodities Pvt. Ltd. & Others. The same shall stand modified as shown hereunder:
2. Sub-para (d) of para 81 of the Order shall be substituted with the following sub-para and read as:

“(d) AATIPL (Noticee no. 1), ACPL (Noticee no. 2), Sanjeeva Kumar Sinha (Noticee no. 3) and Vandana Sinha (Noticee no. 6) shall, jointly and severally, be liable to return the securities, due to the clients / investors, or their monetary value as on the date of actual payment of money in lieu of shares, under the supervision of NSE, BSE and MCX.”

3. At the end of para 81 of the Order, the following shall be added as sub-paras (m) and (n):

“(m) The directions issued under para 56(iv) and 56(v) of the Interim Order, in so far as they relate to Pawan Mishra (Noticee no. 4), Amita Sinha (Noticee no. 5), Sujeet Kumar Sona (Noticee no. 7), Abnish Kumar Sudhanshu (Noticee no. 8) and Narayan Jee Thakur (Noticee no. 9), shall stand vacated.

(n) In continuation of the directions issued under para 56(vii) of the Interim Order as confirmed by the Confirmatory Order, the banks shall ensure that no debits are made in the bank accounts held jointly or severally by AAT IPL (Noticee no. 1), ACPL (Noticee no. 2) and Sanjeeva Kumar Sinha (Noticee no. 3) as well as Vandana Sinha (Noticee no. 6) except for the purpose of payment of money to the clients/investors under the written confirmation of the concerned stock exchange(s).”

4. Para 82 of the Order shall be substituted with the following and read as:

“In terms of the directions of the Hon’ble High Court of Delhi, issued vide its order dated April 08, 2021, the directions issued under sub-paras (c), (d), (f), (g), (h), (i), (j) and (k) of para 81 above shall come into force after a lapse of four weeks from the date of uploading of this order on SEBI’s website. The rest of the

directions issued under para 81 above shall come into force with immediate effect.

5. Para 83 of the Order shall be substituted by the following and read as:

“A copy of this order shall be served upon the exchanges, depositories, the RTAs, the Bank / NBFCs/FIs named above, the Representors and the other banks, for information and necessary action

6. This corrigendum shall be read together with the Order dated August 06, 2021.

PLACE: MUMBAI
DATE: AUGUST 10, 2021

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