

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER UNDER SECTION 11, 11B AND 11D OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT AGAINST DELTA ALLIANCE FINANCIAL SERVICES AND ITS PROPRIETOR SHRI RAJEEV KAPOOR

Securities and Exchange Board of India (SEBI) has come across certain advertisements published in the newspaper by Delta Alliance Financial Services (hereinafter referred to as the "Delta" having its office at 34/3, Ashok Nagar, 3rd Floor, N.S.C. Bose Road, Kolkata-700 040) who is engaged in the activity of a portfolio manager without registering itself with Securities and Exchange Board of India (SEBI). Delta is a proprietorship concern of one Shri Rajeev Kapoor. Delta vide its letter No. 635/DAFS/2003-04 dated 27/11/2003 furnished a copy of the brochure circulated by it. It is prima facie evident that it is engaged in the activity of portfolio manager especially from the said letter and prospectus advising the investors to open an account with any NSE member as per NSE guidelines. From the prospectus it is noted that the investors have to first enter into an agreement with Delta enabling it to manage their portfolio. The said agreement stipulates, inter alia, as under:

- The client deposit certain amount of money as a margin deposit.
- Investors authorize Delta to execute transactions of buy and sell of securities on their behalf.
- They would also authorize Delta to operate their internet on-line trading accounts giving the Delta their password and ID both on equity and derivatives market.
- Penalties imposed by Exchange for failure to square off will be borne by Delta.
- 100% of loss will be borne by Delta.
- Investors have to pay 80% of profits as consultancy to Delta.
- Delta issues post dated cheques to investors to cover up any loss.
- Investors authorize Delta to operate their beneficiary account and internet on-line trading account and to issue delivery slips on their behalf to POA Holder ie., Delta and POA is irrevocable for 12 months.

From the prospectus it is further observed that the Delta charges 25% to 80% of the profit earned by clients as their consultancy charges and the investors are required to deposit an amount ranging from Rs.1 lakh to Rs.15 lakhs as trading margin. Further it is noted that the Delta issued an advertisement in Economic Times on December 8, 2003 assuring returns ranging from 60% to 138% p.a. on the investment by the investors. Prima facie, this appears to be an exaggerated claim with intention to dupe the small investors.

Therefore, SEBI vide letter No. SEBI/ERO/JJ/03/6725 dated 17.12.2003 had issued a notice to Delta requiring it to show cause as to why appropriate directions under Section 11, 11B and 11D of SEBI Act, 1992 should not be issued against it restraining it from acting as unregistered portfolio manager and requiring the entity to cease and desist from accepting deposits from and managing portfolio of the investors. In the said notice Delta was further advised that in the interest of the investors and to protect the integrity of the securities market, not to act as 'Portfolio Manager' without obtaining registration from SEBI and not to accept any deposit in any manner whatsoever till a decision is taken on the show cause notice.

In response to the said show cause notice, the Delta vide its letter No.1337/DAFS/2003-04 dated December 24, 2003, enclosing a copy of an advertisement issued by it in The Economic Times, Kolkata Edition dated 24/12/2003, stated that it was not receiving any money or investment from any of its clients, and that the clients deposit money or D-Mat Shares with authorized Members of The National Stock Exchange of India Ltd., either with portal or V-SAT based brokers as Members who were registered with SEBI. Further it does not assure any investor with higher returns and have also disclosed that the returns mentioned are the average estimate of its three months past track record.

Delta further contended that there was no need to get itself registered with SEBI as Portfolio Manager as it neither receives or mobilizes funds from Public / Investors. Delta stated that it assures Investors with bank guarantee from the loss to be incurred provided investor also provide bank guarantee of their consultancy charges. Delta further stated that its acts as Portfolio Consultants do not come under the purview of SEBI Guidelines.

It has also been observed that after receiving the show cause notice, Delta continued to publish advertisement in the newspaper. It has further mentioned in the advertisement that the clients are required to authorize it by giving their user id & password (of accounts opened with online trading dot coms) to enable it to execute transactions in the accounts of its clients for sale / purchase of shares in cash segment by squaring-off same day and also in future equities in derivatives segment by hedging put/call options to minimize risk of losses.

By having the user ids & passwords of its clients, the entity is in a position to manage or administer both the portfolio of securities as well as funds of its clients. The chance of the passwords of the investors being mis-utilized by the entity can not be ruled out.

Meanwhile, National Stock Exchange has informed SEBI that the NEAT user id 8745 allotted to M/s CIL Securities Ltd. in the office of its sub-broker M/s S.G. Securities situated at Room No. 21, 1 R.N. Mukherjee Road, 4th Floor, Kolkata was extended to the office of Delta at 34/3 Ashok Nagar, 3rd Floor, NSC Bose Road, Tollygunge, Kolkata without the trading member obtaining authorization from the Exchange. This terminal was seen to be operated by Mr.Rajeev Kapoor, proprietor of Delta .

Moreover, Delta has published advertisement in Anand Bazar Patrika dated December 07, 2003 for recruiting employees at various categories including computer operators having experience with share brokers. Delta in its advertisement published in newspapers is also soliciting franchisee in all districts of Bihar, West Bengal and Orissa.

It is evident from above that the Delta's intention is to lure a large number of unsuspecting investors of the eastern region of the country by assuring them high returns. Needless to say that what the entity proposes to do is fraught with very high risks to investors, the entity is not registered with SEBI in any capacity and in case of default by the entity in meeting its obligations to investors, the normal recourse available to investors may not be available in this case. From the forgoing, it is apparent that the entity has, if at all, only an illegal access to a trading terminal of NSE and is luring the investors with promise of high returns, which is highly detrimental to the interests of investors and securities market.

Therefore, in the interest of investors and to safeguard the integrity of the market, in exercise of powers under section 11, 11 B and 11 D of the SEBI Act, 1992 and order passed thereunder, I hereby direct that the entity Delta Alliance financial Services and its proprietor Shri Rajeev Kapoor to cease and desist from acting as an unregistered portfolio manager and from accepting deposits from and managing the portfolio of the investors and also from publishing any advertisement luring the investors to invest in securities market. I also direct that the entity Delta Alliance financial Services and its proprietor Shri Rajeev Kapoor be restrained from buying, selling or dealing in securities market in any manner, directly or indirectly, with immediate effect until further orders. The entity will be given a post decisional hearing on receipt of request.

A. K. BATRA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA

DATE : 2nd January , 2004

PLACE : MUMBAI