

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(1), 11(4), 11B AND 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN RESPECT OF MCX BIZ SOLUTIONS AND ITS PROPRIETOR MR. SYED SADAQ

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") noticed that an entity, namely, MCX Biz Solutions (hereinafter referred to as "MBS") was soliciting and collecting money from public and was promising high returns. SEBI undertook preliminary inquiries in the matter. It was noted that MBS is maintaining a website on the web address www.mcxbizsolutions.com (hereinafter referred to as the "website") wherein it has claimed to be active in stock trading and commodities trading.
2. It was observed that on its website MBS has displayed a sub-broker registration certificate bearing number '0095979' showing it to have been issued by SEBI with registration number 'TNS838639255'. In the said certificate, MBS is shown as an affiliate to an entity, namely, Bonanza Promotional Ltd., portraying it to be registered with SEBI as a stock broker with SEBI registration no. 'TNB632370386' and a member of National Stock Exchange of India Limited.
3. It was also observed that on the home page of its website MBS has represented as "Welcome to MCX SX". It has *inter alia* made other representations on its website to the following effect:-
 - (a). *"....Mcbizsolutions is a great trading arena for making profits, for everybody, and its fun."*
 - (b). *"mcxbizsolutions.com is a winning system for making money. We know all about MCX commodity or stock tips for trading and earnings."*
 - (c). *"We are the best service provider for the stock & commodity market. We have more than 20 years of experience to serve investors and traders by showing them the correct path of success."*
 - (d). *"Based on analysis and reports on mcx or nifty, we provide the most successful tips for commodity & share market on Mobile via sms. mcxbizsolutions.com uses most faithful tools and tips for picking the right strategies for commodity & share trading and minimize the risk in today's volatile trading environment. In addition, you will find all the guidance you need on the entire investment process for both commodity and equity."*
 - (e). *"If your passion is stock trading then Mcbizsolution provides the best online stock trading calls you can get. With daily calls on some of the current hottest stock, perhaps you like trading penny stocks online, investing in ETFs or just looking for which stocks to buy or sell follow Mcx....."*

4. From the data and records available with SEBI it was observed that:-
- (a) MBS is not registered with SEBI as represented by it in the certificate with registration number 'INS838639255' as displayed on its website.
 - (b) SEBI has never issued any certificate with number '0095979' to MBS rather a certificate with this number was issued by SEBI to another entity who had subsequently surrendered the same in 2011. Further, SEBI has not issued any certificate with registration number 'INS838639255' to any entity to act as a sub-broker.
 - (c) The certificate is shown to have been issued by SEBI under signature of one Ms. Meera Kulkarni in June 2013 whereas there is no such officer in SEBI as on that date.
 - (d) SEBI has never granted any certificate of registration to any entity by the name Bonanza Promotional Limited to act as a stock broker.
5. On its website, the MBS had displayed five e-mail addresses admin@mcxbizsolutions.com', 'help@mcxbizsolutions.com', 'pin@mcxbizsolutions.com', 'accounts@mcxbizsolutioncom' and 'query@mcxbizsolutions.com') and two contact addresses at :
- (a) *"MCX Biz Solutions, 4th Ground Floor, Channani Nivas, Opposite Vyashali Hall, MV Road, Andheri East, Mumbai – 400069, Maharashtra ; and*
 - (b) *"MCX Biz Solutions, Unit A-3-7/2 Block D, Pelangi Square, PJU 8, Persiaran Surian, 49811 Pelangi Damansara, Petaling Jaya, Selangor Darul Ehsan, Malaysia".*
6. During the preliminary inquiry it was further noted that MBS has also displayed a Certificate of Recognition purportedly issued to it by Joint Director General of Foreign Trade, the Ministry of Commerce and Industry, recognizing it to be a “One Star Export House”.
7. Vide email dated August 23, 2013, sent at the above mentioned 5 e-mail addresses, SEBI sought explanation from MBS with regard to the certificate displayed on its website. SEBI also sought explanation from MBS vide letter dated August 26, 2013, sent at its address, i.e., *MCX Biz Solutions, 4th Ground Floor, Channani Nivas, Opposite Vyashali Hall, MV Road, Andheri East, Mumbai – 400069, Maharashtra*. However, the said letter was returned undelivered with remark *"the entity not there"*.
8. MBS did not respond to any of the emails sent by SEBI to it. However, it removed the sub-broker registration certificate number from its website on August 26, 2013 when SEBI sought explanation from it.

9. MBS has displayed one of its addresses in Malaysia but during the inquiry the same was found to be "non-existent". On further inquiry, it was observed that MBS was operating from Hyderabad. It had circulated brochure which *inter alia* listed out the following schemes along with the returns offered by MBS:

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

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

10. It was noted that MBS has opened and maintained following two accounts wherein the money was to be deposited by the investors:

Name of Bank	Account Number	Account Holder Name
State Bank of India, Hyderabad	33167757783	MCX Biz Solutions
Axis Bank, Hyderabad	913020031252318	MCX Biz Solutions

11. On inquiry from the respective banks with respect to the aforementioned accounts, it was observed that these were current accounts opened on July 2, 2013 with the State Bank of India and on July 30, 2013 with Axis Bank by one Mr. Syed Sadaq (PAN:BACPS3885C) in the name of MBS. It was also noted that Mr. Syed Sadaq is the sole proprietor of MBS.
12. On perusal of the account statements of these two accounts, it was observed that as of August 27, 2013 about 17 investors had deposited their funds in the Axis Bank account of MBS (account balance as on August 27, 2013: ₹ 3,56,994/-) and as of August 28, 2013 about 10 investors had deposited their funds in the SBI account of MBS (account balance as on August 28, 2013: ₹1,42,689/-).
13. From the above, I note that:- (a) no certificate bearing number '0095979' with registration number *TNS838639255*, as displayed on the website of MBS, was ever issued by SEBI to any entity to act as sub-broker; (b) no official by the name of 'Meera Kulkarni' whose signature is mentioned on the said certificate was in employment of SEBI on the date when

the certificate is represented to have been issued by SEBI; and (c) SEBI has never granted any certificate of registration to any entity by the name of Bonanza Promotional Limited to act as a stock broker as represented in the said certificate. In view of these facts as observed in the preliminary inquiry, I, *prima facie*, find that MBS has displayed a fake and forged certificate of registration claiming itself to be registered with SEBI as a sub-broker. MBS and its sole proprietor Mr. Syed Sadaq have also made known misrepresentations by making fraudulent and deceitful claims regarding registration with SEBI. They have also made representations and statements in their website about their activities in securities market in reckless and careless manner and have suggested facts which are false and untrue. By their acts and omissions including their false statements and representations in deceitful manner, they have fraudulently solicited, enticed and induced investors to deal in securities.

14. In my view the *modus operandi* of MBS and its proprietor Mr. Syed Sadaq indicates a scheme, plan, device or artifice or contrivance that is 'fraudulent' as defined in regulation 2(1)(c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "the PFUTP Regulations") which reads as under:-

Definition of 'fraud' – Regulation 2(1)(c).

" (c) "fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

- (1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
- (2) a suggestion as to a fact which is not true by one who does not believe it to be true;
- (3) an active concealment of a fact by a person having knowledge or belief of the fact;
- (4) a promise made without any intention of performing it;
- (5) a representation made in a reckless and careless manner whether it be true or false;
- (6) any such act or omission as any other law specifically declares to be fraudulent;
- (7) deceptive behaviour by a person depriving another of informed consent or full participation;
- (8) a false statement made without reasonable ground for believing it to be true;
- (9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And "fraudulent" shall be construed accordingly;

.....”

15. In view of the above, I, *prima facie*, find that MBS and Mr. Syed Sadaq have acted in fraudulent and deceitful manner which attracts prohibitions enshrined in section 12A (a) (b)

and (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "the Act") and regulation 3 (b), (c) and (d) and regulation 4(1) and 4(2) (k) of the PFUTP Regulations which read as following:-

Section 12A of the Act-

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

12A. No person shall directly or indirectly—

- (a) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;"*

PFUTP Regulations -

"3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

- (a)*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under."*

"4. Prohibition of manipulative, fraudulent and unfair trade practices

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*

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

....."

16. I, further, note that by displaying a forged certificate and holding out to the world at large that MBS is a sub-broker registered with SEBI, MBS and its proprietor Mr. Syed Sadaq have declared to be acting as a sub-broker though they had never obtained registration from SEBI as required under the provisions of section 12(1) of the Act read with regulation 11(1) of the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as the "Stock Brokers Regulations"). I, therefore, *prima facie* find that the act and omissions of MBS and its proprietor Mr. Syed Sadaq besides being fraudulent and illegal also contravene the provisions of section 12(1) and regulation 11(1) which read as following:-

"SEBI Act, 1992

Section 12(1) –

"No stock-broker, sub- broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act."

Stock Brokers Regulations, 1992

Registration as sub-broker.

"11. (1) No sub-broker shall act as such unless he holds a certificate granted by the Board under these regulations."

17. Since the conduct of MBS and Mr. Syed Sadaq is not in the interest of investors in the securities market, necessary action has to be taken against them immediately, else it may lead to loss of investor's trust in the securities market. As a regulator of the capital markets, SEBI has the duty to safeguard the interest of the investors and protect the integrity of the securities market. I am convinced that this is a case where effective and expeditious action is required to be taken not only to prevent any further harm to the investors but also to send a stern message to prevent any person from indulging in acts as observed in this case.
18. In view of the above, I, in exercise of powers conferred upon me by virtue of section 19 read with sections 11(1), 11(4), 11B and 11D of the SEBI Act, by way of this *ex-parte* order hereby issue the following directions against MBS and its sole proprietor Mr. Syed Sadaq (PAN: BACPS3885C):
- (a). MBS and its sole proprietor Mr. Syed Sadaq are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner till further directions;

- (b). MBS and Mr. Syed Sadaq shall cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions;
 - (c). MBS and Mr. Syed Sadaq shall immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, etc. in relation to any activity in the securities market;
 - (d). MBS and Mr. Syed Sadaq are prohibited from mobilizing funds from the public, in whatever form, till further directions; and
 - (e). MBS and its sole proprietor Mr. Syed Sadaq shall keep the entire money collected by them from the investors forthwith in an escrow account opened with any nationalised bank and file a report with SEBI in this regard within 7 days from the date of this Order.
19. MBS and its sole proprietor, Mr. Syed Sadaq may file their objections, if any, within twenty one days from the date of this Order and, if they so desire, may avail themselves of an opportunity of personal hearing before the Securities and Exchange Board of India at its Head Office at SEBI Bhavan, C4-A, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai -400 051 on a date and time to be fixed on a specific request, to be received in this behalf from them.
20. A copy of this Order shall be forwarded to all the Stock Exchanges and the Depositories to ensure that the directions given in Para above are strictly complied with.
21. A copy of this Order shall also be forwarded to Ministry of Commerce and Industry, Forward Markets Commission, Enforcement Directorate and the Government of Andhra Pradesh for appropriate action, if any, in the matter as per applicable laws.
22. The above Order is without prejudice to the right of SEBI to take any other action that may be initiated against MBS and its sole proprietor Mr. Syed Sadaq in accordance with the law.
23. This Order shall come into force with immediate effect.

DATE: NOVEMBER 18th, 2013
PLACE: MUMBAI

RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA