

SECURITIES AND EXCHANGE BOARD OF INDIA
EX PARTE - AD- INTERIM ORDER

UNDER SECTION 11(4), 11B AND 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN RESPECT OF (1) KASSA FINVEST PRIVATE LIMITED AND ITS DIRECTORS, (2) MR. ASHOK KUMAR, (3) Dr. UMASHANKAR SHARAN SHRIVASTAV, AND ITS PROMOTER SHAREHOLDER (4) MRS. ANJANA KUMAR

1. Kassa Finvest Private Limited (hereinafter referred as 'Kassa'/ 'the Stock Broker') having its registered office at H-35/3, Ground Floor, Connaught Circus, New Delhi - 110001 is registered with SEBI as a stock broker in equity segment of National Stock Exchange Ltd. (NSE) (Registration number: INB230770236), Bombay Stock Exchange Ltd. (BSE) (Registration number: INB010770239), MCX Stock Exchange Ltd. (MCX-SX) (Registration number: INB260770236) & OTC Exchange of India (Registration number: INB200770232) and equity derivative segment of NSE (Registration number: INF230770236), BSE (Registration numbers: INF010770239) & MCX-SX (Registration number: INF260770236) and currency derivative segment of NSE (Registration number: INE230770236) & MCX-SX (Registration number: INE260770236) Mr. Ashok Kumar and Dr. U.S.S. Srivastava are the directors of Kassa.

2. The shareholding pattern of Kassa as submitted by Mr. Ashok Kumar is as under:

Sr. No.	Name	% shareholding
1	Mrs. Anjana Kumar	51.56
2	M/s Mille Roses Ltd Malta	26.00
3	M/s Doyen Vyapaar (P) Ltd.	12.44
4	Mr. Ashok Kumar	5.00
5	Dr. U.S.S. Srivastava	5.00

3. From the above shareholding pattern of Kassa, it is observed that Mr. Ashok Kumar and Dr. Umashankar Sharan Shrivastav, who are the directors of Kassa, together hold 10% shares in Kassa. Further, Mrs. Anjana Kumar, who is wife of Mr. Ashok Kumar, is the major promoter shareholder of Kassa.
4. Initially a few complaints were registered against Kassa on SCORES in the nature of non-payment of funds and securities. Due to non-resolution of the same, a meeting was held

between SEBI Officials and Mr. Ashok Kumar in the month of October 2014 wherein he was advised to resolve the 7 pending complaints out of which 4 were pending for more than 30 days. In another such meeting held on December 2014, Mr. Ashok Kumar was advised to submit a status report with respect to the pending complaints.

5. Thereafter, SEBI started receiving substantial number of investors' complaints against Kassa in the nature of "*non- receipt/delay in payment of funds and securities*". In view of the increase in the number of investor complaints and the fact that Kassa had not resolved the existing investor complaints, in-spite of repeated reminders (dated October 10, 2014, December 1, 9 & 17, 2014) and meetings (held on December 3 and 5, 2014) *inter-alia* the following information was sought from Mr. Ashok Kumar in terms of section 11(2)(i) of the SEBI Act during a meeting held with him on January 20, 2015:
 - i. Details of directors/ principal officers/ major shareholders in Kassa, statements of transactions, financial ledgers and bank account statements (both personal and broking activity), details of other businesses, if any, run by the directors and their family members, details of shareholding of directors and family members in any other company, details of associate companies of Kassa etc.
 - ii. Since Mr. Ashok Kumar during the meeting had admitted to selling the clients' securities and utilising the funds raised there from for meeting operational and expansion related expenses of Kassa, he was advised to provide details as to how and why were the shares sold from the pool account, the counterparties to whom the shares were sold, details on movement/ usage of funds from the settlement account, total valuation of securities sold and funds raised thereby, valuation of default (i.e. amount which he has to pay to investors), etc.
 - iii. Further during the meeting, Mr. Ashok Kumar, had himself proposed to raise money by selling his property to pay-off the amount due to his clients. Moreover, he informed that he is already in talks with the prospective buyer(s), accordingly, he was advised to furnish details about the property or assets he wants to dispose off, valuation of property along with certified copies of title deeds, stage of negotiations with the prospective buyer(s), details of Memorandum of Understanding (MoU), if any, already signed with the prospective buyer(s) etc.
 - iv. Tentative/ proposed dates for meeting obligations of clients and exchanges.
6. On the same day, Mr. Ashok Kumar *inter-alia* submitted the following:
 - i. The shares of clients were sold from the pool account and the sale proceeds were credited to Kassa's account and were used to fill the gap between revenue and expenses.

- ii. The approximate value of default is ₹ 30 crores and the same shall be settled in installments starting January 31, 2015. A post dated cheque of ₹ 4 cores would be submitted with NSE on January 21, 2015 to be honored on January 31, 2015.
 - iii. Subsequently in every 10 days, cheques of ₹ 4 crores shall be submitted to NSE till the claims are met.
7. He gave written undertaking that all the pending claims with NSE and clients will be settled by March 15, 2015. He also sought extension of time, till January 27, 2015, to provide details and statements of financial ledger, transaction statement, bank account statements, amount of securities sold and funds raised thereof, etc.
 8. Further vide letter dated January 27, 2015, Mr. Ashok Kumar *inter-alia* submitted the details of membership with various stock exchanges, bank account details, details of personal property (in own name) and a confirmation that a post-dated cheque of ₹ 4 crores dated January 30, 2015 has been submitted to NSE.
 9. However, Kassa has failed to resolve investor complaints pending against it till date. It also failed to provide the required details till date and did not co-operate in providing the material information to SEBI.
 10. From the material brought on records, it is noted that status of region-wise unresolved complaints against Kassa as on March 11, 2015 is as under:

Sl. No.	Region	No. of pending complaints
1.	Stock Brokers-LO-Patna	18
2.	Stock Brokers-LO-Chandigarh	71
3.	Stock Brokers-Delhi	68
4.	Stock Brokers-Ahmedabad	1
5.	Stock Brokers-LO-Indore	10
6.	Stock Brokers-LO-Jaipur	36
7.	Stock Brokers-LO-Dehradun	5
8.	Stock Brokers-LO-Lucknow	16
9.	Stock Brokers-Kolkata	30
Total		255

11. It is also noted that NSE was also in receipt of several complaint (s) against Kassa alleging non-payment or delay in payment of funds and securities, NSE vide letter dated February 20, 2015 *inter-alia* informed that:
- i. In the months of September and October 2014, a large number of investor complaints were received against Kassa relating to non-receipt of funds and securities. In view of the same, a limited purpose inspection was initiated by NSE. However, Kassa failed to co-operate in the inspection despite several opportunities granted to them and accordingly the inspection could not be conducted.
 - ii. The trading terminals of Kassa had been disabled in the capital market segment of NSE since November 19, 2014 due to shortfall in the minimum deposit requirement in the segment. Further, as an interim measure, NSE also disabled Kassa in Futures & Options segment and currency derivative segment with effect from December 1, 2014.
 - iii. A show cause notice (SCN) dated January 22, 2015 had been issued to Kassa. However, Kassa neither furnished a satisfactory reply to the SCN nor extended co-operation in inspection/ facilitated resolution of the pending investor complaints.
 - iv. As on February 19, 2014, investor complaints were having a claim value of approximately ₹ 39 crores and 2 arbitration matters having a claim value of approximately ₹40 lakhs were pending.
12. In view of the above, I *prima facie* find that Kassa has deliberately failed to co-operate with SEBI as well as with NSE.
13. Further, in terms of status provided by NSE on SCORES, the Stock Broker has not met the obligations as per the directions of the Orders passed by Investor Grievance Resolution Panel (IGRP). It has been observed from the available facts that Kassa has neither followed the directions of the Orders of IGRP nor has pursued the next level of resolution i.e. arbitration. In view of the above, I *prima facie* find that Kassa has failed to comply with the requirements of SEBI circular no. CIR/MRD/ICC/30/2013 dated September 26, 2013 wherein Para 2(g) requires that:
- “The Stock Exchange shall give a time of 7 days to the Member from the date of signing of IGRC directions as mentioned under sub-para (d) above to inform the Stock Exchange whether the Member intends to pursue the next level of resolution ie. Arbitration.”*
14. Moreover, as informed by NSE vide its e-mail dated March 11, 2015, there were 195 pending investor complaints having a claim value of approximately ₹ 38.13 crores as on March 11, 2015.

15. I note that Mr. Ashok Kumar in his submissions made on January 20, 2015, has admitted that Kassa had raised funds by way of illegally selling the securities of its clients/investors and such funds were purportedly used for meeting Kassa's operational expansion. I, therefore, am *prima facie* view that the Stock Broker, has failed to segregate its own and clients' funds and securities as required under SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and MRD/DoP/SE/Cir-11/2008 dated April 17, 2008 and Clause 15 of Rights and Obligations documents for Stock Broker, Sub-brokers and Clients as prescribed by SEBI vide its circular dated August 22, 2011.

16. Considering the facts and circumstances of the case I, am of *prima facie* view that Kassa has failed to comply with Clause 12 of SEBI circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009 and 33 of Rights and Obligations document for Stock Brokers, Sub-Brokers and Clients as prescribed by SEBI vide its circular dated August 22, 2011, which reads as follows:

Clause 12 of SEBI circular no. MIRSD/SE/Cir-19/2009 dated December 03, 2009

"Unless otherwise specifically agreed to by a Client, the settlement of funds/securities shall be done within 24 hours of the payout."

"The stock Broker shall transfer the funds/ securities lying in the credit of the client within one working day of the request if the same are lying with him and within three working days from the request if the same are lying with the Clearing Member/ Clearing Corporation."

Clause 33 of Rights and Obligations document for Stock Brokers, Sub-Brokers and Clients as prescribed by SEBI vide its circular dated August 22, 2011

"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."

17. It has been observed that the Stock Broker has issued letters which suggest that it has provided assured returns to its clients. I, therefore, am of the *prima facie* view that the Stock Broker has violated the provisions of 12 A (a) (b) and (c) of the SEBI Act and regulations 3(b), (c) and (d) and regulations 4(1) and 4(2) (k) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (PFUTP Regulations).

18. In view of the aforementioned facts and considering the huge number of complaints received against Kassa from different regions across India as highlighted in above, I find that Kassa has, *prima facie*, failed to comply with the requirements of the aforesaid circulars and has contravened

Conditions of registration as specified under regulation 9(e) of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred as Stock Broker Regulations) which requires as under:

“Conditions of registration.

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-

(a)

.....

(e) he shall take adequate steps for redressal of grievances of the investors within one month of the date of receipt of the complaint and inform the Board as and when required by the Board;”

19. Further, regulation 7 of the Stock Broker Regulations mandates the stock brokers to abide by the Code of Conduct as specified in Schedule II. Clause A(3) of the Code of Conduct for Stock Brokers provides that a Stock Broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains. Further, clause A(5) of the Code of Conduct for Stock Brokers provides that a stock-broker shall abide by all the provisions of the SEBI Act and the rules, regulations issued by the Government, SEBI and the Stock Exchanges from time to time as may be applicable to him. I find that having indulged in an activity that is detrimental to the interests of investors and failing to comply with the requirements of the Broker Regulations and applicable circulars, Kassa has contravened clauses A(3) and A(5) of the Code of Conduct for Stock Brokers as specified in Schedule II under regulation 7 of the Broker Regulations.
20. A person acting as a securities market intermediary is expected to protect the interest of investors in the securities market in which he operates and it ill-behoves him to become a party to any market misconduct. Such a person is required to maintain high standards of integrity, promptitude and fairness in the conduct of his business dealings, and not be motivated purely by prospects of financial gain.
21. Further, a perusal of the complaint(s) suggests allegations that the margin money of the clients of Kassa may have been used to directly or indirectly fund the companies namely, Sinia Global Pvt. Ltd. (registered in Singapore), Mystic Cures Ltd. (a spa in Mehrauli) and Midas Global Fund (mutual fund registered in Singapore) where Mr. Siddharth Shankar (son of Mr. Ashok Kumar) is/ was a director. It is pertinent to note that from July 1994 to November 2005, Mr. Siddharth Shankar was one of the directors of Kassa. Hence, it is considered imperative to investigate the role of Mr. Siddharth Shankar in the alleged violations.

22. As a regulator of the capital markets, SEBI has the duty to safeguard the interest of investors and protect the integrity of the securities market. Since the conduct of Kassa, its directors and promoter shareholder 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 investors' trust in the securities market. In this connection, I note that SEBI has already ordered an investigation under section 11(c) of the SEBI Act, 1992 on February 23, 2015. I am further convinced that this is a case where effective and expeditious action is required to be taken not only to prevent any further harm to investors but also to send a stern message to prevent any person from indulging in acts as observed in this case.
23. In view of the above, pending investigation, 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, 1992, by way of this *Ex Parte - Ad- Interim* Order, hereby issue the following directions:
- i. Kassa Finvest Private Limited (CIN:U74899DL1994PTC060668) and its directors namely, Mr. Ashok Kumar (DIN: 00405986; PAN No. AAFPK7362N), Dr. Umashankar Sharan Shrivastav (DIN: 00413213; PAN No. AGKPS7923C) and promoter Mrs. Anjana Kumar (PAN not available) are restrained from accessing the securities market and further prohibit them from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, with immediate effect, 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 their all bank and demat accounts immediately but not later than 5 working days from the date of receipt of these directions.
 - iv. The aforesaid entities and persons are directed to not to dispose off or alienate any assets, whether movable or immovable, or any interest or investment or charge in any of such assets except with the prior permission of SEBI.
24. The above Order are without prejudice to the right of SEBI to take any other action that may be initiated in respect of Kassa Finvest Private Limited, Mr. Ashok Kumar, Dr. Umashankar Sharan Shrivastav and Mrs. Anjana Kumar, in accordance with law including the actions of imposing monetary penalties, suspension/ cancellation of registration, launching of criminal prosecution, etc. in accordance with provisions of Securities and Exchange Board of India Act, 1992 and the regulations framed thereunder.

25. This order shall come into force with immediate effect.
26. A copy of this Order shall be forwarded to all the Stock Exchanges and the Depositories to ensure that the directions given above are strictly complied with.
27. The entities/persons against whom this Order is being passed may file their objections, if any, within twenty one (21) 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, Plot No. C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051 on a date and time to be fixed on a specific request in writing, to be received in this behalf from the entities/persons.

Sd/-

DATE: March 19th, 2015

PLACE: MUMBAI

RAJEEV KUMAR AGARWAL

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA