

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 AGAINST M/S KAREENA INFOTECH AND ITS DIRECTOR - MR. MANOHAR PILLAI.

1. Securities and Exchange Board of India ("SEBI") received a complaint against Ms/ Kareena Infotech (hereinafter referred to as "Kareena") alleging *inter alia* that it was claiming itself to be a SEBI registered intermediary, soliciting and collecting money from public and was promising high returns. The complainant claimed to have lost ₹25,000/- as a result of investing in the said company. The complainant also claimed that Kareena had displayed following registration numbers on its website thereby portraying itself as SEBI registered entity:
 - (a) CSD-INE-231376337;
 - (b) MCX-SX-INE-261383735; and
 - (c) USE-INE-271381359
2. Based on the complaint, SEBI undertook preliminary inquiries in the matter. It was noted that Kareena is maintaining a website on the web address <http://kareenaininfotech.in/> (hereinafter referred to as the "website") wherein it has claimed that:
 - (i) Kareena is a licensed brokerage house and is regulated by the Foreign Exchange Management Act (FEMA) under the guidelines of SEBI.
 - (ii) It offers its clients an opportunity to invest/trade in the international OTC markets into forex, commodities, stock exchange indices, shares CFD and financial options.
 - (iii) Kareena has a set-up in Mumbai for Forex Trading and offices in various locations such as Mumbai, Pune, Bangalore, Hyderabad Gurgaon, Noida, Agra, Dubai, etc.
 - (iv) The website is for all firsthand customers and that the client would be handled and contacted by Mr. Manohar Pillai (Director- Marketing) whose telephone number is "9619318593".
 - (v) The prospective client needs to invest ₹50,000/- and in turn would get ₹1000/- daily.
 - (vi) That it is a 1 year contract with no risk attached with this investment and that the

prospective client would be provided with undated capital PDCs (post dated cheques) with the right to cancel the agreement anytime. The entity indicates that they have several secured savings and current accounts with various banks.

(vii) Following are the advantages of investing through Kareena:

- (a). Multiple platforms: MT4, xStation (web-based), xMobile and xTab;
 - (b). Regular and competitive spreads;
 - (c). Broad range of CFD instrument on currency markets, commodities, indices, Share options and CFD;
 - (d). No Commission and hidden charges;
 - (e). Guaranteed stop loss, No re-quotes;
 - (f). No Trading Room. Place trades directly to the Markets;
 - (g). Lucrative partnership offers for IP's and White Labels;
 - (h). Daily, Weekly or Monthly transfers to your Bank account directly according to the investment plan
 - (i). No negative balances - limited risk.
3. It is also noted that a sample agreement is available on the website for prospective clients wherein the terms of agreement have been delineated. As per the terms of the sample agreement Kareena would collect a lump sum amount of ₹1 Lakh towards a 'trading plan' and would pay its clients an assured sum of ₹2,000/- on daily basis for 5 days in a week. I note that if such repayment, as promised by Kareena in its sample agreement is made, a client stands to get upto ₹5.2 Lakhs a year in return for every ₹1 Lakh that he invests. I also note that the registration numbers mentioned by the complainant, were not found to be mentioned anywhere on the said website. Further, as on the date of this order, the said website has been found to be inactive.
4. From the data and records available with SEBI it was observed that:-
- (a) SEBI has never granted any certificate of registration to any entity by the name of "*Kareena Infotech*" in any capacity.
 - (b) SEBI has never issued any certificate with numbers "CSD-INE-231376337", "MCX-SX-INE-261383735" and "USE-INE-271381359" as portrayed by Kareena to the complainant
5. During the preliminary examination, Mr. Manohar Pillai was contacted at his mobile number (9619318593) listed on the website and was enquired whether Kareena was registered with SEBI as a stock broker or deals with investment in securities market. In response, the said Mr. Manohar Pillai replied that though he is not a registered stock broker, he deals with investment related services and referred to Alpari Ltd. as his parent company.

6. In this regard, vide letter dated August 11, 2014 information was sought from Alpari Financial Services (India) Pvt. Ltd. [formerly known as Alpari Forex (India) Private Limited] as to whether they are associated with Kareena in any manner. In response, vide its letter dated September 03, 2014, Alpari Financial Services (India) Pvt. Ltd. submitted that it is a wholly owned subsidiary of Alpari (UK) Ltd. (a UK based company) and is a registered stock broker with SEBI. It also informed that neither Alpari Financial Services (India) Pvt. Ltd. nor Alpari (UK) Ltd. is associated with Kareena in any manner.
7. From the above facts and circumstances, I note that Kareena made false representations to the investors by representing to them that it is a SEBI registered entity and solicited investments promising high returns. In view of these facts, I, *prima facie*, find that Kareena and its director Mr. Manohar Pillai have made known misrepresentations by making fraudulent and deceitful claims regarding registration with SEBI and portraying to the investors that their money was getting invested in the securities market and Kareena a SEBI registered intermediary was managing their investments. The investors were also promised unrealistic daily/weekly/monthly profit from their investments. 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.
8. In my view the *modus operandi* of Kareena and its director Mr. Manohar Pillai 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;

9. In view of the above, I, *prima facie*, find that Kareena and Mr. Manohar Pillai have acted in a 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 SEBI Act-

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

"12A. No person shall directly or indirectly—

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

Regulation 3 and 4 of the PFUTP Regulations –

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) Dealings in securities shall be deemed to be 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;"

10. I, further, note that by holding out to the world at large that Kareena is a stock broker registered with SEBI, Kareena and its director Mr. Manohar Pillai have declared to be acting as a stock broker though they had never obtained any registration from SEBI as required under the provisions of section 12(1) of the SEBI Act, 1992. I, therefore, *prima facie* find that the act and omissions of Kareena and its director Mr. Manohar Pillai besides being fraudulent and illegal also contravene the provisions of section 12(1) of the SEBI Act, 1992 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."

11. Since the conduct of Kareena and its director Mr. Manohar Pillai 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.
12. In view of the foregoing, in order to protect the interest of investors and the integrity of securities market, I, in exercise of the powers conferred upon me by virtue of section 19 read with sections 11(1), 11(4), 11B and 11D of SEBI Act, 1992, by way of this *ex-parte ad-interim* order:
- (a). Kareena Infotech and its director Mr. Manohar Pillai 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). Kareena Infotech and its director Mr. Manohar Pillai shall cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions;
 - (c). Kareena Infotech and its director Mr. Manohar Pillai shall immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, etc. in relation to any activity in the securities market; and
 - (d). Kareena Infotech and its director Mr. Manohar Pillai are prohibited from mobilizing funds from the public, in whatever form, till further directions.
13. The above directions are without prejudice to the right of SEBI to take any other action that may be initiated against Kareena Infotech and its director Mr. Manohar Pillai, in accordance with law including the actions of imposing monetary penalties, suspension/ cancellation of registration, launching of criminal prosecution, etc. in accordance with the provisions of the Securities and Exchange Board of India Act, 1992 and the regulations framed thereunder.
14. This Order shall come into force with immediate effect. 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.
15. This Order shall also be treated as a show cause notice. Kareena Infotech and its director Mr.

Manohar Pillai may show cause as to why appropriate directions/prohibitions under section 11 and 11B of the Securities and Exchange Board of India Act, 1992 and the regulations framed thereunder should not be taken/imposed against them.

16. 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 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: JANUARY 12th, 2016

PLACE: MUMBAI

RAJEEV KUMAR AGARWAL

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA