

WTM/ AB / SEBI / NRO / 22 / 2019

**SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: ANANTA BARUA, WHOLE TIME MEMBER
EXPARTE–AD-INTERIM ORDER**

UNDER SECTIONS 11(4), 11B AND 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 35 OF SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008.

IN RESPECT OF

Noticee No.	Entity Name	PAN No.
1	Allied Financial Services Private Limited	AAACA2020K
2	Mr Rajeev Kumar Asopa	AASPA3260C
3	Mr Lalit Agarwal	AFKPA9024P
4	Mr Rajendra Prasad Basia	AAEPB2709B
5	Mr Awanish Kumar Mishra	AGOPM7538H
6	Mr Jitendra Kumar Tiwari	ALBPT6629A
7	Money Mishra Financial Services	AAZFM1357R
8	Money Mishra Overseas Pvt. Ltd	AAJCM8612N
9	M/s Digi locker	ABJFM9337L
10	Mr Pankaj Garg, Partner, M/s Digi locker	AERPG5388J
11	Mr Jitender Malhotra, Partner, M/s Digi locker	ALRPM2119G

(The aforesaid entities are hereinafter referred to by their respective names / serial numbers or collectively as “the Noticees”)

1. The Securities and Exchange Board of India (hereinafter referred to as ‘SEBI’) has examined irregularities in the affairs of Allied Financial Services Private Limited (hereinafter referred as ‘AFSPL’/ ‘Allied’/ ‘Stock Broker’/ ‘Broker’/ Trading Member’) as a Stock Broker, pursuant to the finding in this regard by National Stock Exchange ((hereinafter referred as ‘NSE’). AFSPL is having its registered office at 304 305 Third Floor Vikas Deep, District Centre Laxmi Nagar,

National Capital Territory of Delhi, New Delhi, 110092. AFSPL is registered with SEBI in following categories:

- a) As a stock broker in equity derivative segment of NSE (Registration number: INZ000164832)
 - b) As a stock broker in equity segment of NSE (Registration number: INZ000164832)
 - c) As a Depository Participant of National Securities Depository Ltd. (NSDL) (Registration number: IN-DP-387-2018).
2. The details of present directors of AFSPL along with the date of appointment as obtained from the MCA website is as under:

Noticee No.	Entity Name	Tenure of the Directors
2	Mr. Rajeev Kumar Asopal	06/03/2002-till date
3	Mr. Lalit Agarwal	07/06/2002-till date
4	Mr. Rajendra Prashad Basia	24/01/1995-till date
5	Mr. Awanish Kumar Mishra	19/07/2016-till date
6	Mr. Jitendra Kumar Tiwari	15/12/2017-till date

3. The list of shareholders and shareholding pattern of AFSPL is as follows:

S. No.	Name of the Shareholder	Number of Shares	% of Shares
1.	Bipin Agarwal*	40,000	1.78
2.	Nimbus (India) Ltd.#	11,20,000	49.78
3.	Rajendra Prasad Basia	3,06,100	13.60
4.	Suresh Kumar Gupta	2,59,900	11.55
5.	Anamica Portfolio Pvt. Ltd.	1,33,900	5.95
6.	Anamica Financial Services Pvt. Ltd	95,000	4.22
7.	Saffron Holdings Pvt. Ltd.	2,95,100	13.12
	Total	22,50,000	100

**Dominant Promoter*

#Strategic Investor

4. SEBI received a reference/ email dated February 23, 2019 from National Stock Exchange of

India Limited (hereinafter referred to as, 'NSE'), whereby NSE forwarded an interim report of its preliminary observation of the inspection of AFSPL along with summary of availability of funds and securities along with detailed workings. NSE has also appointed forensic auditor in the matter. The period of inspection was from May 01, 2017 till date of inspection. In its reference dated February 23, 2019, NSE *inter alia* pointed out following as preliminary observations:

a) Non availability of Client funds

On verification of the trail balance as on January 31, 2019 it was observed that there are client payables amounting to Rs. 138.78 crores against which funds of only Rs. 44.42 crores are available in the bank / Clearing Member / Clearing corporation and Exchange. Thus the member has shortage of Rs. 94.42 crores payable to the clients. Details are as under:

S. No	Particular	Amount(in Rs. Crore)
1	Creditors Payable-A	138.78
2	Deposits available with IL&FS Securities Services Ltd (ISSL) (Clearing member)	42.42
3	Amount available with Exchange	1.1
4	Bank balance	0.84
5	Total Funds available-B	44.36
	Non-Availability of funds(A-B)	94.42

b) Non-availability of client securities:

On verification of the back office Register of Securities (ROS) as on January 31, 2019 vis-avis together with holding statement of the Beneficiary Account of AFSPL and the securities lying with the Clearing Member, it is observed that the securities amounting to Rs. 0.34 crores were not available either in DP account or with Clearing Member. Further it is also observed that securities amounting to Rs 0.35 crore which were reflected in the DP account of the member were not found to have been recorded in the ROS. Details are as under:

Particulars	Amount (Rs. in Crores)
Value of Securities as per ROS as on 31 January 2019	387.09
Value of Securities in Beneficiary accounts	0.75

Value of Security with Clearing Member- IL&FS Securities Services Ltd (ISSL)	386.36
Total Value of Securities Available	387.11
Non-availability of Securities	0.34
Excess securities available in DP	0.35

c) **Non Settlement of Inactive Clients:**

On verification of trial balance and register of securities as on November 30, 2018, it is observed that funds and securities worth Rs. 37.48 crores, of 102 inactive clients, who have not traded in preceding 3 months, have not been settled. Amongst the said inactive clients, there are 27 clients who have never traded on the Exchange platform. The value of funds and securities of these inactive clients amounts to Rs. 4.60 crores.

d) **Non-segregation of transaction between own and client bank account:**

On verification of the own / client bank account, it is observed that trading member has not segregated transactions between own and client bank account in 44 instances. An amount of Rs. 19.72 crores has been transferred from Client to Own Bank Account and Rs. 3.89 lacs has been transferred from Own to Client Bank account resulting in net transfer of Rs. 19.68 crores from Client to Own Bank Account Further, trading member has not maintained a daily reconciliation statement recording the reason for transfer of funds between own and client bank/beneficiary accounts.

e) **Misuse of clients' funds:**

On examination of the Client and Own Bank Accounts and client ledgers, it has been observed that:

- i. **Client's Funds used for purpose other than specified** - It is observed that member has transferred funds from client bank account to own bank account. Further, the said funds were used for investment in property through own bank account amounting to Rs. 13,61,75,640/- and a donation has been made amounting to Rs 50,00,000/-. ii. **Use of client funds to meet the Proprietary (PRO) obligation** - On verification of PRO MTM of the member, it has

been observed that on all 5 sample dates client funds were used to meet the PRO obligation amounting to Rs. 88.29 crores. The details are as stated below:

Date	Pro Loss (A)	Client Loss (B)	Net(C=A-B)	Pro ledger balance(D)	Funds of clients used for pro obligation(E=D-A) if D is Positive or value of A
28-12-2017	-75434384	-142594879	-218029263	-146315552.6	75434384
31-01-2018	-515173563	515192238	18,674.75	122464385.4	392709178
8/2/2018	-334749368	364614943	29865575.25	-98028619.47	334749368
16-10-2017	-91941240	87247715	-4693525.5	54856871.55	37084368
24-11-2017	-79889035	43000491	-36888544	-79372846.04	43000491
				Total	88,29,77,788.85

- iii. **Payment made to clients without having sufficient balance in their ledger:** It is observed that the payments to the below mentioned 5 clients amounting to Rs. 26.42 crores were made in excess of their balances as available in their ledgers. Details are as under:-

Client Code	Client Name	Payment made (Rs.)
C4546	Cointribe Technologies Pvt.Ltd.	25,31,93,713
C4559	J J Tradelinks Pvt.Ltd.	1,00,00,000
C4560	Orchha Vikas Pvt.Ltd.	10,23,000
C4622	Rkz Financial Consultancy LLP	9,100
C4590	Citizen Medicare Pvt.Ltd.	24,000
		26,42,49,813

f) Dealing with unregistered entities:

- i. On verification of Demat accounts for the period of April 2017 to November 30, 2018 of top 10 clients having highest amount of securities, it is observed that out of the top 10 clients, 5 Clients of the member as per the table below are into the practice of receiving and returning securities/Mutual funds from other clients into their DP accounts.

Name of the clients	No. of clients from whom mutual funds / securities have been received/ transferred	Value of MF/Securities Received (Rs.)	Value of MF/Securities Paid (Rs.)	Net Value (Rs.)
Money Mishra Financial Services	31	308,76,19,236.00	321,77,59,157	-13,01,39,921
Awanish Kumar Mishra	4	152,33,04,543.00	164,71,78,459	-12,38,73,916
Money Mishra Overseas Pvt. Ltd.	6	15,99,05,054.00	11,20,40,277	4,78,64,777
Ennar Portfolio LLP	33	41,26,57,333.00	34,86,23,578	6,40,33,755
Awal Portfolio LLP	60	16,26,64,050.00	9,26,37,292	7,00,26,758

- ii. It is further observed that the transfer of Mutual Funds have been effected from (a) unregistered entities and (b) other clients, the details of which are as under:

(a) Unregistered / Third Party Entities:

The member has transferred the Mutual Funds Units belonging to unregistered entities / client to its client beneficiary account through its three associated concerns viz. Money Mishra Financial Services, Awanish Kumar Mishra and Money Mishra Overseas Pvt. Ltd. It is further observed that these transferred Mutual fund Units have been used as collateral for F&O margin with its clearing member IL&FS Securities

Services Ltd. (“ISSL”) towards trade obligations of these three associated concerns.

Entity Name	Name of the client	Value of MF Received (Rs.)	Value of MF Paid (Rs.)	Net Amount (Rs.)
OCL	Money Mishra	2263,06,89,606.92	2099,49,04,165.26	163,57,85,441.66
India Limited	Financial Services			
	Awanish Kumar Mishra	204,42,27,365.81	145,36,16,230.28	59,06,11,135.54
	Money Mishra Overseas Pvt. Ltd.	112,03,82,323.40	64,37,04,921.73	47,66,77,401.67
	Total	2579,52,99,296.13	2309,22,25,317.27	270,30,73,978.86
Dalmia Cement (Bharat) Ltd	Money Mishra Financial Services	89,94,37,877.69	89,94,37,877.69	-
Dalmia Cement East Limited	Awanish Kumar Mishra	253,63,09,191.87	188,38,55,908.08	65,24,53,283.79
	Money Mishra Financial Services	2516,41,98,449.99	2516,41,98,449.99	-
	Total	2859,99,45,519.56	2794,74,92,235.77	65,24,53,283.79

(b) Client:

It is further observed that the Clients of the member viz. Money Mishra Financial Services and Awanish Kumar Mishra have received the Mutual Funds Units from another client of the member viz. Novjoy Emporium Private Limited through one non related entity viz. a partnership firm of Mr. Pankaj Garg and Mr. Jitender Malhotra. This transfer of Mutual Fund Units is being claimed to be unauthorized by the said Client (Novjoy Emporium Private Limited). It is also observed that though Novjoy Emporium Private Limited has been registered as client of AFSPL on November 22, 2018, he has not traded on Exchange.

Entity from whom MF have been transferred	Entity to to whom MF have been transferred	Name of the client (to whom MF were ultimately transferred)	Value of MF Received (RS.)	Valu e of MF Paid (Rs.)	Net Amount (Rs.)
Novjoy Emporium Private Limited	Pankaj Garg (Jt holder Jitender Malhotra)	Money Mishra Financial Services	12,01,50,428.30	-	12,01,50,428.30
	pertains to partnership firm	Awanish Kumar Mishra	9,68,54,309.00		9,68,54,309.00
		Total	21,70,04,737.30	-	21,70,04,737.30

iii. The analysis of the relationship of the clients through whom Mutual Funds Units have been transferred vis-a vis that of the member indicates that the Directors / Partners of the clients are in fact the Directors of member. These three clients collectively hold 89 % of holdings reflected in ROS which allegedly includes mutual funds, which has been transferred in an unauthorised manner from third party and clients. The details of the same as per Table below:

Client code	Client name	Details of Partners/Directors	% of holding in ROS	Association with Noticee
C4536	Money Mishra Financial Services (partnership firm)	Jitender Kumar Tiwari Awanish Kumar Mishra	42.87%	Both of them are directors in AFSPL
C4639	Awanish Kumar Mishra		30.21%	Promoter and Director in AFSPL
C4709	Money Overseas Pvt. Ltd.	Jitender Kumar Tiwari Awanish Kumar Mishra	15.94%	Both of them are directors in AFSPL
	Total		89.02%	

Out of 386 crores worth of securities lying with ISSL, as per ROS securities received are shown to be in the name of Awanish Kumar Mishra, Money Mishra Financial Services and Money Mishra

Overseas Pvt. Ltd. Rs. 345.54 crores worth of securities are alleged to be transferred to demat account of OCL India Ltd. and Dalmia Cement East Limited. **g) Non maintenance of sufficient Net worth**

On analysis, it is observed that the trading member has not maintained the requisite net-worth as per the formula prescribed by Dr. L.C. Gupta for computation of net-worth for brokers.

Further, trading member has also failed to recover all debts overdue for more than 3 months and has not adjusted proprietary losses amounting to Rs. 42.08 crores from their net worth. This would result in negative net-worth of Rs. 41.71 crores. The details of the same are as per table below:

Particulars	Amount in Rs.	Amount in Rs.
Share Capital & Free Reserves (A)		5,55,093,98
Reserve (B)		
Less: Losses for the period 01 April, 2017 till 30 July, 2018	42,08,91,277	
Adjusted Free Reserves		-42,08,91,277
Share Capital + Free reserve (C=A+B)		-36,53,81,879
Less:- Non allowable assets		
Fixed Assets	76,93,682.39	
Non-allowable securities (unlisted securities)	0	
Prepaid expenses, losses	0	
30% of marketable securities	0	
Doubtful debts & advances	4,41,09,348	
Total Non-allowable assets (D)		5,18,03,030
Total Net worth (E=C-D)		-41,71,84,909

h) Incorrect margin reporting collection to the Exchange in FO segment

On verification margin reporting to the Exchange, it is observed that member has done incorrect margin reporting in 7 instances pertaining to 7 clients amounting to Rs. 328.34 crores in F&O

segment. While calculating the margin reported to the exchange, value of mutual funds received from unregistered entities/other clients have not been considered as Collateral.

Details are as under:-

Day Date	Client name & Client Code	Amount (Rs. Crores)							
		Total Margin	Collect ed Margi n	Min	Ledge r balan ce	Margi n Revers al	Securit ies balance	Tota l	Incorre ct Reporti ng
10Sep -18	Ennar Portfolio LLP (C4516)	19.47	19.47	19.47	-17.39	19.44	0.00	2.05	17.42
3- Au g18	Money Mishra Financial Services (C 4 536)	166.46	166.46	166.4 6	- 137.74	165.36	0.64	28.2 5	138.21
11Sep -18	Awal Portfolio LLP (C4624)	7.81	7.81	7.81	-7.12	7.55	1.18	1.61	6.19
22Oct -18	Pushp Steels And Mining Pvt Ltd (C4629)	4.86	4.86	4.86	-5.93	4.70	4.01	2.78	2.08
14Sep -18	Awanish Kumar Mishra (C 46 39)	139.1 4	139.14	139. 14	-91.88	139.14	0.00	47.2 6	91.88
14- No v- 18	Money Mishra Overseas Pvt Ltd (C4709)	84.04	84.04	84.0 4	-50.83	84.04	0.00	33.2 1	50.83
17Sep -18	Primarc Projects Pvt. Ltd. (C4716)	41.87	41.87	41.8 7	-21.72	41.85	0.00	20.1 3	21.73
Total								328.34	

i) Assured returns offered to clients

On verification of Bank books and client ledgers maintained by member, it is observed that member has made payments amounting to Rs. 1.45 crores to 27 clients. It is observed that these payments have been made from client bank account to these registered 27 clients at regular intervals. It appears that these payments are in co-relation to their credit balances of securities/funds that are available in the books of the member. Thus the payouts to these clients are not in accordance with funds payout arising out of a transaction executed in Securities.

j) Wrong reporting under monthly enhanced supervision report to the Exchange

The member has further failed to comply with the requirement of reporting under the monthly enhanced supervision, the details of which are as under:

i. Wrong reporting of client's securities under monthly enhanced supervision report As

on Jul 27, 2018, it is observed that member has wrongly reported details of client's securities under monthly enhanced supervision report in case of 32 instances pertaining to 31 clients involving an amount of Rs. 65.59 lacs. Further, it has also not reported securities details of 7 clients amounting to Rs. 102.96 lacs.

ii. Wrong reporting of pledging client securities under monthly enhanced supervision report

The member has misreported of having pledged client securities in case of 2 clients as on Jul 27, 2018.

iii. Wrong reported details of financial balance of all clients

As on July 27, 2018, it is observed that member has reported NIL balance of all clients for the month ending July 27, 2018. However, it has 251 clients as debtors amounting to Rs.

281.45 crores and creditors amounting to Rs. 45.11 crores as on Jul 27, 2018.

k) Funds of credit balance clients used for settlement obligation of debit clients

- i. On verification of weekly data, as on Nov 30, 2018, submitted by the member in pursuance to the SEBI Circular on enhanced supervision dated September 26, 2016, it has been alleged that the member has wrongfully reported that the clients funds are available. It is observed that there is shortage in client's funds with the trading member to the extent of Rs 93.46 cr.
- ii. Member has wrongfully reported the details of Collateral which is stated to have been deposited with Clearing Member/ Clearing Corporation in form of cash and cash equivalents. It is observed that the member has inappropriately and incorrectly included mutual funds amounting to Rs. 342 cr which are third party Mutual Funds.

In view of the above, it is alleged that the funds of credit balance clients have been used for settlement obligation of debit clients.

l) Income details not declared in client registration document of the clients

- i. On verification of the 10 sample client registration documents, it is observed that in 3 instances as detailed below, the income details are not provided by the member in the client registration document.

Client Code	Client Name	Income level
C4709	Money Mishra Overseas Pvt Ltd	Income not declared in KYC
C4516	Ennar Portfolio LLP	Income not declared in KYC
C4624	Awal Portfolio LLP	Income not declared in KYC

- ii. Thus, the member has failed to obtain the necessary evidences in support of the financial information with respect to the said 3 clients among whom C4709 is a related entity of member and the key Directors of member are also the Directors of the said Client.

m) Disproportionate exposure provided to clients

On verification of books and records pertaining to the income vs. exposure given to clients, it is observed that in 9 cases out of 11 clients verified as sample, there has been instances of disproportionate exposure to the said clients. The instances are mentioned as under:

Client Code	Client Name	Income level	FO Margin	FO Margin Dates
C4536	Money Mishra Financial Services	1-5 Lacs	2,11,93,96,420	6-Dec-2017
C4639	Awanish Kumar Mishra	5-10 Lacs	1,67,64,43,845	17-Jul-2018
C4615	Jaisri Properties And Exports Pvt.Ltd.	1-5 Lacs	14,52,10,711	13-Dec-2017
C4716	Primarc Projects Private Limited	10-25 lacs	34,99,95,756	31-Jul-2018
C4629	Pushp Steels And Mining Pvt Ltd	1-5 lacs	5,63,29,086	23-Mar-2018
C4595	Tejswi Impex Pvt.Ltd.	5-10 Lacs	8,38,47,963	6-Dec-2017
Client Code	Client Name	Income level	FO Margin	FO Margin Dates
C4709	Money Mishra Overseas Pvt Ltd	Income not declared in KYC	25,74,42,257	17-Jul-2018
C4516	Ennar Portfolio LLP	Income not declared in KYC	9,72,05,714	6-Dec-2017
C4624	Awal Portfolio LLP	Income not declared in KYC	4,29,22,740	7-Mar-2018

n) Incorrect reporting under weekly enhanced supervision report to the Exchange

On verification of weekly data submitted towards monitoring of client funds, as on Nov 30, 2018, it is alleged that the trading member has wrongfully reported that the clients' funds / collaterals are available.

o) Funds Analysis

- i. Details of the utilization of funds pay-in received till 01-Feb-2019:

Particulars	Amount in crores
Total pay-out till 1/2/2019	156 .00
Payments made in various accounts	84.94
Investment in property	14.00
Amount lying with IL&FS	44.00
Total	142.94

- ii. The list of top parties to whom payment has been made by AFSPL are as under:

Client code	Client name	Funds received	Payment made	Net Payment given to clients
C4536	Money Mishra Financial Services	6,37,00,000	40,49,00,000	34,12,00,000
C4559	J J Tradelinks Pvt.Ltd.	-	14,30,54,472	14,30,54,472
C4624	Awal Portfolio LLP	33,00,000	5,08,15,121	4,75,15,121
C4516	Ennar Portfolio LLP	13,34,58,226	15,51,67,346	2,17,09,120
Client code	Client name	Funds received	Payment made	Net Payment given to clients
C4546	Cointribe Technologies Pvt.Ltd.	26,75,00,000	49,44,94,870	22,69,94,870
C4716	Primarc Projects Private Limited	1,00,00,000	7,00,00,000	6,00,00,000
C4549	Vinimay Developers Pvt.Ltd.	4,00,00,000	4,90,00,000	90,00,000
	Total			84,94,73,583

- iii. AFSPL has following open positions as on Feb18,2019 in F&O segment of NSE where ISSL is the clearing member:

Client Code	Client Name	Sum of Gross_OI
C4536	Money Mishra Financial Services	3,50,53,26,352.50
C4639	Awanish Kumar Mishra	3,26,35,79,707.50
C4709	Money Mishra Overseas PVT. LTD.	1,72,59,60,926.25
C4716	Primarc Projects Private Limited	90,72,91,080.00
C4562	Glow Homes Technologies PVT.LTD.	27,50,48,478.75
C4516	Ennar Portfolio LLP	11,26,72,091.25
C4549	Vinimay Developers PVT.LTD.	4,58,21,058.75
C4624	Awal Portfolio LLP	2,96,01,630.00
C4643	Dal Chandra Rastogi	2,55,31,623.75
C4595	Tejswi Impex PVT.LTD.	1,16,68,710.00
Total		9,90,25,01,658.75

- iv. Further, AFSP has a total margin obligation of around of Rs. 354.95 crores as on 18th Feb 2019 in case these open interest is liquidated.

Client Code	Client Name	Total Obligation
C4536	Money Mishra Financial Services	-1,22,48,77,132.50
C4639	Awanish Kumar Mishra	-1,14,04,02,847.50
C4709	Money Mishra Overseas Pvt. Ltd.	-62,80,71,030.00
C4716	Primarc Projects Private Limited	-34,85,69,910.00
C4562	Glow Homes Technologies Pvt.Ltd.	-9,61,11,048.75
C4516	Ennar Portfolio LLP	-6,43,34,475.00
C4549	Vinimay Developers Pvt.Ltd.	-2,17,04,737.50
C4624	Awal Portfolio LLP	-1,03,43,790.00
C4643	Dal Chandra Rastogi	-1,50,52,886.25
C4595	Tejswi Impex Pvt.Ltd.	-84,965.00
Total		-3,54,95,52,822.50

If the above open positions are liquidated, the collateral available with clearing member ISSL which is securities worth Rs. 386 crores and funds worth Rs. 42.42 crores would be

utilized to the extent of Rs. 354.95 crores and balance left would only be Rs. 73.42 crores. The member has used client securities and which needs to be returned, in that case there would be a short fall of Rs. 312.53 crores. The net-worth of the member as on 31/01/2019 has turned negative to the extent of Rs. 41.72 crores.

- p) It has been reported by NSE that AFSPPL has made investment in properties at Lodha Excelus, Apollo Mills Compound, N M Joshi Marg, Mahalaxmi, Mumbai and New Delhi as per details given below:

S. No.	Flat no.	Cost of Flat (Amount in crores)	Name of Building/Tower Mumbai
1	B-6801	10.32	Trump Tower
2	A-3701, A-2804 and A2504 (Three flats)	13.55	Park Side A
3.	B-3804, B-4204 and B-4104 (Three Flats)	13.75	Park Side B
	Total	37.62	

S. No.	Address of property	Cost (Amount in crores)
1	Flat no. 1206, 12 th Floor, Vijaya Building 17, Barakhamba Road, New Delhi	1.90
2	Entire Second Floor of Property no. 344, Greater Kailash – II, New Delhi-110048	1.50

5. In view of the above findings, NSE has already issued a Show Cause Notice (SCN) dated February 07, 2019 to AFSPPL for violation of its bye-laws by AFSPPL.
6. In the meantime SEBI also received a complaint dated Feb 7, 2019 from Finsec Law Advisor on behalf of its client M/s Dalmia Cement (Bharat) Limited and OCL India Limited alleging

fraudulent transfer of the mutual funds units worth Rs. 344.07 Cores by AFSPL. SEBI also received a complaint from M/s Novjoy Emporium Pvt, Ltd alleging unauthorised transfer of its mutual fund units worth Rs 21.70 crores by AFSPL. Both the complaints are under examination of SEBI. NSDL vide letter dated Jan 15, Jan 21 & Jan 25, 2019 advised the complainants to consider lodging of police complaint / FIR which may assist them in uncovering the person(s) behind the transactions. It is understood that the complainants viz., Dalmia and OCL have filed complaints with Economic Offences Wing (EOW), Delhi Police and pursuing the complaints separately.

7. In view of the above observations contained in the inspection report of NSE, it *prima facie* appears that AFSPL has committed the following violations:

a. By misappropriating client securities, AFSPL violated SEBI circular no. SMD/SED/CIR/93/23321 dated 18/11/1993, SEBI circular no.

SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016 and Clauses A (1) & (3) of the code of conduct prescribed for Stock Brokers as specified in Schedule II of Regulation 9 of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.

b. By not maintaining the requirement of continuous net worth, AFSPL is not in compliance of Regulation 9 (g) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992 on conditions for grant of registration r/w SEBI circular no.

SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016.

c. By wrong reporting to stock exchanges, AFSPL has prima-facie violated SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016 and clauses A(1) & A(3) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.

d. By not doing segregation of clients funds from own funds, AFSPL is in violation of SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 and Clause 15 of

Rights and Obligations document for Stock Broker, Sub-brokers and Clients as prescribed by SEBI vide its circular no. CIR/MIRSD/16/2011 dated August 22, 2011.

- e. Since, AFSPL failed to settle the funds / securities of clients, it is in prima facie violation of Clause 12 of SEBI circular no. MIRSD/SE/Cir-19/2009 dated 03/12/2009, Clause 31 of Rights and Obligations document for Stock Brokers, SubBrokers and Clients, as prescribed by SEBI vide its circular dated 22/08/2011, SEBI circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016 and clauses A (2) & A (5) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.
- f. By giving disproportionate exposure to clients, AFSPL is in violation of Clause 2.6 of SEBI circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016 and clause A (5) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.
- g. For violations mentioned at point nos. 5 (a) to 5 (p) above, AFSPL has also violated Regulation 9 (c), 12 (a) and Regulation 16 of SEBI (Intermediaries) Regulations, 2008 r/w Schedule III.
- h. Since the AFSPL along with its associates had misappropriated client securities, AFSPL & its associates have contravened Regulations 3(d), 4(1), 4(2)(p) of SEBI (PFUTP) Regulations, 2003.
- i. By offering assured returns to clients AFSPL has violated Clause A (1), (2), (3), (4) and (5) and Cause B (4), (6), (7) and (8) of Code of Conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.
- j. By not reporting correct margin to Exchange F&O segment, AFSPL is in violation of provisions of SEBI Master Circular on “Matters relating to Exchange Traded Derivatives” dated April 1, 2013 read with NSE Circular No. NSE/INSP/19583 dated

December 14, 2011 and provisions of Clause A (1), (2) and (5) of the Code of Conduct prescribed for the stock brokers under the SEBI (Stock Brokers and Subbrokers) Regulations, 1992.

k. By dealing with unregistered entities, AFSPL has violated clauses A (2) & A (5) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.

l. AFSPL has failed to do necessary due diligence while opening account of clients as he did not obtain the income details in client registration documents of three clients. He is in violation of clauses A (2) & A (5) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.

8. Under the above circumstances, 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, Regulation 35 of Securities And Exchange Board Of India (Intermediaries) Regulations, 2008, by way of this ex parte -ad-interim order, pending completion of forensic audit by NSE, hereby issue the following directions:

a. Allied Financial Services Private Limited, Mr. Rajeev Kumar Asopa, Mr. Lalit Agarwal, Mr. Rajendra Prasad Basia, Mr. Awanish Kumar Mishra, Mr. Jitendra Kumar Tiwari, Money Mishra Financial Services, Money Mishra Overseas Pvt. Ltd.,

Pankaj Garg and Jitender Malhotra 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;

- b. The aforesaid Noticees shall cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions;
- c. The aforesaid Noticees are directed not to dispose of or alienate any assets, whether movable or immovable, or to create or invoke or release any interest or charge in any of such assets except with the prior permission of SEBI /NSE.
- d. The aforesaid Noticees 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 this order.
- e. Till further directions in this regard, the assets of the Noticees mentioned at para 8 (c) of this order shall be utilized only for the purpose of payment of money and / or delivery of securities, as the case may be, to the clients / investors under the supervision of the NSE.
- f. The depositories are directed to ensure that no debits are made in the demat accounts, held jointly or severally, of the aforesaid Noticees and persons except for the purpose mentioned in sub-para (e) after confirmation from NSE.
- g. The banks are directed to ensure that no debits are made in the bank accounts held jointly or severally by the Noticees except for the purpose of payment of money to the clients / investors under the written confirmation of NSE.
- h. The above directions are without prejudice to the right of SEBI to take any other action that may be initiated in respect of aforesaid entities / persons.
- i. Since AFSPL is a DP with NSDL having Registration nos. IN-DP-387-2018, NSDL is also directed to closely monitor the activities of AFSPL as a DP.

9. The findings recorded in the order are based on the prima facie examination of facts and prima facie violation of law.

10. The Noticees against whom this Order is being passed may file their objections, if any, within twenty one (21) days from the date of receipt of this Order. The Noticees are directed to submit their replies along with the supporting documents including details of payments made to clients. In the event the Noticees intend to avail an opportunity of personal hearing, they may appear 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 **March 25, 2019 at 02:30 PM**. In the event of the Noticees failing to file replies within 21 days of receipt of this order or failing to appear before SEBI on the aforesaid date and time, the preliminary findings at paras 4 of this Order and directions at para 8 (a) to (i) above shall be deemed to be confirmed against the Noticees automatically, without any further orders.

11. This order shall come into force with immediate effect. A copy of this order shall be forwarded to all the Stock Exchanges, the relevant banks, Depositories and Registrar and Transfer Agents of Mutual Funds to ensure that the directions given above are strictly complied with.

Sd/-
Place: Mumbai

ANANTA BARUA
Date: February 27, 2019 WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA