

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(4), 11B AND 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AGAINST UNICKON SECURITIES PVT. LTD. (FORMERLY KNOWN AS UNICON SECURITIES PVT. LTD.) AND ITS DIRECTORS MR. GAJENDRA NAGPAL AND MR. RAM MOHAN GUPTA.

1. Unickon Securities Pvt. Ltd. (Unickon Securities) having its registered office at D-221, Sector- 63, Noida is registered with SEBI as a stock broker in equity, and Futures and Options segments of Bombay Stock Exchange Ltd. (BSE) (Registration numbers: INB 011282531 and INF 0112825) and National Stock Exchanges Ltd. (NSE) (Registration numbers: INB 231283830 and INF 231283830) and currency derivative segments of NSE (Registration number: INE 231283830), MCX Stock Exchange Ltd. (MCX-SX) (Registration number: INE 261283830) and United Stock Exchange of India (Registration number: INE 2712283835). It is also registered as a depository participant of Central Depositories Services Ltd. (CDSL) (Registration number: IN-DP-CDSL-435-2007). Mr. Gajendra Nagpal and Mr. Ram Mohan Gupta are the directors of Unickon Securities. The shareholding pattern of Unickon Securities is as under:

Shareholding Pattern of Unickon Securities as on March 31, 2013			
Sr. No.	Name	No. of shares	% shareholding
1	Unicon Financial Intermediaries Pvt. Ltd.	16249980	99.99988
2	Mr. Gajendra Nagpal	10	0.00006
3	Mr. Ram Mohan Gupta	10	0.00006
	Grand Total	16250000	100.00000

2. Further, the shareholding pattern of Unicon Financial Intermediaries Pvt. Ltd. is as under:

Shareholding Pattern of Unicon Financial Intermediaries Pvt. Ltd. as on March 31, 2013			
Sr. No.	Name	No. of shares	% shareholding
1	Mr. Gajendra Nagpal	6980000	27.50
2	Mr. Ram Mohan Gupta	3930000	15.48
3	Jamuna Consultants Pvt. Ltd.	2620000	10.32
4	Ms. Sameera Aga Zaidi	1500000	5.91
5	Mr. Umesh R Doshi	460000	1.81

Shareholding Pattern of Unicon Financial Intermediaries Pvt. Ltd. as on March 31, 2013			
6	Sequoia Capital India Growth Investment	4000	0.02
7	Ms. Vandana Manchanda	545600	2.15
8	Subhkam Ventures India Ltd.	7049000	27.77
9	Nexus India Ventures Investments	2000	0.01
10	Mr. Girish R Doshi	460000	1.81
11	Mr. Sanjay R Doshi	467600	1.84
12	Others	1364400	5.38
	Grand Total	25382600	100.00

3. Mr. Gajendra Nagpal and Mr. Ram Mohan Gupta are part of the promoter group and together hold 42.98% of Unickon Securities. Further, as per the records, Mr. Neeraj Grover is the compliance officer of Unickon Securities.
4. SEBI received a large number of complaints from the clients of Unickon Securities for “*non-receipt/delay in payment of funds and securities*” during the period from January 2014 onwards. Accordingly, SEBI advised Unickon Securities to resolve the complaints expeditiously. Thereafter, SEBI undertook an inquiry into the matter and conducted an on-site inspection of the stock broking and depository participant operations of Unickon Securities at its registered office on March 19-20, 2014 with a focus on investor grievance redressal mechanism. SEBI also advised NSE, BSE and CDSL to conduct inspection of Unickon Securities.
5. During the on-site inspection, SEBI sought access to the back office of the stock broking operations of Unickon Securities and also the following information/details:
 - (a). List of all bank accounts in the name of Unicon Securities Pvt. Ltd. (Unicon Securities) and Unickon Securities alongwith the nature of such bank accounts and fund balance available in such bank accounts.
 - (b). Statements of all the bank accounts in the name of Unicon Securities and Unickon Securities for the Financial Year 2013-14 (till the date of inspection).
 - (c). List of all demat accounts in the name of Unicon Securities and Unickon Securities alongwith the details such as nature/purpose of the demat account.
 - (d). List of all clients as on March 19, 2014 with the details such as Name, Client Code, Back Office Code, PAN, address, financial ledger balance of the client as on March 19, 2014, Security details of the client as on March 19, 2014, whether active/inactive, whether PoA assigned or not etc.
 - (e). Internal Audit Reports of Unickon Securities for the financial year 2012-13.
 - (f). Undertaking that no internal audit was conducted in the financial year 2013-14.
 - (g). Details of Unsecured Loans granted by Unickon Securities during the financial years 2012-13 and 2013-14.

- (h). Trial Balance as on March 19, 2014.
- (i). Status of unresolved complaints against Unickon Securities as on March 19, 2014.
- (j). Policy on Delayed Payment Charges.
- (k). Details of Client's Securities pledged by Unickon Securities as on March 20, 2014.
- (l). Details of demat accounts in which securities of the clients are being pledged.
- (m). Details of bank accounts in which funds are being raised against the pledged securities of the clients.
- (n). Details of the following contingent liabilities as mentioned in its Annual Report 2012-13:
 - (i) Other claims against the company not acknowledged as Debts - ₹51,750,000/- (previous year - ₹51,750,000/-)
 - (ii) Bank guarantees given amounting to ₹181,000,000/- (previous year - ₹181,000,000/-) for loans taken by other companies.
- (o). Details of inter corporate deposits given as reflected in its Annual Report, Cash Flow from Investing Activities (Amount involved - ₹1,092,739,631/-).
- (p). Statement as to whether funds being raised against the securities of its clients are being credited to the financial ledger of the clients.

6. During the on-site inspection by SEBI, it was, *inter alia*, observed that:

- (a). Unickon Securities denied access to the back office of its stock broking operations to SEBI.
- (b). Unickon Securities did not extend any assistance or co-operation to the SEBI officials.
- (c). Neither the compliance officer of Unickon Securities nor any other responsible officer from the stock broking operations was present to assist/facilitate SEBI officials during the inspection. Mr. Ram Mohan Gupta, the promoter/director of Unickon Securities, was available only for a short period of time during the inspection.
- (d). Unickon Securities provided statements of accounts in respect of only its three bank accounts with Axis Bank.
- (e). Unickon Securities did not provide the statements of accounts of its bank accounts for the complete period for which SEBI had sought.
- (f). Unickon Securities did not provide the complete status of unresolved complaints against it pending as on March 19, 2014.
- (g). Funds have been raised by Unickon Securities by pledging the securities of the clients/investors illegally which were purportedly diverted to its other businesses.
- (h). Statutory Auditors of Unickon Securities had qualified the Annual Report 2012-13 by stating that there was no system of internal audit in Unickon Securities during 2012-13.
- (i). Mr. Ram Mohan Gupta admitted that no internal audit was conducted during the period 2013-14.
- (j). Unickon Securities did not furnish any other information to SEBI as was sought by it during inspection.

7. As advised by SEBI, NSE and BSE also conducted inspection of Unickon Securities. Pursuant to the inspection, these stock exchanges have, *inter alia*, informed that:
- Unickon Securities did not cooperate with the stock exchanges during the inspection;
 - Unickon Securities did not furnish several documents/information despite repeated reminders by the stock exchanges.
 - Unickon Securities has not submitted internal audit report for the half year ending September 2013 onwards to NSE and BSE.
 - Unickon Securities did not submit the net worth certificate for the half year ending on September 2014 thereby making it difficult on the part of these stock exchanges to ascertain the net worth eligibility criterion of the stock broker.
 - In view of the non-cooperation of Unickon Securities and pending investor complaints against it, NSE has disabled the stock broking terminals of Unickon Securities in the Capital Market Segment since February 28, 2014 and in the Futures & Options Segment since March 24, 2014.
 - Similarly, BSE has disabled the stock broking terminals of Unickon Securities since April 16, 2014.
 - The details of the pending investor complaints against Unickon Securities on NSE and BSE as on May 04, 2014 are as below:

Exchange	Type of complaint	Pending <=30 days	30 to 60 days	60 to 90 days	90 to 120 days	Total Pending
NSE	Non-receipt of Funds/Securities	327	32	3	0	362
	Other Categories	63	10	1	0	74
	Total	390	42	4	0	536
BSE	Non-receipt of Funds/Securities	228	13	2	0	243
	Other Categories	9	8	0	0	17
	Total	237	21	0	0	260

- The value of total claims of clients pending against Unickon Securities is ₹11.81 Crore and ₹3.02 Crore at NSE and BSE, respectively.
- Unickon Securities did not cooperate during the proceedings before the Investor Grievance Redressal Panel (IGRP)/Investor Grievance Redressal Committee (IGRC) (an independent body of the stock exchanges comprising of independent experts to work out amicable solution of investor claims) which is held by the stock exchanges for resolution of the investor complaints/grievances.

- (j). Unickon Securities did not implement the claims decided in favour of its clients at IGRP/IGRC.
- (k). NSE and BSE have initiated disciplinary proceedings under their respective Bye-Laws and have issued show caused notices dated April 16, 2014 and April 17, 2014 respectively to Unickon Securities, *inter alia*, for non-redressal of investor complaints, non-cooperation during inspection, non-submission of the net worth certificate and misuse of client funds.
8. As advised by SEBI, CDSL has also conducted inspection of Unickon Securities in respect of its depository participant operations with focus on investor grievance redressal mechanism. During the inspection by CDSL, Unickon Securities informed that it had received a total of 107 complaints since January 01, 2014 out of which 65 complaints were resolved and 42 were pending as on May 05, 2014. Pursuant to the inspection, CDSL issued a show cause notice dated April 02, 2014, *inter alia*, for not resolving/redressing the complaints of the investors/clients within the stipulated time and for conducting business in a manner detrimental to the interest of investors/clients. CDSL has also advised Unickon Securities to assign its depository participant business to another depository participant of its choice by April 30, 2014 failing which CDSL would be forced to terminate its depository participant operations.
9. I note from the above that during its inspection Unickon Securities did not provide access to SEBI to the back office of its stock broking operations. Further, during the inspection, Unickon Securities did not extend any assistance or cooperation to the SEBI officials and neither its compliance officer nor any other responsible officer from the stock broking operations was present to assist/facilitate SEBI officials. Mr. Ram Mohan Gupta, the promoter/director of Unickon Securities, was available only for a short period of time during the inspection.
10. I also note that Unickon Securities has provided statements of accounts in respect of its three bank accounts with Axis Bank only though it has several other bank accounts as well. Further, the statement of accounts provided by Unickon Securities in respect of the three bank accounts was incomplete for the period for which SEBI had sought. Moreover, Unickon Securities provided the incomplete status of unresolved complaints against it pending as on March 19, 2014. Unickon Securities did not furnish any other information to SEBI as was sought by it during inspection.
11. In view of the above, I find that Unickon did not furnish the complete material information to SEBI as was sought by it during the inspection and the limited information furnished to SEBI in respect of its bank accounts and the status of unresolved complaints against it pending as on March 19, 2014 is lacking in important details as well as misleading. I, further, find that Unickon Securities deliberately failed to co-operate with SEBI as well as NSE, BSE and CDSL during their respective inspections. In the light of the above, it is, *prima facie*, established that Unickon Securities has contravened provisions of regulations 21 of the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 (the Stock Brokers Regulations) which reads as follows:

“Obligations of stock-broker on inspection by the Board.

21. (1) *It shall be the duty of every director, proprietor, partner, officer and employee of the stock-broker, who is being inspected, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with the statements and information relating to the transactions in securities market within such time as the said officer may require.*

(2) *The stock-broker shall allow the inspecting authority to have reasonable access to the premises occupied by such stock-broker or by any other person on his behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the stock-broker or any other person and also provide copies of documents or other materials which, in the opinion of the inspecting authority are relevant.*

(3) *The inspecting authority, in the course of inspection, shall be entitled to examine or record statements of any member, director, partner, proprietor and employee of the stockbroker.*

(4) *It shall be the duty of every director, proprietor, partner, officer and employee of the stock broker to give to the inspecting authority all assistance in connection with the inspection, which the stock broker may reasonably be expected to give.”*

12. As discussed above, Unickon Securities has also failed to submit the internal audit report for the half year ending September 2013 onwards to NSE and BSE. The stock brokers/trading members/clearing members are required to carry out complete internal audit on a half yearly basis by chartered accountants, company secretaries or cost and management accountants who are in practice and who do not have any conflict of interest. The scope of such audit covers, *inter alia*, the existence, scope and efficiency of the internal control system, compliance with the provisions of the Securities and Exchange Board of India Act, 1992 (the SEBI Act), the Securities Contracts (Regulation) Act, 1956, the Stock Brokers Regulations, circulars issued by SEBI, agreements, KYC requirements, the Bye Laws of the Stock Exchanges, data security and insurance in respect of the operations of stock brokers/clearing members.
13. In terms of SEBI circulars no. MIRSD/DPSIII/Cir-26/08 dated August 22, 2008 and MRD/DMS/Cir-29/2008 dated October 21, 2008, the stock brokers/trading members/clearing members are required to carry out complete internal audit on a half yearly basis by chartered accountants, company secretaries or cost and management accountants who are in practice and who do not have any conflict of interest. In the instant case, Unickon Securities did not have any system for internal audit and failed to submit the internal audit report. In view of the above, it is, *prima facie*, established that Unickon Securities failed to comply with the requirements of the said SEBI circulars regarding internal audit.
14. In the instant case, a large number of investor complaints were pending against Unickon Securities for “*non-receipt/delay in payment of funds and securities*”. Further, funds have been raised by Unickon Securities by pledging the securities of its clients/investors illegally and these were purportedly diverted to its other businesses. In terms of the 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 and in case a client specifically

authorizes the stock broker to maintain a running account, 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.

15. In view of these facts, I find that Unickon Securities has, *prima facie*, failed to comply with the requirements of the aforesaid circular. In the light of the above, it is, *prima facie*, established that Unickon Securities has contravened provisions of regulations 9(e) of the Stock Brokers Regulations which reads 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;”

16. Regulation 7 of the Stock Brokers 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 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 any act detrimental to the investors' interest. 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 Exchange from time to time as may be applicable to him. I find that having indulged in the activity that is detrimental to the interests of investors and failing to comply with the requirements of the Stock Brokers Regulations, SEBI circulars and the Bye Laws of BSE and NSE, Unickon Securities has contravened clauses A(3) and A(5) of the Code of Conduct for Stock Brokers specified in Schedule II under regulation 7 of Stock Brokers Regulations.

17. A person acting as a securities market intermediary is expected to protect the interest of the 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 the business dealings, and not be motivated purely by prospects of financial gain.

18. Since the conduct of Unickon Securities and its promoters/directors 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. I find that Unickon Securities and its promoters/directors have failed to act in accordance with the requirements of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, the SEBI Act, 1992 and circulars and redress numerous

investor grievances pertaining to "*Non-receipt of Funds/Securities by clients*". 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 investors but also to send a stern message to prevent any person from indulging in acts as observed in this case.

19. In view of the aforesaid findings, 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 interim* order:
 - A. restrain Unickon Securities Pvt. Ltd. (PAN: AAPFS5325P) and its directors namely, Mr. Gajendra Nagpal (PAN: AADPN5511A) and Mr. Ram Mohan Gupta (PAN: AGDPG7175M) from accessing the securities market and further prohibit it from buying, selling or dealing in securities market, either directly or indirectly or being associated with the securities market in any manner whatsoever, with immediate effect, till further directions;
 - B. direct the above entities to cease and desist from the activities as noted above.
20. The above directions are without prejudice to the right of SEBI to take any other action that may be initiated against Unickon Securities Pvt. Ltd. and its directors namely, Mr. Gajendra Nagpal and Mr. Ram Mohan Gupta in accordance with law including the action in accordance with section 12 of the Securities and Exchange Board of India Act, 1992 and the provisions of SEBI (Intermediaries) Regulations, 2008.
21. This order shall come into force with immediate effect.
22. 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.
23. 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.

DATE: MAY 26th, 2014

PLACE: MUMBAI

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