

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 MR. MANSOOR RAFIQ KHANDA (PROPRIETOR OF M/S INDIAN TRADING COMPANY, M/S OPTION & M.C.X. KING, M/S A TO Z SOLUTION AND M/S FULLON CORPORATION) AND MR. FIROZ RAFIQ KHANDA (PROPRIETOR OF M/S FULLON CORPORATION)

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1. The Securities and Exchange Board of India (hereinafter referred to as SEBI) received complaints against certain entities stating *inter alia* that certain entities have been offering trading tips through Short Message Services (SMSs)/WhatsApp sent from mobile numbers (viz., 9913266412, 8306257818, 9173461311, 09925305293 and 8306773041) and websites, namely, www.fullonoption.com. The contents of the messages are reproduced below:

*"My company Indian trading provides tips, 25000 deposit payment profit 30% share. Sir 50000 only investment and 200% sure guarantee call. 1 Re no loss"*

*"Earn more than 25 to 50 Lakh per month in our Super Jackpot Stock-Mcx- Currency Tips - 9925305293"*

2. These messages also carried certain enticing claims such as:
  - (a). total profit ₹9 lakh in ₹2 lakh capital;
  - (b). ₹9 lakh in one month with ₹50,000/- capital;
  - (c). earn more than ₹25 lakh to ₹50 lakh per month in our superjackpot stock – MCX;
  - (d). Profit ₹8 lakh in ₹1 lakh capital;
  - (e). Profit ₹18 lakh in ₹1 lakh capital.
3. Based on the complaint, SEBI undertook a preliminary examination of the above messages by making telephone calls to the said mobile numbers. The operators of these mobile numbers directed the callers to their websites (www.fullonoption.com) and make necessary registration fee payment into their bank account(s).
4. From the preliminary examination it, *prima facie*, appears that the entities follow the following *modus operandi*:

- i. Send SMS to investors with inducing claims and citing references to the website addresses viz., “www.fullonoption.com”, inviting prospective investors to enrol with them for their investment advisory services for a registration fee.
  - ii. The registered clients are then provided trading tips for a consideration/profit sharing.
5. It was observed that the website "www.fullonoption.com" is not operational anymore, and its domain name is registered till July 10, 2014. Further, the messages sent to the prospective investors in the name of ‘fullonoptions’ carried reference to the email id - [fulloncorp@gmail.com](mailto:fulloncorp@gmail.com), which belonged to Fullon Corporation. Therefore, Fullon Corporation and Fullon option are one and the same.
  6. The SMSs and the website also contained the details of the bank accounts wherein the money was to be deposited by the investors. From the KYC details of the said bank accounts, the ownership details of the account holders were gathered and the same is as mentioned below:-

Sr. No.	Entity	Bank Account No.	Bank Name and Branch	Proprietor	Address
1	M/s Indian Trading Company	913020051857131	Axis Bank, Surat, Gujarat.	Mr. Mansoor Rafiq Khanda	Flat No . A/7, Sardar Complex, Gujarat Housing Board, Adajan, Surat-395009
2	M/s Option & M.C.X. King	913020052272399	Axis Bank, Surat, Gujarat	Mr. Mansoor Rafiq Khanda	Flat No . A/7, Sardar Complex, Gujarat Housing Board, Adajan, Surat-395009
3	M/s A to Z Solution	913020051407482	Axis Bank, Surat, Gujarat	Mr. Mansoor Rafiq Khanda	A/605, Shilpraj Apartment, Adajan Patiya, Surat, -395009 Gujarat
4	M/s Fullon Corporation	085005500802	ICICI Bank, Surat, Gujarat.	Mr. Mansoor Rafiq Khanda	A/605, Shilpraj Apartment, Adajan Patiya, Surat, -395009 Gujarat
		33131936514	State Bank of India	Mr. Firoz Rafiq Khanda	Flat No . A/7, Sardar Complex, Gujarat Housing Board, Adajan, Surat-395009
		913020033489310	Axis Bank Surat, Gujarat		

7. On the analysis of the account opening form along with KYC documents, the following was observed:
  - (a). The aforementioned bank accounts belonged to two individuals namely, Mr. Mansoor Rafiq Khanda and Mr. Firoz Rafiq Khanda.
  - (b). Mr. Mansoor Rafiq Khanda is the proprietor of M/s Indian Trading Company, M/s Option & M.C.X King and M/s A to Z Solution. Mr. Mansoor Rafiq Khanda and Mr. Firoz Rafiq Khanda are the proprietors of M/s Fullon Corporation.
  - (c). Mr. Mansoor Rafiq Khanda and Mr. Firoz Rafiq Khanda are related to each other as they have common parents.
  - (d). M/s Indian Trading Company, M/s Option M.C.X King, M/s A to Z solution and M/s Fullon Corporation have the same correspondence address and mobile number, viz. '9913266612'.
8. From the analysis of the bank account statement, it was observed that on several instances deposits have been made into the said bank accounts. These deposits could be towards registration/profit sharing as solicited by the entities mentioned hereinabove. A detailed investigation may bring to light the depth of such activities that are carried out by these entities and the extent of losses caused to investors.
9. From the conduct of the entities, it, *prima facie*, appears that the entities have been acting as Investment Advisors without seeking registration under the Securities and Exchange Board of India Act, 1992 (the SEBI Act) and the SEBI (Investment Advisors) Regulations, 2013 (Investment Advisors Regulations).
10. In view of the above, I am convinced that there is a reasonable ground to believe that the entities hereinabove were dealing in securities in a manner detrimental to the interest of the securities market and they were associated with the securities market in violation of the provisions of the Securities Laws.
11. Considering the facts and circumstances of the matter, I am of the *prima facie* view that under a scheme, plan device or artifice, Mr. Mansoor Rafiq Khanda (proprietor of M/s Indian Trading Company, M/s Option & M.C.X King, M/s A to Z solution and M/s Fullon Corporation) and Mr. Firoz Rafiq Khanda (proprietor of M/s Fullon Corporation) are engaged in providing investment advisory services to investors on payment of fees. I *prima facie* find that the activities of these entities of giving trading tips, stock specific recommendations, etc. to the investors on a contractual basis on payment of fees falls within the definition of activities of "*investment advisor*" as defined under regulation 2(m) of the Investment Advisors Regulations which provision reads as follows:

"2(m) – Investment adviser means any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called."

12. The relevant provisions of the SEBI Act, Investment Advisers Regulations according to which registration of investment advisors is mandatory is reproduced for reference;

**"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."

**Investment Advisers Regulations**

**Regulation 3(1) –**

"On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations:

Provided that a person acting as an investment adviser immediately before the commencement of these regulations may continue to do so for a period of six months from such commencement or, if it has made an application for a certificate under sub regulation (2) within the said period of six months, till the disposal of such application."

13. I, therefore, *prima facie* find that Mr. Mansoor Rafiq Khanda (PAN ALMPK3448B) and Mr. Firoz Rafiq Khanda (PAN AFMPK5766J) have acted as investment advisors without obtaining registration from SEBI to act as such and, thereby, violated section 12(1) of the SEBI Act, 1992 read with provisions of regulation 3 of the Investment Advisers Regulations.
14. I further note that the aforesaid entities have made known misrepresentations by making unrealistic claims and they have also made representation in reckless and careless manner in their messages and website and have suggested facts which are not true. By their acts and omissions they have solicited, enticed and induced investors to deal in securities on the basis of their investment advices, stock trade tips, etc. In my view the *modus operandi* of Mr. Mansoor Rafiq Khanda and Mr. Firoz Rafiq Khanda indicates a scheme, plan, device or artifice or contrivance that is, besides being in contraventions of the SEBI Act and regulations as discussed above, is *prima facie* 'fraudulent' as defined in regulation 2(1)(c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (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 light of the aforesaid observations, it is *prima facie* established that Mr. Mansoor Rafiq Khanda and Mr. Firoz Rafiq Khanda have not only contravened the provisions of the SEBI Act and the Investment Advisors Regulations but have also acted in fraudulent and deceitful manner which attracts prohibitions enshrined in section 12A (a) (b) and (c) of the SEBI Act and regulation 3 (b), (c) and (d) and regulation 4(1) and 4(2) (k) and (r) 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 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) 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;

.....

(r) planting false or misleading news which may induce sale or purchase of securities."

16. The conduct of Mr. Mansoor Rafiq Khanda and Mr. Firoz Rafiq Khanda as described above is *prima facie* inimical to the interest of investors in the securities market. It is apprehended that investors at large could be further misled on account of the fraudulent activities of such

unregistered entities. SEBI has been casted upon the duty to protect the interest of investors in the securities and I am of the view that considering the facts and circumstances of the present matter, it is necessary to take immediate steps to prevent such persons from further misleading investors and impairing the integrity of the market. I, therefore, am of the view that in the present matter immediate action is called for in the interest of common investors.

17. In view of the aforesaid *prima facie* findings, it is felt necessary to intervene in this matter to safeguard the interest of the investors and protect the integrity of the securities market. I am convinced that this is also a case where, pending investigation, effective and expeditious action is required to be taken to prevent any further harm to investors and to send a stern message to prevent any person from indulging in acts of omissions and commissions as observed in this case.
18. Therefore, in order to protect the interest of investors and the integrity of the 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 the SEBI Act, pending investigation, by way of this *ad-interim ex-parte* order:

- (i) restrain the following entities from buying, selling or dealing in the securities market, either directly or indirectly, in any manner whatsoever, till further directions -

Sr. No.	Name of Entity	PAN
1.	Mr. Mansoor Rafiq Khanda (proprietor of M/s Indian Trading Company, M/s Option & M.C.X King, M/s A to Z solution and M/s Fullon Corporation)	ALMPK3448B
2.	Mr. Firoz Rafiq Khanda (proprietor of M/s Fullon Corporation)	AFMPK5766J

- (ii) the above entities are further directed to:-

- (a) to cease and desist from acting as an investment advisors and not to solicit or undertake such activities or any other unregistered activity in the securities market, directly or indirectly, in any manner whatsoever;
- (b) immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, etc. in relation to their investment advisory or any unregistered activity in the securities market.

19. The above order is without prejudice the right of SEBI to take any other action that may be initiated against Mr. Mansoor Rafiq Khanda, Mr. Firoz Rafiq Khanda and their proprietary firms in accordance with law.

20. I note that the *modus operandi* as well as names of the operators in the instant case are similar to the case of Mr. Imtiyaz Hanif Khanda (proprietor of M/s Right Trade and M/s Sai Traders, Mr. Vali Mamad Habib Ghaniwala (proprietor of M/s Bull Trader and M/s Laxmi Traders) in which case SEBI vide orders dated August 20, 2013 and December 30, 2013 has passed the interim directions and restrained the said entities from buying, selling or dealing in the securities market, either directly or indirectly, in any manner whatsoever, till further directions. Considering these facts of the case, it may be appropriate for further investigations to find out connection, if any, between the entities hereinabove and the entities in the orders dated August 20, 2013 and December 30, 2013.
21. I also take this opportunity to caution investors to take their informed investment decisions without being influenced by such messages and advices and to deal with only intermediaries registered with SEBI.
22. The entities against whom this order is being passed 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 the entities/persons.
23. This order shall come into force with immediate effect.

**DATE: JUNE 5<sup>th</sup>, 2014**

**PLACE: MUMBAI**

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