WTM/GM/EFD/DRA1/12610/2021–22

SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

FINAL ORDER

UNDER SECTION 19 READ WITH SECTION 12(3) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND REGULATION 27 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008.

IN THE MATTER OF –

	NOTICEE	SEBI REGISTRATION NO.	
1.	**WASANKAR WEALTH MANAGEMENT LTD.**	**STOCK BROKER OF INTER CONNECTED STOCK EXCHANGE LTD.: SEBI REGN. NO. INB241474130**	**SUB–BROKER AFFILIATED TO ISE SECURITIES AND SERVICE LTD. (NOW KNOWN AS ISS ENTERPRISE LTD.):** **A. SEBI REGN. NO. INS01A552636 AT BSE LTD. AND** **B. SEBI REGN. NO. INS23A550931 AT NATIONAL STOCK EXCHANGE LTD.**
2.	**PRASHANT WASANKAR, CHAIRMAN AND DIRECTOR OF WASANKAR WEALTH MANAGEMENT LTD. AND SOLE PROPRIETOR OF WASANKAR INVESTMENTS.**		**SUB–BROKER AFFILIATED TO ISE SECURITIES AND SERVICE LTD.:** **SEBI REGN. NO. INS236775719 AT NATIONAL STOCK EXCHANGE LTD.**

BACKGROUND:

1.1 Securities and Exchange Board of India ("**SEBI**") had, on May 8–9, 2014, conducted an Inspection into alleged irregularities of the following entities (for the period from the date of grant of Certificate of registration till the date of Inspection) in view of certain complaints received by SEBI against them regarding illegal mobilization of funds amounting to ₹1500 Crore from 2000 investors:

i. Wasankar Wealth Management Ltd. [Stock Broker of Inter Connected Stock Exchange Ltd. ("**ICSE**") – SEBI Regn. No. INB241474130 and Sub–broker affiliated to ISE Securities and Service Ltd. ("**ISE Securities**"): SEBI Regn. No. INS23A550931 at National Stock Exchange Ltd. ("**NSE"**) (registered on January 29, 2013) and SEBI Regn. No. INS01A552636 at BSE (registered on March 6, 2013)] ("**Noticee no.1** / **WWML**") and

ii. Prashant Wasankar (Chairman and Director of Noticee no.1 / WWML and sole Proprietor of Wasankar Investments ("**WI**"), a Sub–broker affiliated to ISE Securities: SEBI Regn. No. INS236775719 at NSE) ("**Noticee no.2**").

1.2 Pursuant to completion of Inspection, SEBI had initiated enquiry proceedings against Noticee nos. 1 and 2 in terms of the SEBI (Intermediaries) Regulations, 2008 ("**Intermediaries Regulations**"). Accordingly, vide an Order dated December 24, 2014, under Section 19 of the SEBI Act, 1992 ("**SEBI Act**") read with Regulation 24 of the Intermediaries Regulations, SEBI had appointed a Designated Authority ("**DA**") to enquire into the alleged violations of the following provisions of the SEBI Act, the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations 2003**"), the Securities Contracts (Regulation) Rules, 1957 ("**SCR Rules**"), the SEBI (Stock Brokers and Sub–brokers) Regulations, 1992 ("**Stock Brokers Regulations**") and the SEBI Circular No. SEBI/MIRSD/Cir-06/2004 dated January 13, 2004 ("**January 13, 2004 Circular**"), as alleged against the Noticees and to submit the Report with recommendations in terms of the Intermediaries Regulations.

TABLE I – PROVISIONS OF LAW ALLEGED TO HAVE BEEN VIOLATED BY THE NOTICEE	
SR. NO.	**DETAILS**
1.	***SEBI Act*** ***Registration of stock brokers, sub-brokers, share transfer agents, etc.*** ***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:* ***Provided*** *that a person buying or selling securities or otherwise dealing with the securities market as a 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 immediately before the establishment of the Board for which no registration certificate was necessary prior to such establishment, may continue to do so for a period of three months from such establishment or, if he has made an application for such registration within the said period of three months, till the disposal of such application:* ***Provided*** *further that any certificate of registration, obtained immediately before the commencement of the Securities Laws (Amendment) Act, 1995, shall be deemed to have been obtained from the Board in accordance with the regulations providing for such registration.* ***12A.*** *No person shall directly or indirectly –* *(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognised stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;* *(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;
2.	***PFUTP Regulations 2003.*** ***3. Prohibition of certain dealings in securities*** *No person shall directly or indirectly—* *(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 thereunder;* *(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 thereunder.* ***4. Prohibition of manipulative, fraudulent and unfair trade practice*** *(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;*
3.	***SCR Rules*** ***Qualifications for membership of a recognised stock exchange.*** ***8.*** *The rules relating to admission of members of a stock exchange seeking recognition shall inter alia provide that:* *(3) No person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if—* *(f) he engages either as principal or employee in any business other than that of securities or commodity derivatives except as a broker or agent not involving any personal financial liability, provided that—* *(i) the governing body may, for reasons, to be recorded in writing, permit a member to engage himself as principal or employee in any such business, if the member in question ceases to carry on business on the stock exchange either as an individual or as a partner in a firm,* *(ii) in the case of those members who were under the rules in force at the time of such application permitted to engage in any such business and were actually so engaged on the date of such application, a period of three years from the date of the grant of recognition shall be allowed for severing their connection with any such business,* *(iii) nothing herein shall affect members of a recognised stock exchange which are corporations, bodies corporate, companies or institutions referred to in items (a) to (n) of the proviso to sub-rule (4).*
4.	***Stock Brokers Regulations*** ***9.*** *Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-* *(f) he shall at all times abide by the Code of Conduct as specified in Schedule II;* ***Code of Conduct For Stock Brokers*** ***Regulation 9*** *A. General.* *(1) Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business* *(2) Exercise of due skill and care: A stock-broker shall act with due skill, care and diligence in the conduct of all his business.* *(3) Manipulation: 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.*

	(4) … *(5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.* ***11. (1)** No sub-broker shall act as such unless he holds a certificate granted by the Board under these regulations.* ***15. (1)** The sub-broker shall—* *(b) abide by the Code of Conduct specified in Schedule II;* ***Code of Conduct For Sub–brokers*** ***Regulation 15*** *A. General* *(1) Integrity: A sub-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all investment business.* *(2) Exercise of due Skill and Care: A sub-broker, shall act with due skill, care and diligence in the conduct of all investment business.* *D. Sub–brokers vis–a–vis Regulatory Authorities* *(4) Manipulation: A sub-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.* ***Regulation 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.*
5.	***January 13, 2004 Circular*** *3.1 A stock broker/ sub–broker of an exchange cannot deal with brokers/Sub–brokers of the same exchange either for proprietary trading or for trading on behalf of clients, except with the prior permission of the exchange. The stock exchanges while giving such permission, shall consider the reasons stated by the brokers/sub–brokers for dealing with brokers/sub–brokers of the same exchange and after carrying out due diligence allow such brokers/sub–brokers to deal with only one stock broker/Sub–broker of the same exchange.* *3.2 A stock broker/sub–broker of an exchange can deal with only one broker/sub–broker of another exchange for proprietary trading after intimating the names of such stock broker/sub–broker to his parent stock exchange.* 3.3 *As per Regulation 15(1) (e) of the Stock Brokers Regulations, a sub–broker shall not be affiliated to more than one stock broker of one stock exchange. It is reiterated that a stock broker of an exchange can deal with only one broker of another exchange on behalf of clients after obtaining necessary registration as a sub–broker.*

ENQUIRY BY THE DESIGNATED AUTHORITY:

2.1 A Show Cause Notice dated February 5, 2015 ("**Enquiry SCN**"), was issued to the Noticee under Regulation 25(1) of the Intermediaries Regulations. The Noticee was called upon to show cause as to why appropriate recommendations for the alleged violations should not be made against it, by the DA, in terms of the Intermediaries Regulations. The Noticee was also advised to submit its reply along with documentary evidence(s), if any, within 21 days from the date of receipt of the Enquiry SCN. The Noticee had however, failed to reply to the Enquiry SCN.

2.2 Thereafter, upon completion of the enquiry, an Enquiry Report dated June 1, 2015 ("**Enquiry Report**") was submitted by the DA to the Designated Member. In the Enquiry Report, the DA had *inter alia* noted that the Noticees had violated the provisions of the SEBI Act, the PFUTP Regulations 2003, the SCR Rules, the Stock Brokers Regulations and the January 13, 2004 Circular, as indicated at Table I. In accordance with the Intermediaries Regulations, the DA recommended as under:

a. Suspension of the Certificate of registration of Noticee no. 1 as Stock broker of ICSE and Sub–broker at BSE and NSE, for a period of five years.
b. Suspension of the Certificate of registration of Noticee no. 2 as Sub–broker at NSE for a period of five years.

POST–ENQUIRY PROCEEDINGS BY THE DESIGNATED MEMBER ("DM"):

3.1 A post–enquiry Show Cause Notice dated October 28, 2015 ("**SCN**"), was issued to Noticee nos. 1 and 2 enclosing a copy of the Enquiry Report submitted by the DA and calling upon them to show cause in terms of Regulation 28(1) of the Intermediaries Regulations as to why action as recommended by the DA should not be taken against them in terms of the said Regulations, as deemed fit by the DM. Subsequent to the issuance of SCN, an opportunity of personal hearing was granted to Noticee nos. 1 and 2 on **March 2, 2016**, **March 30, 2016**, **May 4, 2016**, **May 18, 2016** (opportunity for inspection of documents), **June 13, 2017**, **July 14, 2017** and **July 31, 2017**, which were all adjourned at the Noticees' request. Noticee nos. 1 and 2 replied to the SCN vide a letter dated September 13, 2017.

3.2 An opportunity of hearing was granted to Noticee nos. 1 and 2 on **July 9, 2019** *(the Noticees were earlier granted a hearing on February 6, 2018, which was rescheduled to June 7, 2019 and thereafter, again rescheduled to July 9, 2019)***,** which was adjourned at their request. While considering the request for adjournment of hearing as made by Noticee no. 2 vide a letter dated June 11, 2019, I had directed SEBI to provide to the Noticees, a fresh set of documents including the SCN, Enquiry Report and all documents relied upon by SEBI such as the Inspection Report, etc. The aforementioned information was provided to Noticees vide SEBI letter dated July 29, 2019. Subsequently, Noticee nos. 1 and 2 replied to the SCN vide letter dated August 24, 2019. Thereafter, an opportunity of hearing was granted to the Noticees on November 21, 2019, March 4, 2020, September 9, 2020 and September 18, 2020 (Noticee no. 2 only); however, the Noticees did not appear for the hearing. While the hearing stood concluded against Noticee no. 1, a final opportunity of hearing was granted to Noticee no. 2 on **May 27, 2021** (rescheduled from April 9, 2021)**.** Prior to the hearing, Noticee no. 2 had submitted a letter dated March 30, 2021, to SEBI. Noticee no. 2 appeared for the hearing (through video conference from the Central Jail, Nagpur, Maharashtra) and reiterated the submissions contained in the Noticees' reply dated August 24, 2019 and his reply dated March 30, 2021. Noticee no. 2 was granted one weeks' time to file additional written submissions. However, no further submissions were received from Noticee no. 2. Accordingly, the hearing stood concluded against Noticee no. 2.

CONSIDERATION OF ISSUES AND FINDINGS:

4.1 I have considered the material available on record i.e. Enquiry Report along with the SCN, Noticees' replies dated September 13, 2017, August 24, 2019 and March 30, 2021.

4.2 In their replies, Noticee nos. 1 and 2 had submitted as under:

*"We would want to put on record that presently Noticee no. 2 is also facing a criminal trial before the Competent Court under the provisions of the Maharashtra Protection of Investors and Depositors (in Financial Establishments) Act, 1999 ("**MPID Act**"), at Nagpur. The trial, if not similar, is by and large proceeded on the identical issues/accusations which are also the foundation of the SCN. The trial is in progress and as many as five witnesses have been completely examined by the prosecution in the said offence. The witnesses have also been cross examined on similar issues that SEBI would also be considering in the SCN. May not be of much relevance, however, if I may bring to the Hon'ble Authority's notice that the witnesses which have*

been examined till date, to our mind, could not completely support the theory of the prosecution. In this background, we request the Hon'ble Authority to kindly put on hold the present proceedings till the completion of trial, which has already been expedited by the Hon'ble High Court at Nagpur … I most humbly pray that the present proceedings be kept at abeyance till the conclusion of trial more particularly because of commonality of charge and the fact that the documents are in the custody of Economic Offences Wing, Nagpur. This would only enable me to have a proper opportunity to defend myself. I have been lodged in Central Prison Nagpur since July 2014 and is handicapped in appearing personally before this Hon'ble Authority. Also, I am exploring my bail prospects and with over 78 months of imprisonment already undergone, there are high chances of securing bail in near future."

4.3 As stated in the preceding paragraphs, the Noticees were earlier granted an opportunity of hearing on **March 2, 2016**, **March 30, 2016**, **May 4, 2016**, **May 18, 2016** (opportunity for inspection of documents), **June 13, 2017**, **July 14, 2017** and **July 31, 2017**, which were all adjourned at the Noticees' request. Even thereafter, another opportunity of hearing was granted to the Noticees on July 9, 2019, which was again adjourned at the Noticees' request. The grounds for the adjournment request i.e. non–availability of documents and being in judicial custody, were raised by the Noticees while seeking adjournments in the matter. As regards the plea for non–availability of documents, from the material available on record, it is observed that all relevant information pertaining to the instant proceedings were provided to the Noticees vide SEBI letter dated July 29, 2019. In their reply dated August 24, 2019, the Noticees had confirmed receipt of the documents and had stated that they have understood the nature of the accusations levelled against them in the SCN. Subsequently, SEBI had granted an opportunity of hearing to the Noticees on November 21, 2019, March 4, 2020, September 9, 2020 and September 18, 2020 (Noticee no. 2 only), before granting a last and final opportunity of hearing on May 27, 2021. During the hearing on May 27, 2021, Noticee no. 2 had made submissions on merits while reiterating the contents of the replies dated August 24, 2019 and March 30, 2021. Having regard to the aforementioned, I am not inclined to consider the Noticees' request for deferment of/keeping in abeyance the instant proceedings.

Accordingly, the issues that arise for consideration in the instant proceedings are as under:

5.1 Issue 1: Whether the Noticees had accepted deposits from investors in a fraudulent and deceitful manner by promising high returns and were running schemes to lure public to take membership other than that of their profession of Stock Broker and Sub–brokers in

violation of Sections 12A(a)–(c) of the SEBI Act, Regulations 3(b)–(d) and Regulations 4(1) and 4(2)(k) of the PFUTP Regulations 2003 read with Clauses A(1)–(3) and A(5) of the Code of Conduct specified in Schedule II for the Stock Brokers read with Regulation 9, Clauses A(1)–(2) and D(4) of the Code of Conduct specified in Schedule II for Sub–brokers read with Regulation 15 of the Stock Brokers Regulations and Rule 8(3)(f) of the SCR Rules.

5.2 In their replies, Noticee nos. 1 and 2 had *inter alia* submitted as under:

i. What is claimed in the SCN is that the Noticees were promising high returns, running of schemes, with an intent to lure public to take membership other than that of their profession of Stock Broker and Sub–broker. At the outset, we say that the documents which are used to support the allegation would demonstrate the contrary as none of the documents bring on record anything that would even remotely suggest that high returns were promised, schemes were run and memberships were obtained for the purposes other than that of a Stock Broker or a Sub–broker. We deny such allegation.

ii. The documents used to support the allegation do not reflect the following:

a) That WWML/Wasankar Investment had floated schemes promising high value returns.

b) No document is produced before the Hon'ble Authority which is authentic to show that in fact schemes were floated by both the entities from which it could be gathered that high rate of interest/high returns were promised.

c) None of the documents also show that the amounts which were accepted through cheque in the name of ISE Securities or AC Choksey were not utilized for being traded in the stock market.

d) It is not the case before the Hon'ble Authority that the amounts which were received for being traded in a stock market were the amounts on which high value returns were promised. Documents such as promissory note, post–dated cheque also do not support the allegation.

e) In so far as post–dated cheques are concern, they do not show that these cheques had any concern with either of the entities. The cheques are apparently personal cheques issued from the personal account. In fact it has also come on record in the Sessions' trial that many of the cheques have been misused and the amounts have been filled in by the witnesses themselves. In any case the post–dated cheques have no concern with the entities.

f) *The promissory note though appears to be on the letterhead of Wasankar Investments and assuming what is stated in the said document is correct, even then what would appear from the document is that the transaction is for the period when the entity WWML was not a registered Sub–broker with SEBI. Therefore, assuming that the transactions did happen as reflected in the document, the transaction is for the period when the said entity Wasankar Investments had terminated its Sub–broker with SEBI, the trade name being Prashant Wasankar only.*

g) *In fact Annexure D provided to us records our statement in response to the questionnaire provided to us by SEBI inter alia clarifying that WWML is not offering any schemes promising high value return. We reiterate and rely upon the statements that we had given in our response to the questionnaire namely Annexure D dated April 10, 2014.*

iii. *We therefore humbly submit that Issue no.1 does not make out the claim of either high value returns or floating of scheme by the two entities. We would further add that complainant Vivek Pathak had also initiated proceedings before Investors Grievances Redressal Panel ("**IGRP**") of NSE at the instructions of SEBI. The complaint which was registered as complaint No. 1405211077700141 was closed after the hearing by IGRP dated June 30, 2014, fifty days after the FIR lodged on May 9, 2014. The IGRP gave negative verdict to the claim of the said complainant and had held that there is no admissible claim. It proceeded to close the complaint. We therefore humbly say that there is no evidence much less conclusive to show what has been alleged in Issue No.1. We specifically deny the allegations made under Issue no.1 of the SCN.*

5.3 I have carefully perused the allegations contained in the SCN in light of the material available on record (as provided to the Noticees along with Enquiry SCN as Annexures B–L). It is observed from the records (copy of the Promissory Note and post–dated Cheque issued by Noticee No. 2 which was furnished by a complainant, Ritesh Dalal) that the Noticees being registered intermediaries had floated a money raising scheme whereby the investors were required to give funds in cash and cheque for investment in the names of various entities in the Wasankar Group besides membership fees and thereupon, Noticee no. 2 was to issue a Promissory Note on its letter head with a Certificate of investment in the name of Wasankar Investments along with a post–dated refund cheque on the same day. From the Inspection Report and copy of the Promissory Note and post–dated Cheque issued by Noticee no. 2, which was furnished by one of the complainant, viz. Ritesh Dalal, it is observed that the Noticees had issued Promissory Note

to the said investor wherein details regarding date of borrowing i.e. May 6, 2012, amount borrowed i.e. ₹5 Lakh and date of repayment i.e. May 6, 2016 for ₹15 Lakh, were clearly mentioned. The agreed repayment value was three times the deposited amount and was to be paid within a period of only forty eight months. The aforesaid Promissory Note also contained the terms and conditions of the *Schemes* as signed by Noticee no. 2 in the name of Wasankar Investments. A sample of *Scheme* introduced by the Noticees for collecting money from investors is reproduced as under:

TABLE II – SAMPLE OF SCHEME			
RATE OF INTEREST			
PLANS	**MEMBERS**	**NON–MEMBERS**	**MINIMUM INVESTMENT**
DOUBLE	33 MONTHS	48 MONTHS	50K
TRIPLE	48 MONTHS	**NA**	5LK
YEARLY PAY OUT [25%, 27.5%, 30%, 32.5%]	48 MONTHS	**NA**	5LK
40%	18 MONTHS	24 MONTHS	50K
YEARLY	25%	18%	50K
90 DAYS	5.25%	3.75%	1LK
QUARTERLY FOR 2 YEARS	5.25%	3.75%	1LK
MONTHLY	1.60%	**NA**	5LK
TERMS & CONDITIONS			
LOAN FACILITY WILL BE AVAILABLE TO **MEMBERS** ONLY			
PRE-MATURE WITHDRAWAL: FOR NON–MEMBERS **4.00%** FOR MEMBERS **2.5%**. NO SPOT CHARGES WITH ONE **MONTH NOTICE**.			
IF THE DOCUMENT IS MISPLACED, **FIR** AND INDEMNITY PROCESS HAS TO BE COMPLETED AND THE FINAL PAYMENT OR RENEWED DOCUMENTS WILL ONLY BE MADE / ISSUED **AFTER SIX MONTHS** OF MATURITY.			
THE ABOVE RATES ARE SUBJECT TO CHANGE WITHOUT ANY PRIOR NOTIFICATION			
OFFICE TIMINGS: MONDAY TO FRIDAY (10.30 AM TO 6 PM) SATURDAY (10.30 AM TO 4 PM) SUNDAY (10.30 AM TO 1 PM)			

5.4 It is also noted from the records that investors were required to give funds for investment partly in cash and partly in cheque in favour of the Stock Broker, ISE Securities (to whom the Noticees were affiliated as Sub–broker at the time of Inspection) and thereafter, receipt was issued in the name of Noticee no. 1 while Noticee no. 2 issued Promissory Note to the investors. The fact that the amounts were raised from investors in the *Scheme* and the same was due to them is also shown at Annexure H of the Enquiry SCN (viz. copy of the Promissory Note / post–dated Cheques issued by Noticee no. 2 in favour of Vivek Pathak – an investor / complainant, report of Bank dishonoring of such cheque and copy of ledger account of Noticees).

5.5 It is noted from the records that huge amounts of funds were mobilized by the Noticees from investors under such lucrative *Schemes* (see also Table II). It is also observed that SEBI had received complaints from several investors, viz. Vivek Pathak, Aruna Jagtap, Rajesh Vyawahare and Ritesh Dalal, stating that amounts of approximately ₹2.74 Crore, ₹5 Lakh, ₹3 Lakh and

₹10.65 Lakh, respectively, had been collected from them. It is also noted from Annexure I of the Enquiry SCN/List of sample instances that in several cases, Noticee no. 2 along with the Group entities/persons had made re–payments to investors who had invested in the various *Schemes* of the Noticees**.** For the purpose of mobilizing funds, Noticee no. 2 had published articles on financial topics in newspaper '*Hitavada*' every Monday and also used to organize weekly seminars on technical analysis. Further, it is also noted that Noticee no. 1 / WWML paid an amount of ₹74.57 Lakh as incentives to its employees (in addition to their fixed salary) during the period from May to December 2012, in order to attract more investment/money from public investors.

5.6 It is also noted from Annexure L of the Enquiry SCN that:

i. Wasankar Group had 63 bank accounts and credits in the said 63 Bank Accounts were approximately ₹111 Crore for the period from April 1, 2013 to May 20, 2014 and in 10 bank accounts of Indian Overseas Bank, there were 56 instances of cash deposits amounting to ₹1.61 Crore for the period April 1, 2013 to May 20, 2014.

ii. Noticee no. 1 had 10 bank accounts in which an amount of ₹20.38 Crore was deposited during the period from April 1, 2013 to May 20, 2014.

iii. Noticee no. 2 had 13 bank accounts in which an amount of ₹40.23 Crore was deposited.

5.7 Noticee no. 2 had not traded in the cash market while Noticee no. 1 only had proprietary trades amounting to ₹9.08 Crore. The details of turnover of the Noticees are mentioned as under:

TABLE III – DETAILS OF TURNOVER				
NAME OF THE SUB–BROKER / TRADE NAME	**APRIL 1, 2013 TO MAY 20, 2014 (₹ IN LAKH)**			
	NSE -CASH	**NSE - F&O**	**BSE - CASH**	**BSE - F&O**
WWML (AAACW8073C)	NIL	908.19	NIL	NIL
PRASHANT WASANKAR (AAIPW1864A)	NIL	NIL	NIL	NIL

5.8 From a comparison between Annexure L of the Enquiry SCN (copy of details of 63 bank accounts) and Table III, it is observed that the amount of deposits in the bank accounts of the Noticees/its Group, were significantly higher than the Noticees' turnover in the securities market during the period from April 1, 2013 to May 20, 2014, which makes it clear that the Noticees were carrying on fund mobilization activity other than broking business in the securities market.

5.9 Upon a consideration of the above, it is clear that the statement made by Noticee no. 2 before SEBI on April 3, 2014, that the Noticees had not collected any funds from investors/clients in such *Schemes* offering high returns, was incorrect and was made with an intention to mislead SEBI.

5.10 From the information provided by the Noticees (Statement made by Noticee No. 2 on April 3, 2014, before SEBI–Annexure D of the Enquiry SCN), admittedly there was a huge collection of funds by the Noticees from investors/clients as membership revenue which is shown as under**:**

TABLE IV – DETAILS OF MEMBERSHIP REVENUE			
SR. NO.	**YEAR**	**NUMBER OF CLIENTS**	**MEMBERSHIP REVENUE COLLECTED (IN ₹)**
1	2009-2010	678	2,84,75,000
2	2010-2011	732	4,28,15,000
3	2011-2012	405	4,17,60,000
4	2012-2013	745	4,72,03,874
TOTAL		**2560**	**16,02,53,874**

5.11 Accordingly, the earlier contention of the Noticees before SEBI that the aforesaid amount of ₹16.02 Crore was collected only as fees for facilitation of trading on NSE and BSE, advisory services, equity portfolio evaluation, etc. appears to be an afterthought as no evidence was produced by them to corroborate their said contention. In the absence of any such evidence and also keeping in view huge collection of monies by the Noticees in comparison with their aforesaid turnover in securities market, I am of the view that such huge collection of monies cannot be considered as collected exclusively on account of services as stated by the Noticees. Having regard to the complaints, *Scheme* details, Promissory Notes, post–dated Cheques on the day of investments, repayment, huge amount of money in the account of Noticees as compared to their turnover in securities market, etc. it is obvious that the Noticees had accepted deposits by promising high returns and were running such *Scheme(s)* luring public to take membership which was also their business in addition to their stated business in the securities market. The fact that the *Scheme* had differential returns/interest rates for members and non–Members certainly had an impact to induce investors to become members through payment of membership fees in addition to their investment deposits.

5.12 From the *modus operandi* of attracting innocent investors/clients and mobilizing/collecting huge monies from them, routing/transferring such monies through another stock broker, viz. ISE

Securities and further non–refunding of the amount due to the clients/investors, it is established that the Noticees had floated *Schemes* for illegal mobilization of funds in violation of Sections 12A(a)–(c) of the SEBI Act, Regulations 3(b)–(d) and Regulations 4(1) and 4 (2)(k) of the PFUTP Regulations 2003 read with Clauses A(1)–(3) and A(5) of the Code of Conduct specified in Schedule II for the Stock Brokers read with Regulation 9, Clauses A(1)–(2) and D(4) of the Code of Conduct specified in Schedule II for Sub–brokers read with Regulation 15 of the Stock Brokers Regulations.

5.13 From the aforesaid findings, it is also established that the Noticees (being registered intermediaries) had engaged in business of raising funds through such *Schemes* which is the business other than that of Stock Broker/Sub–broker in securities market and as a result, had involved themselves in personal financial liability in violation of Rule 8(3)(f) of the SCR Rules.

5.14 Incidentally, it is also noted that the Crime Branch (Economic Offences Wing), Nagpur City had registered a First Information Report ("**FIR**") against the Noticees under Section 420, 406, 506, 120(B) Indian Penal Code and under Section 3 of MPID Act pursuant to a complaint from an investor, Vivek Pathak, regarding collection of huge funds from the complainant and other investors by the Noticees and subsequent misappropriation of their funds by the Noticees through a refusal to return the principal amounts invested by said investors.

6.1 Issue 2: Whether the Noticees gave misleading information to SEBI and the Noticee no. 2 did not make himself available before Inspection team during the course of Inspection in violation of Regulation 21 read with Clauses A(1)–(3) and (5) of the Code of Conduct for Stock Brokers read with Regulation 9 and Clauses A(1)–(2) and D(4) of the Code of Conduct for Sub-brokers read with Regulation 15 of the Stock Brokers Regulations.

6.2 In their replies, Noticee nos. 1 and 2 had *inter alia* submitted as under:

i. We had completely supported the investigation and had produced every possible document for the Inspection. Even according to the SCN, FIR was registered against us, which was registered on May 9, 2014. Multiple enquiries has commenced during that period which included enquiry from police machinery. Simultaneous raids were conducted by the police machinery both in the office of the firms and at the residence of the Directors immediately after the registration of the FIR. Various documents were seized by the police machinery at

the same time when the team from SEBI was also present in the office of the entities, despite which all possible documents were made available to SEBI.

ii. *Pursuant to registration of FIR, the Directors of the company were arrested. There is nothing on record to show that during the period from May 9, 2014 till the date of arrest i.e. July 27, 2014, there have been various demands by the Inspection team or SEBI as regards the transaction documents from the Directors and the Directors had denied those documents. We therefore say that we had provided every document to SEBI and its Inspection team. The Annexures now provided to us rather show that we supported the inspecting team right from the beginning. We therefore request that this charge in Issue No. 2 be dropped and it be held that there is no violation of Regulations referred to in the said Issue.*

6.3 It is observed from the material available on record that the dates for Inspection of Noticee no. 1 were intimated to Noticee no. 2 (Director of WWML). However, Noticee no. 2 was available only for a short period of time during the course of Inspection on May 8, 2014. Further, during the Inspection held on May 9, 2014, Noticee no. 2 had failed to meet officials of the Inspection team and the Inspection team had to give their preliminary observations to other employees of Noticee no. 1 for comments of Noticee no. 2. As a result, details of 24 bank accounts pertaining to Noticee no. 2 and his Group, could not be collected which in turn hampered the Inspection team. Noticee no. 1 being a registered intermediary and Noticee no. 2 being the Chairman and Director of Noticee no.1, was responsible and duty bound as per their Code of Conduct, to extend all assistance in connection with the Inspection of Noticee no. 1 and was expected to produce to the Inspecting team such books, accounts and other documents / information etc. in his custody or control as required during the course of Inspection. Therefore, in view of the aforesaid, I am of the view that Noticee nos. 1 and 2 had violated the provisions of Regulation 21 read with Clauses A(1)–(3) & (5) of the Code of Conduct for Stock Brokers read with Regulation 9 and Clauses A(1)–(2) and D(4) of the Code of Conduct for Sub-brokers read with Regulation 15 of the Stock Brokers Regulations.

7.1 Issue 3: Whether the Noticees being registered as Sub–brokers and affiliated with ISE Securities, had done proprietary trading with other Stock broker(s) without obtaining prior permission of the Stock Exchange(s) in violation of January 13, 2004 Circular read with Clauses A(1)–(2) of the Code of Conduct under Regulation 15 of the Stock Brokers Regulations?

7.2 In their replies Noticee nos. 1 and 2 had *inter alia* submitted as under:

i. There is nothing to show that WWML and Wasankar Investment simultaneously acted as Sub–brokers or the trading was done on a single point of time with common Stock broker(s) while levelling the accusation made under Issue No.3. What becomes relevant are the dates of commencement of operation by either of the entities. Nothing is brought on record to show that both the entities had commenced the operation simultaneously on the same date or even on the commencement of operation on different dates, they were doing the business with common Stock broker(s) simultaneously.

ii. The SCN makes no reference to any dates which would show that by reason of affiliation of these two entities to more than one stock broker on a single day and working of these entities simultaneously with the same common Sub–broker, in our submission there is no violation of Regulation 15(1)(e) of the Stock Brokers Regulation.

7.3 As per Regulation 15(1)(e) of the Stock Brokers Regulations, a Sub–broker of a stock exchange can deal with only one stock broker of another stock exchange on behalf of clients after obtaining necessary registration as a Sub–broker. Further, as per January 13, 2004 Circular, a Sub–broker of a stock exchange cannot deal with Stock brokers / Sub–brokers of the same stock exchange either for proprietary trading or for trading on behalf of clients, except with the prior permission of the stock exchange. Further, the aforesaid Circular also specifies that a Sub–broker of a stock exchange can deal with only one Stock broker of another stock exchange for proprietary trading after intimating the names of such Stock broker to his parent stock exchange. It is noted from the available records that the Noticees being registered as Sub–brokers and affiliated with ISE Securities, had traded with other Stock brokers without obtaining prior permission from the stock exchange(s).

7.4 The details of trading with other stock brokers are provided below:

TABLE V – DETAILS OF TRADING WITH OTHER STOCK BROKERS		
SR. NO.	**NAME OF THE SUB–BROKER**	**NAME OF THE STOCK BROKER**
1.	WASANKAR INVESTMENTS	ISE SECURITIES & SERVICES LTD.
		A C CHOKSI SHARE BROKERS PVT. LTD.
		KISAN RATILAL CHOKSEY SHARES AND SECURITIES PRIVATE LTD.
		VENTURA SECURITIES LTD
2.	WASANKAR WEALTH MANAGEMENT LTD.	A C CHOKSI SHARE BROKERS PVT. LTD.
		ISE SECURITIES & SERVICES LTD.

7.5 In view of the aforesaid, I find that the Noticees had failed to abide by the above mentioned directives and thereby violated the January 13, 2004 Circular read with Clauses A(1)–(2) of the Code of Conduct under Regulation 15 of the Stock Brokers Regulations.

8.1 Issue 4: Whether Noticee no. 1 while dealing as a Sub–broker with ISE Securities (a Stock broker) during the period 2011 acted as an unregistered Sub–broker in violation of Section 12(1) of the SEBI Act and Regulation 11(1) of Stock Brokers Regulations?

8.2 In their replies, Noticee nos. 1 and 2 had *inter alia* submitted as under:

i. In our humble submission, Issue no. 4 has no foundation on facts and material. The Annexures which allegedly support the issue do not in any manner demonstrate violation of Section 12(1) of SEBI Act and Regulation 11(1) of Stock Brokers Regulation. The annexures therefore cannot be relied to claim that in absence of registration of WWML with SEBI it ought not to have acted as a Sub–broker with ISE Securities.

ii. The documents which are with the Hon'ble Authority would show that Wasankar Group had two entities namely Wasankar Investment and WWML. Initially Wasankar Investment was registered with SEBI as a Sub–broker to ISE Securities and Services. This registration has been in existence for considerable period of time. Subsequently, a new entity was formed namely WWML and it had applied for registration as a Sub–broker.

iii. Placing reliance on Annexure N, it is said that amounts were accepted by WWML on behalf of ISE Securities without being a registered Sub–broker. It is specifically submitted that at that time, the office of Wasankar Investment and WWML was common. The receipts were temporary receipts and only stationery of WWML was used. However, while filling the forms for opening the Demat account or trading account, it was Wasankar Investment which was shown as a Sub–broker. All these documents which show that Wasankar Investment acted

as Sub–broker in the Demat account Opening have been seized by the police authorities of various investors and demonstrate this fact emphatically.

iv. *If the Demat account opening form of Vivek Pathak is looked into (annexed as Annexure 1), it would be apparent that even in his case, Wasankar Investment was shown to be the Sub–broker. Just because a receipt was issued utilizing the stationery of WWML, it cannot be claimed that in absence of registration, WWML acted as Sub–broker.*

v. *It is specifically stated that WWML did not accept any amount for acting as Sub–broker of ISE Securities during the alleged period mentioned in the SCN.*

8.3 It is observed from the records that Noticee no. 1 was registered as Sub–broker with ISE Securities only on January 29, 2013 (at NSE) and March 6, 2013 (at BSE). However, during the year 2011, Noticee no. 1 had issued receipts to its clients on behalf of ISE Securities, for cash as well as cheques issued in favour of said Stock broker, as noted from the copies of receipts furnished by clients/investors viz. Vivek Pathak, Aruna Jagtap and Rajesh Vyawahare. In view of the aforesaid, I agree with the findings of the DA that Noticee no.1 had acted as a Sub–broker during the year 2011 without obtaining a Certificate of registration from SEBI and thereby violated Section 12(1) of the SEBI Act and Regulation 11(1) of the Stock Brokers Regulations.

CONCLUSION:

9.1 For the reasons mentioned in the preceding paragraphs, I am in agreement with the findings of the DA that the Noticee had violated the provisions of the SEBI Act, the PFUTP Regulations 2003, the SCR Rules, the Stock Brokers Regulations and the January 13, 2004 Circular, as indicated at Table I. Having regard to the facts and circumstances of the instant proceedings, I accept the DA's recommendation that the Noticees are liable for action under Section 12(3) of the SEBI Act and Regulation 27 of the Intermediaries Regulations (as amended vide SEBI (Intermediaries) (Amendment) Regulations, 2021 with effect from January 21, 2021).

9.2 However, from the material available on record, I note that Noticee no. 1 has ceased to be a member of any recognized stock exchange as ICSE, of which the Noticee was a member, has ceased to be a recognized stock exchange on account of SEBI's Exit Order dated December 8, 2014, which had allowed ICSE's exit as a stock exchange. Accordingly, the Certificate of registration granted to Noticee no. 1 as a Stock broker (**SEBI Regn. NO. INB241474130**) no longer subsists. In addition, as per information received from BSE vide e–mail dated July 9,

2021, it is noted that Noticee no. 1 has ceased to be registered as Sub–broker with effect from May 4, 2018 (**SEBI Regn. No. INS01A552636**), at BSE. Further, as per information received from NSE vide e–mail dated July 9, 2021, it is noted that Noticee no. 1 has ceased to be registered as Sub–broker with effect from June 29, 2018 (**SEBI Regn. No. INS23A550931**), at NSE, while Noticee no. 2's Certificate of registration (**SEBI Regn. No. INS236775719**) as Sub–broker at NSE was deemed to be cancelled/withdrawn in terms of the SEBI Circular dated August 3, 2018, with effect from March 31, 2019.

SEBI ORDERS AGAINST NOTICEE NOS. 1 AND 2:

9.3 I note that the following Orders have *inter alia* also been passed by SEBI against Noticee nos. 1 and 2:

(i) ***SEBI Order no. WTM/RKA/MIRSD/157/2014 dated December 10, 2014 –*** SEBI had earlier passed an *Ad Interim Ex–parte Order dated August 27, 2014,* under Sections 11, 11B and 11D of the SEBI Act *inter alia* against Noticee nos. 1 and 2 restraining them from buying, selling or dealing in the securities market, either directly or indirectly, in any manner whatsoever, till further directions on the basis of *prima facie* findings as under:

A. WWML solicited and collected funds/deposits from its clients/other investors for making investments on their behalf even when it was neither registered as a Sub–broker nor as any other intermediary and as such, had acted in contravention of Section 12(1) of the SEBI Act read with Regulation 11(1) of the Stock Brokers Regulations.

B. The Noticees therein (including Noticee nos. 1 and 2 of these proceedings i.e. WWML and Prashant Wasankar) had solicited and collected funds/deposits from their clients and other investors to make investments in certain *Schemes* of WWML and WI that were in the nature of portfolio management schemes without obtaining registration as a portfolio management services as required in terms of Section 12(1) of the SEBI Act read with Regulation 3 of the SEBI (Portfolio Managers) Regulations, 1993.

C. WWML, being a registered intermediary, had indulged in fund–based activities involving personal financial liability, which it could not have undertaken, being a member of a recognised stock exchange and a SEBI registered Stock broker, Sub-broker and as such, had contravened Rule 8(3)(f) of the SCR Rules.

D. WWML and WI had dealt with other Stock brokers for proprietary trading without obtaining prior permission from the stock exchanges and therefore, did not comply with the requirements of the January 13, 2004 Circular.

E. During the course of Inspection (May 8–9, 2014), the Noticees therein (including Noticee nos. 1 and 2 of these proceedings) had furnished incorrect information to SEBI regarding their bank accounts and thereby violated the provisions of Regulation 21, and Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers read with Regulation 9 and Clauses A(1)–(2) and D(4) of the Code of Conduct for Sub–brokers read with Regulation 15 of the Stock Brokers Regulations.

F. WWML did not maintain proper records regarding investment advisory services provided to its clients and therefore, had contravened the provisions of Regulation 19 and Clauses 1 and 2 of the Code of Conduct specified in Schedule III read with Regulation 15(9) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 ("**Investment Advisers Regulations**").

Thereafter, SEBI had confirmed the directions contained in the above mentioned *Ad Interim Ex–parte Order dated August 27, 2014 inter alia* against Noticee nos. 1 and 2, vide a Confirmatory Order dated December 10, 2014.

(ii) ***SEBI Order no. WTM/PS/8/IMD/DoF–I/MAY/2015 dated May 18, 2015 –*** SEBI had conducted an examination into the fund-raising activity of WWML and found that WWML had made an offer of Non–Convertible Preference Shares ("***NCPS***") in the financial years 2009–2010, 2010–2011 and 2012–2013, raising an amount of ₹12.89 Crore from 228 allottees. Vide an *Ad Interim Ex–parte Order dated July 31, 2014,* the same was *prima facie* found to be in violation of the provisions of SEBI Act and Companies Act, 1956. Thereafter, SEBI passed a Final Order dated May 18, 2015 and issued the following directions under Sections 11, 11(4), 11A and 11B of the SEBI Act:

A. The Noticees therein (including Noticee nos. 1 and 2 of these proceedings i.e. WWML and Prashant Wasankar), shall jointly and severally refund the money collected by the Company through the issuance of NCPS (which have been found to be issued in contravention of the public issue norms stipulated under the Companies Act, 1956), to the investors including the money collected from investors, till date, pending allotment of *NCPS*, if any, with an interest of 15% per annum compounded at half yearly intervals, from

the date when the repayments became due (in terms of Section 73(2) of the Companies Act, 1956) to the investors till the date of actual payment.

B. The Noticees therein (including Noticee nos. 1 and 2 of these proceedings) shall be restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities market, directly or indirectly, from the date of the Order till the expiry of four (4) years from the date of completion of refunds to investors, made to the satisfaction of SEBI, as directed above.

(iii) ***SEBI Order no. WTM/MPB/EFD–1–DRA–IV/146/2018 dated March 1, 2018 –*** SEBI had initiated proceedings against Noticee nos. 1 and its Promoters and Directors including Noticee no. 2 in terms of the Intermediaries Regulations in order to determine whether Noticee no. 1 continues to satisfy the criteria for *'fit and proper person'* in terms of Regulation 6(f) and Regulation 7(2)(e) of the Investment Advisers Regulations read with Schedule II of the Intermediaries Regulations, in view of the SEBI Order dated May 18, 2015. Accordingly, SEBI passed an Order dated March 1, 2018 and issued the following directions under the erstwhile Regulation 28(2) of the Intermediaries Regulations, 2008:

A. The Certificate of registration granted by SEBI to WWML as an Investment Advisor, shall stand cancelled on account of its failure to satisfy the criteria for *'fit and proper person'*.

B. Prashant Wasankar (in his capacity as Director of WWML), is debarred from being employed or associated with any registered intermediary or other registered person in the capital market for a period of 14 (fourteen) years from the date of completion of refund as directed in SEBI Order dated May 18, 2015.

9.4 I am in agreement with the DA that the violations committed by Noticee nos. 1 and 2 are severe in nature; however, in light of cessation of/ surrender/ deemed cancellation of the Certificates of registration of Noticee nos. 1 and 2 and also the restraints operative against them in terms of the SEBI Orders mentioned at paragraph 9.3, I am of the view that it will not serve any purpose to issue further directions against Noticee nos. 1 and 2 at this stage.

ORDER:

10.1 In view of the above, I, in exercise of the powers conferred upon me under Section 19 read with Section 12(3) of the SEBI Act and Regulation 27 of the Intermediaries Regulations, hereby close the instant proceedings in respect of the SCN dated October 28, 2015, against Noticee no. 1 i.e. **Wasankar Wealth Management Ltd.** and Noticee no. 2 i.e. **Prashant Wasankar, proprietor of Wasankar Investments**.

10.2 In light of the findings at paragraph 9.1, a copy of this Order shall be forwarded to Noticee nos. 1 and 2 and the recognized Stock Exchanges for their information.

PLACE: MUMBAI
DATE: JULY 15, 2021

G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA