WTM/SM/IVD/ID4/5759/2019-20

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S K MOHANTY, WHOLE TIME MEMBER

ORDER

Under Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992

In respect of:

S.No	Name of the Noticee	PAN
1.	Mr. Shivraj Puri	AEXPP9796B
2.	Mr. Raghu Raj Puri	AEXPP7964B
3.	Ms. Deeksha Puri	AETPP5950M

In the matter of unregistered Portfolio Manager activities

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) received a letter dated December 14, 2010 from Citibank informing about certain malpractices conducted by Mr. Shivraj Puri (hereinafter referred to as **"Puri/ Noticee no. 1"**), in the accounts of a few of the customers of Citibank. The Noticee no. 1 was a Relationship Manager posted at the relevant point of time at the Gurgaon branch of Citibank. It was brought to SEBI's notice that the Noticee no. 1 was using a circular/letter dated January 1, 2010 supposed to have been issued by SEBI to Citibank recognizing certain individuals as custodians of their bank accounts so as to mislead the customers. However, it was found that no such letter was ever issued by SEBI. Thereafter, on

the basis of the above complaint, SEBI conducted an investigation into the aforesaid matter for the period of January 2009 to December 2010 (hereinafter referred to as **"Investigation Period"**) to ascertain possible violations of provisions of the SEBI Act, 1992 (hereinafter referred to as **"SEBI Act"**) and SEBI (Portfolio Managers) Regulations, 1993 (hereinafter referred to as **"Portfolio Managers Regulations"**).

2. Investigation conducted by SEBI revealed that Noticee no. 1 had offered fabricated investment schemes with guaranteed high returns to customers on the basis of which, he persuaded his customers and obtained their signatures on bank fund transfer forms and used those funds to make demand drafts favoring various stock-brokers for making investment in Securities Market. It was also observed that the Noticee no. 1 has transferred the customers' funds to his family members' accounts (hereinafter referred to as **"connected accounts")**. The Noticee no. 1 was further alleged to have created the forged letter dated January 1, 2010 misrepresenting it as if issued by SEBI and used the same to induce a number of entities to transfer money to his connected accounts purportedly for making investments in certain 'VFIID' schemes, mentioned in the said fake letter issued in the name of SEBI to induce his Bank customers to invest in such SEBI approved schemes.

3. It was observed that Noticee no. 1 while working as the Relationship Manager of Citibank, had transferred funds from Citibank's customers' accounts to his connected accounts and to various stock-brokers. In addition to it, he has unauthorisedly solicited funds from various business entities and managed and administered their funds for investment in the Securities Market through stock-brokers. It was observed that the Noticee had dealt with the funds of at least 51 customers of Citibank and also had solicited funds from the Munjal group of entities and some other business entities in an unauthorized manner for investment in Securities Market. Thus, based on the above, it has been alleged that Noticee no. 1 was offering illegal portfolio management services without authorization and without obtaining the necessary certificate of registration from SEBI in breach of provisions of regulation 3 of Portfolio Managers Regulations read with Section 12 of SEBI Act. The details of funds received from various customers & entities as well as from the Munjal group entities and transfer of those funds to different accounts during the relevant period as observed during investigation are broadly indicated below:-

Table-1 *(Rs. in crore)*

Name of the entity	Source of funds (Rs.)	Deployment of funds			
		Stock Brokers	Puri family linked a/cs	Hero Group/ Client a/cs	BG Fin/ G2S Mgmt.
Citibank client a/cs (since February 2009 till December 2010)	150.35	130.55	15.07	4.45	0.28
Munjal Group (since May 2010 till December 2010)	328.30	95.34	89.70	134.50	16.05
Total	**478.65**	**225.89**	**104.77**	**139.00**	**16.33**

4. Further, it was alleged that Noticee no. 2 (Mr. Raghu Raj Puri) and Noticee no. 3 (Ms. Deeksha Puri) have provided authorization letters/power of attorney to the stock brokers authorizing Noticee no. 1 to execute trades on their behalf. Accordingly, fund transfers have happened from the bank accounts of Citibank customers to the bank accounts of Noticee nos. 2 and 3 and further from these Noticees' accounts to the stock brokers for execution of trades in the Securities Market as per the orders placed by Noticee no. 1. Thus, Noticee nos. 2 and 3 were also alleged to have acted in collusion with Noticee no. 1 in breach of the aforementioned provisions of Portfolio Managers Regulations read with Section 12 of SEBI Act.

5. It was also alleged that Citibank, had employed Noticee no. 1 as the Relationship Manager to manage the assets of its customers and during the course of his employment, Noticee no. 1 utilized the Citibank infrastructure to fabricate portfolio statements, bank statements of clients and the fake letter in the name of SEBI and there was lack of due diligence on the part of the Bank with regard to the conduct of its Relationship Manager. Citibank, by failing to establish adequate control over Noticee no. 1 was alleged to have facilitated the aforesaid activities to

defraud its customers as well as to commit breach of the afore-stated provisions of Portfolio Managers Regulations and SEBI Act.

SHOW CAUSE NOTICE

6. Based on the aforesaid findings in the Investigation, a Show Cause Notice dated April 28, 2015 (hereinafter referred to as **"SCN"**) was issued to the Noticees, asking them to show cause as to why suitable directions including direction of restraining them from Securities Market and prohibiting them from dealing in Securities Market for a specified period shall not be issued under Sections 11 and 11B of the SEBI Act, in view of their alleged violations of the aforesaid provisions of law. The SCN was delivered to all the Noticees and replies have also been received on behalf of all of them. Subsequently, in compliance with the principle of nature justice, Noticees were provided with an opportunity of personal hearing on December 9, 2015 and September 29, 2016. While, Citibank appeared for the personal hearing, no one else appeared on behalf of the other three Noticees for the personal hearing. I note from the records that Citibank had subsequently applied for settlement of the present proceedings in terms of the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014. Subsequently, in the interest of principles of nature justice, all the Noticees were provided with one more opportunity of personal hearing before me, which was scheduled on October 4, 2018. However, once again, Citibank attended for the personal hearing and made its oral submissions while none of the other Noticees attended the personal hearing before me. I note from the records that the proceedings initiated qua Citibank have been settled vide Settlement Order no. SO/EFD-2/SD/279/MAR/2019 dated March 29, 2019. I also note that another opportunity of personal hearing was granted to the remaining three Noticees on August 6, 2019. However, neither the Noticees no. 1, 2 and 3 nor any authorized persons appeared on their behalf before me on the scheduled date of hearing. I see from records that the three Noticees had earlier submitted a common written reply dated July 21, 2015 from which, their contentions and arguments can be summarized as below:

   a) That the allegations levelled against them are false and concocted and the same facts and allegations were alleged against them in a criminal prosecution case, wherein Noticee no. 2 (Mr. Raghuraj Puri) was exonerated of all charges and was acquitted, Noticee no. 1 (Mr.

Shivraj Puri) was charged by the Learned Trial Court on 17 counts of charges out of which the Court acquitted him on 14 counts but convicted him for offences under Section 420, 409 and 120B of Indian Penal Code (hereinafter referred to as **"IPC"**). The Noticee no. 1 was sentenced to two and a half years of rigorous imprisonment.

b) That the Ld. Trial Court has made a finding that Noticee no. 1 did not forge any SEBI circular and also exonerated Noticee no. 2 of all charges. The Noticees have contended that Noticee no. 3 (Ms. Deeksha Puri) even otherwise had no role to play at all. Further, Noticee no. 1 has preferred an appeal against the judgement and order of Ld. Trial Court on the point of his conviction order dated February 25, 2014 and on the point of his sentence dated February 28, 2014, before Ld. ASJ, Haryana. In view of the above, allegations being made in the SCN have been already adjudicated by a court of competent jurisdiction, hence, SEBI would not be well within its rights to sit in appeal over the findings of Ld. District Court.

c) Noticees have relied upon the extracts of the judgement of Ld. District Court referring to submissions made by Noticee no. 1 stating that Citibank itself had invested investors' money in the stock market as per its policy and almost all investors were aware about the investment operations and every transfer of money was through proper bank account channels, hence, all the transactions were very much in the knowledge of the highest officials of the Citibank.

d) Noticee no. 1 has contended that the investments were done by the Bank to earn income and to pass it on to the investors and the same had been happening for many years but no complaint was filed then. However, as the investors suffered losses, they threatened the Bank with criminal actions in case their money was not returned with profit. The Bank immediately decided to save its skin by shifting the blame on to Noticee no. 1 and represented to the investors that they would get their money back only on the condition that they testified against him and has refunded 100s of crores to the investors pursuant to the aforesaid agreements. Investigation by Police has been done in a partial manner to indict Noticee no. 1 and to protect the Bank.

e) Noticees have further relied on the observations of Ld. Courts pertaining to the role of Citibank in the matter holding that neither Noticee no. 1 alone was capable of committing

the said fraud and that many other Bank employees must have actively participated in the said scheme, even if the Bank, as an institution was not.

7. As per the records brought before me I find that the proceedings initiated qua Citibank vide the SCN dated April 28, 2015 have since been settled by SEBI vide settlement order dated March 29, 2019. Considering the foregoing, the allegations in respect of Citibank as mentioned in the SCN have attained otiosity and therefore, in my view, do not need any deliberation as such in this Order. I am also of the view that sufficient opportunity has been accorded to the three Noticees no. 1, 2 and 3 to appear for the personal hearing to put forward their case in response to the allegations levelled against them in the SCN. However, the Noticees no. 1, 2 and 3 have preferred not to appear for the personal hearing on any of the aforementioned dates fixed for their personal hearing. Therefore, I find it appropriate to proceed to decide the matter on merit on the basis of materials available on record.

CONSIDERATION OF ISSUES:

8. Based on the aforestated facts of the case, I find the only issue that requires consideration in the matter is as follows:

(a) Whether the Noticees no. 1, 2 and 3 are in breach of provisions of Regulation 3 of the Portfolio Managers Regulations and Section 12 of the SEBI Act?

9. Before proceeding to examine the aforesaid question on the basis of the facts of the matter, it would be proper to refer to the relevant provisions of the Portfolio Managers Regulations and SEBI Act which read as under: -

SEBI (Portfolio Managers) Regulations, 1993

Regulation 2(cb):

"portfolio manager" means any person who pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the funds of the client, as the case may be;

Regulation 3:

"Registration as portfolio manager.

3. *No person shall act as portfolio manager unless he holds a certificate granted by the Board under these regulations:*

Provided *that a merchant banker acting as a portfolio manager immediately before commencement of the Securities and Exchange Board of India (Portfolio Managers) (Second Amendment) Regulations, 2006 may continue to do so for a period of six months from such commencement or, if he has made an application for registration under these regulations within the said period of six months, till the disposal of such application."*

SEBI ACT, 1992

Section 12(1):

"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."

10. The investigation conducted by SEBI has found that the Noticee no. 1, Mr. Shivraj Puri was the Relationship Manager in the Gurgaon Branch of Citibank and was managing funds of 51 customers' accounts belonging to 30 households. Noticee no. 1 offered the said customers fabricated investment schemes which guaranteed high returns and received their signatures on blank fund transfer forms. Using the said blank funds transfer forms, Noticee no. 1 transferred funds from the accounts of his clients and made demand drafts favoring different stock brokers

for investing the funds of the customers in the Securities Market. The Noticee no. 1 has also transferred funds of his customers to various other accounts of the persons connected to him. It is observed that the Noticee no.1 opened a bank account (A/c No. 5011666247) in the joint names of his family members, Mr. Premnath (step grandfather), Ms. Sheila Premnath (grandmother) and Ms. Deeksha Puri (mother/Noticee no. 3) in September 2009 at Citibank, Gurgaon branch. The said account is hereinafter referred to as **"the Premnath a/c."** Noticee no. 1 acted as the Relationship Manager for the said account. In addition to the aforesaid bank account, there were several other bank accounts at Citibank, Gurgaon Branch belonging to the family members of Mr. Shivraj Puri and his associate entities including Mr. Premnath, Ms. Sheila Premnath, Mr. Raghuraj Puri (father/Noticee no. 2), Ms. Deeksha Puri, Norman Martins Private Limited (where Mr. Raghuraj Puri and Ms. Deeksha Puri are directors) and Metcam Holdings Private Limited (where Ms. Deeksha Puri is the director). The said bank accounts are hereinafter collectively referred to as **"Puri family linked accounts/connected accounts"**. I note from the records that Noticee no. 1 issued false deposit advices and fabricated account statements on the official Citibank stationery to the customers of Citibank during the Investigation Period to retain their confidence and good faith in him and to keep them in dark about the actual fund movement in their accounts. The details of the amount received by Noticee no. 1 from different customers and further utilization of these funds have been indicated in Annexure -1 to the SCN. On perusal of the said Annexure as well as from the table-1 at paragraph 3, I find that Rs. 150.35 crore have been received by Noticee no. 1 from several customers upto December 2010 which have been mostly transferred to stock-brokers as well as to his connected accounts (Puri family linked accounts).

11. The investigation has further revealed that Noticee no. 1 had gone to the extent of fabricating and forging a circular/letter dated January 1, 2010 showing it as if issued by SEBI to Citibank N.A. recognizing certain individuals specified therein as custodians of the bank accounts as specified against the said names of those individual custodians. On perusal of the said forged letter (enclosed at Annexure-2 to the SCN), I note that specific product codes have been assigned to each of the so called custodians and the grandfather of Noticee no.1, Mr. Premnath (A/c No. 5011666247) has been mentioned as one of the custodians in the said forged circular with a

product code "VFIID" assigned to the said account. I find that Noticee no. 1, on the basis of the said forged circular has induced the Munjal Group entities to transfer money into the Premnath A/c on the pretext of investment in 'VFIID' Scheme. Subsequent to the transfer of funds by the Munjal group entities to Premnath A/c, Noticee no. 1 issued forged credit advice on the stationary of Citibank indicating them the amounts transferred to the Premnath A/c. Samples of credit note issued to one of the Munjal Group entities, Moon Beverages Limited is annexed at Annexure 3 to the SCN. The funds received into the Premnath a/c were in turn transferred either to the Puri family accounts (with Citibank/HDFC Bank/Standard Chartered Bank) or sent as demand drafts to stock brokers, viz:- Bonanza Portfolio Limited & Religare Securities Limited or remitted as commissions for the investments received through various references. I note from the table-1 at paragraph 3 above that during the period May 2010- December 2010, the Noticee no. 1 had mobilized Rs. 328.30 crores from the Munjal group towards the investment schemes. As stated earlier, Munjal group and associated companies received forged Credit Advice in lieu of their money transferred to the Premnath a/c for onward transfer to Brokers and connected accounts of Noticee no. 1. The details of the amount received from the said clients are provided in the Annexure 4 to the SCN.

12. I have perused the submissions made by the Noticees in their common written reply dated July 21, 2015 and note that the Noticees have made broadly two set of submissions:
    a) That similar charges as levelled in the present proceedings have also been alleged in the criminal prosecution cases filed against Noticee no. 1, 2 and 3 and Ld. Trial Court has acquitted Noticee no. 2 of all charges and has convicted Noticee no. 1 of certain charges but acquitted him of many other charges including forgery of the alleged SEBI circular, in the absence of sufficient evidence. Considering that the matter has already been adjudicated by Ld. Trial Court, Noticees have contended that SEBI should not be continuing with the present proceedings.
    b) That Citibank and its officials had knowledge of the whole operations of investing the customers' money in the Securities Market and Noticee no. 1 alone cannot be said to have perpetuated the alleged fraud.

13. With regards to the submissions of Noticees that the Ld. Trial Court has already adjudicated the violations alleged in the present proceedings, I note that criminal proceedings initiated against the Noticees are different from the present proceedings. The criminal proceedings have been initiated by the Prosecution before the Court of Law under criminal law while the present proceedings have been initiated by SEBI under Securities Law. Further, the allegations levelled/violations of law alleged, and the evidence required to adjudge the violations as well as the resultant possible directions/punishments that may be issued to the Noticees are also different in these two types of proceedings. The two proceedings have been initiated by two different agencies for violation of different set of laws and the nature, object and purpose and possible outcome of the two proceedings are entirely different. Further, there is no bar in law for both the set of proceedings to continue concurrently unless expressly ordered by Hon'ble Court in accordance with law. The violations alleged against the Noticees in the criminal proceedings pertain to sections of IPC while in the present proceedings before SEBI, the alleged violations of the SEBI Act and Regulations made thereunder are the subject matter for adjudication. Therefore, I do not find merit in the submissions of Noticees that SEBI should not be continuing with the present proceedings in view of the Ld. Trial Court's judgement merely because both set of proceedings arise from one set of facts and circumstances. The Proceedings initiated under Securities Law shall not suo moto abate because of Proceedings initiated or concluded under another distinct law including criminal law, unless the same is explicitly ordered by a court of law, which is absent in this case.

14. As regards the submission of the Noticees that Citibank had knowledge of the whole operations of investing the customers' money in the Securities Market, I find that the allegations made by the Noticee is not supported by any evidence either oral or otherwise. Though, the Noticee no. 1 claims that the acts done by him was within the knowledge of the institution, he has not furnished any evidence to substantiate his claim. He has also not substantiated his claim about other employees of the bank, being well aware of the unauthorized transactions/investment activities made by him with the funds of different clients of the Bank. In the proceedings before me, he has not submitted an iota of evidence in support of his submissions that the entire scheme was carried out with the consent of the bank or other employees of the bank. I don't find any

documents which could even indicate that apart from the Noticee no. 1, other employees of the bank also indulged in similar and identical acts like opening accounts in different names and getting money transferred from investors into those accounts for the purpose of investing/trading in Securities Market. The Noticee no. 1 has not provided any justification as to why he had opened accounts in name of persons connected or related to him. It has been observed that the Noticee no. 1, apart from opening accounts with the Citibank had also got accounts opened with HDFC Bank/Standard Chartered Bank in the names of his family relatives, into which, he got the funds of his Citibank customers transferred from time to time. The illegal and unauthorized acts of Noticee no.1 did not stop here. To sanctify his illegal acts, the Noticee no. 1 had further gone to the extent of issuing false and fabricated invoices and credit slips to impress his gullible and innocent customers. Thus, in the absence of any credible piece of evidence even to justify prima facie the involvement of the bank as an institution or of the other employee of bank, I find the claim of Noticee is a mere conjecture & speculative devoid of any merit. The aforesaid submissions of the Noticees seem to be an attempt to deflect the attention of the present proceedings. In any case, one who seeks equity must come with clean hands and it is not permissible to the Noticees to shift their burden of defending themselves against the allegations levelled in the SCN by claiming that other entities are also equally liable for the same offence. In this respect, it is further observed that the scope of the instant proceedings is to determine as to whether or not, based on the evidences available on record and having considered the reply furnished by the Noticees, the allegations made under the SCN would sustain against the Noticees. Accordingly, my findings would be confined to the issues involved in the instant proceeding against the Noticees only. Nonetheless, assuming the submission of the Noticee as true, the mere fact that another entity is liable, cannot be taken as a ground by the Noticees to escape from their own liabilities for the violations and offences committed by them. The Noticees, instead of explaining as to how they are not liable for the violations alleged against them in the SCN, are dragging other extraneous issues into the present proceedings, which is unwarranted and not acceptable.

15. After dealing with the submissions made by the Noticees, I now refer to the provisions of law alleged to have been violated by the Noticees. Regulation 2 (cb) of Portoflio Managers

Regulations defines a portfolio manager as a person who, pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client, management or administration of a portfolio of securities or the funds of the client. In the present case, Noticee no. 1 while working as the Relationship Manager of Citibank, has got transferred funds of his Citibank's customers to the accounts of various stock brokers and also has solicited funds from various other entities such as the Munjal group entities, and managed and administered the funds of those entities for investment/ deployment in the Securities Markets through stock brokers. It has not been disputed that Noticee no. 1 has also utilized the amounts received from the customers of Citibank for trading in the Futures & Options segment of NSE especially in Nifty Index options. I note that Noticee no. 1 in his reply has merely contended that the allegations made against him are baseless but has not disputed the transfer of the funds of various customer entities into the accounts of his relative and family members. He has also not disputed that pursuant to the transfer of funds to the accounts of his known entities, he had utilized those funds for the investment in Securities Market and also for other purposes.

16. I further note that though the Noticee no. 1 has relied upon the findings recorded by the Ld. Trial Court to seek exoneration on the ground that the Ld. Trial Court has discharged him from the charge of fabrication of the SEBI Circular, based on the materials available on record and evidences available before me, I am constrained to reject the submissions advanced by the Noticee no. 1. First, I find that against the exoneration order of Noticee no. 1, appeal has been preferred by the Complainant Citibank before the Competent Court. Moreover, as pointed out earlier, the proceedings before the Ld. Trial Court and the proceedings before me are two separate and distinct proceedings. Before the Ld. Trial Court, which was a criminal proceeding, a charge is required to be proved beyond reasonable doubt, whereas under the instant proceedings before me, the degree of proof is based on the principle of preponderance of probabilities. I note that Noticee no. 1 has not produced any evidence as to how the above stated circular purportedly issued by SEBI came to his possession and under what circumstances, he had utilized the circular to solicit funds from various clients/customers of Citibank. No explanation has been offered about the so called investment scheme and individual custodians named in the said circular. Noticee no. 1 has also not provided any explanation as to why and

how he utilized the stationary of the Citibank to his advantage and has proceeded to the extent of issuing fabricated invoices and credit slips to his customers. Thus, based on the above, it remains undisputed that Noticee no. 1 had used the aforesaid fabricated circular to induce investment from clients by invoking the name of the Regulator and therefore, I am constrained to find him guilty of fabricating and utilizing the said circular created in the name of SEBI to solicit investment from clients to his own advantage, by giving them the assurance of providing higher return on their investment.

17. On perusal of the above mentioned fabricated circular dated January 1, 2010 purportedly issued by SEBI to Citibank (enclosed as Annexure -2 to the SCN), I note that Noticee no. 1 has used the said letter to demonstrate before his customers that there is a scheme called "VFIID" floated by Citibank and SEBI has recognized the said scheme as well and the custodian to the scheme was Mr. Premnath, who is the grand-father of Noticee no.1. The said letter issued in the name of SEBI has been used by Noticee no. 1 to give credence to the so called "VFIID" scheme as well as to the name of Mr. Premnath as a custodian recognized by SEBI, for luring the Bank customers to make investment into the so called VFIID scheme. It is difficult to comprehend as to how could it be a coincidence that Noticee no. 1's grandfather was listed as the custodian in the said fake letter of SEBI and funds of clients have also been transferred to the said custodian account of Mr. Premnath and also to other connected accounts of Noticee no. 1. The above narrated facts clearly suggest that the Noticee no. 1 has conceived the entire scheme of fabricating the letter in the name of SEBI, opening of Bank accounts in the names of his family relatives and other connected entities and luring the Bank customers to transfer funds to those accounts for the purpose of investing their funds into the so-called scheme mentioned in the said letter. In this way the Noticee no. 1 has utilized the funds of his customers for investment in Securities Market as well as for transferring a substantial portion thereof to various accounts connected to him, for his personal use. Perusal of Annexure-1 to the SCN containing details of the amounts received by Noticee no. 1 from several customers and utilization of these funds, show that Noticee no. 1 has received funds from those customers and has transferred the funds onward to stock-brokers for using the same towards making investment in Securities Market as well as for transferring to his connected accounts. It is observed from table-1 at paragraph 3 above that

Noticee no. 1 has been able to obtain a total of investment from different customers worth about Rs. 478.65 crores and has made an onward transfer of funds worth about Rs. 225.89 crores to stock-brokers for investment in Securities Market as well as Rs. 104.77 crores to his connected accounts.

18. From the discussions in the previous paragraphs, one can sum up the modus operandi followed by Noticee no. 1 in soliciting funds from different customers and business entities for investment purpose. It is seen that Noticee no. 1 has entered into an arrangement with the customers by way of misrepresentation to his prospective customers about a SEBI approved investment scheme through a fabricated letter issued in the name of SEBI, after which the Noticee has obtained funds from the customers against which, fake deposit slips were issued to them from time to time. These funds were transferred to various accounts in the names of brokers, his connected entities for onward investment, commission payments as well as for transferring the funds to personal accounts of his connected parties. Since the Noticee has tacitly entered in to an arrangement with the customers by misleading them into investing in a fake scheme, such arrangement falls within the definition of a portfolio manager in terms of regulation 2 (cb) of Portfolio Managers Regulations, but having not been registered, the Noticee has not only blatantly acted in violation of these regulations but has also fraudulently misled the customers to enter into such an arrangement with him.

19. Noticee no. 1 has not provided any evidence to prove that he has not obtained funds from his Bank customers and transferred the same to his connected accounts or to the accounts of the stock brokers for investment in Securities market. Further, in their own submissions, it has been brought to my knowledge by the Noticees themselves about the conviction of Noticee no. 1 under IPC for cheating and breach of trust etc. by Ld. District Court. This itself bears testimony to the fact that Noticee no. 1 has fraudulently made an arrangement with some of his Bank customers by way of misrepresentation about some non-existent scheme with the help of a fabricated letter issued in the name of SEBI and through the said arrangement, he has been managing their funds as well administering their portfolios for making investments in Securities Market thereby conducting himself as a Portfolio Manager in an unauthorized manner. I have also noted earlier that Noticee no. 1 has also indulged in fabricating credit receipts (some of

which have been enclosed as Annexure-3 to the SCN), to win over the confidence of client for making investments in the so called VFIID schemes. Based on the above, I have no hesitation to conclude that Noticee no. 1 was blatantly offering the services like portfolio management services (PMS) without obtaining necessary certificate of registration from SEBI and has thus violated regulation 3 of the Portfolio Managers Regulations read with Section 12(1) of SEBI Act.

20. As regards the role of the other two Noticees, I note that Noticees no. 2 and 3 have provided authorization letter/ power of attorney to the stock brokers namely, Bonanza Portfolio Limited and Religare Securities Limited thereby authorizing Noticee no. 1 to execute the trades on their behalf. Further, it is observed that from the bank accounts of Noticees no. 2 and 3, funds have been transferred to the stock brokers by way of issuance of demand drafts for trading in the securities market. It is also observed that Noticees no. 2 and 3 own 60% of the paid up equity capital of Norman Martins Brokers Private Limited, a company dealing in foreign exchange wherein they are also directors. They are also signatories to the bank account (no. 0004083245) maintained with Citibank. On an examination of the bank statement of this account, the following are noticed: -

- On May 8, 2010, Rs. 25 lakh and Rs. 17 lakh were transferred from the bank accounts of the customers, viz:- Mr. Dharam Paul Gupta and Mr. Sumant Pal respectively to the above account. Thereafter, Rs. 42 lakh was transferred from the above account to Ms. Sheila Premnath which was then paid to Okaya Power Limited apparently for payment towards its principal/ interest.
- On May 13, 2010, Rs. 5 lakh, Rs. 50 lakh and Rs. 3.25 lakh were received in to the above account from the customers, viz:- Ms. Kanta Dogra, Ms. Alpana Hansraj Seth and Mr. Asoka Gupta respectively. Thereafter, Rs. 33.25 lakh were transferred from the above account to Mr. Sanjeev Aggarwal, another customer, apparently towards repayment of his principal/ interest.
- On July 24, 2010, Rs. 12 lakh were received from Mr. Suraj Prakash Leekha which was then paid to BG Financial Limited for payment towards commission.
- On September 20, 2010, Rs. 2.20 crore was received from the Premnath a/c which was then transferred to Religare Securities Ltd.
- On October 5, 2010, Sumant Pal Received ₹72.75 lakh and ₹76.45 lakh towards his principal/ interest.
- Funds were also transferred from the above account towards repayment of principal/interest

to Mr. Raj Mohan (Rs. 21.50 lakh) and Ms. Sudha Mohan (Rs. 13.50 lakh) on July 19, 2010, and to Hero Corporate Services (Rs. 6 lakh) on July 22, 2010.

21. Apart from the transactions involving the above bank account, it was noticed that third party demand drafts were also issued from the bank account of Norman Martins Brokers Private Limited to stock brokers as under:-

Date	**Name of the stock broker**	**Amount (in Rs. crore)**
30-Jul-09	Bonanza Portfolio Limited	2.355
13-Mar-10	Bonanza Portfolio Limited	0.50
27-Mar-10	Bonanza Portfolio Limited	0.18
15-Jun-10	Bonanza Portfolio Limited	0.60
1-Jul-10	Bonanza Portfolio Limited	0.30
19-Nov-10	Bonanza Portfolio Limited	0.50

22. Based on the bank account statements and various transactions as illustrated above, I note that there have been fund transfers from clients to the accounts of Noticee no. 2 (Mr. Raghuraj Puri) and Noticee no. 3 (Ms. Deeksha Puri) and that they have also authorized the stock brokers to allow execution of trades by Noticee no. 1 on their behalf. Further, funds have also been transferred from their bank accounts to stock brokers, hence, I find that basically Noticee no. 1 had utilized the services of Noticees no. 2 & 3 to execute/ implement his dubious design of soliciting funds from the Citibank customers and utilizing the funds so collected from the Bank clients for various investments in the Securities Market. Thus, it remains undisputed is that these two Noticees are family members of Noticee no. 1 and have knowingly allowed these accounts to be opened in their names in Citibank by Noticee no. 1 and also had given power of attorney to the Stock-brokers in favour of Noticee no. 1, thereby authorizing Noticee no. 1 to transfer moneys from these accounts to the accounts of the brokers to carry out is investment activities. Moreover, these two Noticees knowingly allowed their accounts to be utilized as conduits for the

purposes of receiving funds from the customers who were lured by Noticee no. 1 to invest their money into the investment scheme that was offered to them with guaranteed high returns and on the basis of aforenoted fabricated letter created in the name of SEBI.

23. Thus, these two Noticees were consciously and connivingly allowing Noticee no. 1 to conduct his unauthorized PMS activities by utilizing their bank accounts and the power of attorney sued by them in his favor. Under the circumstances, Noticees no. 2 and 3 were actively associated with Noticee no. 1 and supported him in his PMS activities unauthorisedly in violation of SEBI (Portfolio Managers) Regulations. Therefore, I hold them equally liable and accountable along with Noticee no. 1 for violation of SEBI (Portfolio Managers) Regulations. It is also not the case of Noticees no. 2 and 3 that they were misled into opening bank accounts or to support Noticee no. 1 in his unauthorized activities without giving their consent.

24. In view of the detailed discussions in the foregoing paragraphs highlighting the manner in which Noticee no. 1 is associating with Noticees no. 2 and 3 have induced various bank customers and other investors to transfer their funds for use by these Noticees for investment purposes, it is glaringly clear that all these three Noticees have together acted as portfolio managers without obtaining a certificate of registration from SEBI. Thus, I find the Noticees no. 1, 2 and 3 have acted in gross violation of provisions of Regulation 3 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 read with Section 12(1) of the Securities and Exchange Board of India Act, 1992. It is also brought to my notice that the amounts solicited by Noticee no. 1 from different clients as discussed above have duly been settled with those clients with the intervention of bank.

25. It is pertinent here to mention that the statutory provisions for registration of intermediaries including registration of Portfolio Managers by SEBI have been prescribed under relevant regulations with the objective of protecting the interests of the investors, since it casts necessary accountability and responsibility upon the registered Portfolio Managers to comply with all regulatory requirements that are applicable to the conduct of such business activity, so as to provide for protection of the interests of investors and the integrity of the market. Hon'ble

Supreme Court in the case of *SEBI v. Rakhi Trading Pvt. Ltd.,* (2018) 13 SCC 753 has appreciated that fairness, integrity and transparency are the hallmarks of the stock market in India and the stock market cannot be a platform for any fraudulent or unfair trade practice. I note that the Noticees by luring investors to transfer their funds to them for investment purpose, without making an application for registration to SEBI under the Portfolio Managers Regulations, have exhibited gross disregard to the regulatory requirement mandated by SEBI. Needless to say, the fraudulent manner in which the Noticees have misled the high net worth Bank customers to transfer their funds to them by misrepresenting to them that the Noticee is operating a SEBI approved investment scheme, is highly deplorable and is nothing but a broad day-light cheating of such innocent clients. Such practices adopted by the Noticees amount to misuse of the Securities Market platform in breach of enshrined principles of transparency and integrity of Securities Market. Therefore, such deliberate violations require to be dealt with strongly to preserve and protect the integrity of the Securities Market.

DIRECTIONS:

26. In view of the above discussions and findings with respect to the violations of provisions of SEBI (Potfolio Managers) Regulations, 1993 and SEBI Act, 1992 committed by the Noticee no. 1, 2 and 3 as alleged in the SCN, I in exercise of powers conferred upon me under Sections 11(1),11(4),11B read with Section 19 of the Securities and Exchange Board of India Act, 1992, in order to protect the interest of investors and the integrity of the Securities Market and to meet the ends of justice, hereby restrain the Noticee no.1 (Mr. Shivraj Puri), Noticee no. 2 (Mr. Raghu Raj Puri) and Noticee no. 3 (Ms. Deeksha Puri) from accessing the Securities Market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly in any manner, for the period from the date of this order as indicated below:

S.No	Name of the Noticee	PAN	Period (years)
1.	Mr. Shivraj Puri	AEXPP9796B	Three
2.	Mr. Raghu Raj Puri	AEXPP7964B	Two
3.	Ms. Deeksha Puri	AETPP5950M	Two

27. It is clarified that during the period of restraint, the existing holding of securities of the Noticees including units of mutual funds, shall remain frozen.

28. The Order shall come into force with the immediate effect.

29. A copy of this order shall be forwarded to the Noticees, all the recognized Stock Exchange, depositories and registrar and transfer agents for ensuring compliance with the above directions.

-Sd-

S.K. MOHANTY

DATE: NOVEMBER 28, 2019 **WHOLE TIME MEMBER**

PLACE: MUMBAI **SECURITIES AND EXCHANGE BOARD OF INDIA**