

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: S. RAMAN, WHOLE TIME MEMBER

ORDER

UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 11 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AND SECTION 19 OF THE DEPOSITORIES ACT, 1996.

IN THE MATTER OF –

1. UNICKON SECURITIES PRIVATE LIMITED [PAN: AAPFS5325P].
2. SHRI RAM MOHAN GUPTA [PAN: AGDPG7175M].
3. SHRI GAJENDRA NAGPAL [PAN: AADPN5511A].
4. SHRI NEERAJ GROVER [PAN: AFDPG2918P].
5. i360 STAFFING AND TRAINING SOLUTIONS PRIVATE LIMITED [PAN: AAACI8851P].
6. SMT SONIA NAGPAL [PAN: AAGPN2936G].
7. SMT KAUSHAL KUMARI NAGPAL.
8. UNICKON FINCAP PRIVATE LIMITED [PAN: AAACU8424F].
9. UNICKON COMMODITIES PRIVATE LIMITED [PAN: AAACU7909D].
10. UNICKON MEDIA AND MARKETING SERVICES PRIVATE LIMITED [PAN: AAACU8145K].
11. UNICKON CAPITAL SERVICES PRIVATE LIMITED [PAN: AABCU0157G].
12. UNIWEALTH INSURANCE BROKERS PRIVATE LIMITED [PAN: AAACU9456H].
13. UNICKON FINSERVE PRIVATE LIMITED [PAN: AABCU1083D].
14. UNICKON ASSET RECONSTRUCTION COMPANY PRIVATE LIMITED [PAN: AABCU1082C].
15. UNICKON PROPERTIES COM PRIVATE LIMITED [PAN: AABCU2503N].
16. UNICKON FINANCIAL CONSULTANTS PRIVATE LIMITED [PAN: AABCU5047P].
17. UNICKON REAL ESTATE PRIVATE LIMITED [PAN: AAACU8837C].
18. UNICKON FINANCIAL INTERMEDIARIES PRIVATE LIMITED [PAN: AAACU6952E].
19. TRIPACE MARKETING SERVICES PRIVATE LIMITED [PAN: AACET0039R].
20. VIGHNAHARTA DIRECT INSURANCE BROKING PRIVATE LIMITED [PAN: AACCV0848E].

Background –

- 1.1 Securities and Exchange Board of India (“SEBI”) granted a Certificate of Registration to Unickon Securities Private Limited (“Unickon Securities”), as a Stock Broker in accordance with the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (“Stock Brokers Regulations”). SEBI also granted a

Certificate of Registration to Unickon Securities, as a Depository Participant in accordance with the SEBI (Depositories and Participants) Regulations, 1996 (“**Depositories and Participants Regulations**”).

- 1.2 Unickon Securities functioned as a Stock Broker on the National Stock Exchange of India Limited (“**NSE**”) in cash, derivatives and currency derivatives segment and on the Bombay Stock Exchange (“**BSE**”), in cash and derivatives segment. Unickon Securities also functioned as a Stock Broker on the Multi-Commodities Exchange of India Limited (“**MCX-SX**”) and United Stock Exchange of India Limited (“**USE**”). Unickon Securities also functioned as a Depository Participant of Central Depository Services Limited (“**CDSL**”).
- 1.3 During the period from January 2014 onwards, SEBI received numerous investor/client complaints against Unickon Securities alleging ‘*non-receipt/delay in payment of funds and securities*’. Thereafter, SEBI undertook an inquiry into the matter and on March 19–20, 2014, conducted an inspection of the Stock Broking and Depository Participant operations of Unickon Securities. SEBI also advised BSE and NSE alongwith CDSL to conduct an inspection of Unickon Securities.

Ex–parte Ad Interim Order dated May 26, 2014 and Confirmatory Order dated March 2, 2015 –

- 2.1 Pursuant to the completion of the abovementioned inspection, SEBI *inter alia* observed that –
 - a. Unickon Securities did not furnish complete material information to SEBI during the inspection;
 - b. Unickon Securities failed to submit the Internal Audit Report for the half–year ending September 2013 onwards to NSE and BSE. A large number of investor complaints were also found pending against Unickon for ‘*non-receipt/delay in payment of funds and securities*’;
 - c. Unickon Securities had raised funds by illegally pledging the securities of its clients and these were subsequently diverted to its other businesses.
- 2.2 The abovementioned activities were *prima facie* found to be in violation of the following provisions of law, viz. –
 - a. Regulation 21 of the Stock Brokers Regulations;
 - b. SEBI Circulars no. MIRSD/DPSIII/Cir–26/08 dated August 22, 2008 and MRD/DMS/ Cir–29/2008 dated October 21, 2008;
 - c. SEBI Circular no. MIRSD/SE/Cir–19/2009 dated December 3, 2009;
 - d. Regulation 9(e) of the Stock Brokers Regulations;

- e. Clauses A(3) and A(5) of the Code of Conduct for Stock Brokers specified in Schedule II under Regulation 7 of the Stock Brokers Regulations.

2.3 Accordingly, vide an *Ex-parte Ad Interim Order dated May 26, 2014* (“**Interim Order**”), SEBI issued the following directions –

19. *“In view of the aforesaid findings, I, in exercise of powers conferred upon me by virtue of Section 19 read with Sections 11(1), 11(4), 11B and 11D of the SEBI Act, 1992, by way of this ex-parte interim order:*

A. restrain Unickon Securities Pvt. Ltd. (PAN: AAPFS5325P) and its Directors namely, Mr. Gajendra Nagpal (PAN: AADPN5511A) and Mr. Ram Mohan Gupta (PAN: AGDPG7175M) from accessing the securities market and further prohibit it from buying, selling or dealing in securities market, either directly or indirectly or being associated with the securities market in any manner whatsoever, with immediate effect, till further directions;

B. direct the above entities to cease and desist from the activities as noted above.

...

23. *The entities/persons against whom this Order is being passed may file their objections, if any, within twenty one (21) days from the date of this Order and, if they so desire, may avail themselves of an opportunity of personal hearing before the SEBI ... on a date and time to be fixed on a specific request in writing, to be received in this behalf from the entities/persons.”*

2.4 In view of the findings contained in the Interim Order, an investigation was ordered by SEBI vide an Order dated July 30, 2014, to investigate into the affairs of Unickon Securities *inter alia* the un-authorised transfer of clients’ funds/securities to Unickon Securities and its Group entities to further their business purpose.

2.5 Pursuant to the abovementioned Interim Order, an opportunity of personal hearing was granted to Unickon Securities and its Directors, viz. Shri Ram Mohan Gupta and Shri Gajendra Nagpal, on November 20, 2014.

2.6 Upon consideration of the submissions made by Unickon Securities and its Directors, viz. Shri Ram Mohan Gupta and Shri Gajendra Nagpal, during the aforementioned hearing on November 20, 2014, SEBI vide Order dated March 2, 2015 (“**Confirmatory Order**”), issued the following directions:

9. *“In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(1), 11(4) and 11B thereof, hereby confirm the directions issued in respect of Unickon Securities Private Limited (PAN: AAPFS5325P), Mr. Gajendra Nagpal (PAN:*

AADPN5511A) and Mr. Ram Mohan Gupta (PAN: AGDPG7175M) vide Ex-Parte Ad Interim Order dated May 26, 2014.

10. *It has also been brought to my notice that Unickon Securities had neither cooperated in the proceedings before the Investor Grievance Redressal Panel (IGRP)/Investor Grievance Redressal Committee (IGRC) of the stock exchanges for redressal of the investor complaints/grievances nor paid the claims decided in favour of the clients at IGRP/IGRC which were held for resolution of the investor complaints. Pursuant to this, the stock exchanges, viz. NSE and BSE initiated disciplinary proceedings against Unickon Securities under their respective bye-laws. While NSE expelled Unickon Securities with effect from September 05, 2014, BSE expelled it and also declared it as a defaulter with effect from September 10, 2014. These stock exchanges also issued public notices inviting the claims of the investors within specified days (NSE: 90 days and BSE: 120 days from the dates of the respective notices issued by them).*
11. *NSE and BSE have informed SEBI that the value of estimated claim pending at these stock exchanges is much more than the deposit of Unickon Securities lying with these stock exchanges and that there are securities lying in the demat accounts of Unickon Securities which are frozen pursuant to the interim order and which could partially cover the shortfall of deposits of Unickon Securities at the stock exchanges. In view of these peculiar facts and circumstances, in a meeting held on October 17, 2014 with NSE and BSE, it was agreed that the securities lying with the depositories in the demat account of Unickon Securities should be transferred to the demat account of the Defaulter Committee of NSE maintained by the National Securities Clearing Corporation Ltd. (NSCCL) and utilized for the purpose of settlement of pending claims of the clients of Unickon Securities. I am of the view that such approach would be in the interest of the investors whose claims are pending against Unickon Securities.*
12. *I, therefore, allow the utilization of the securities lying in the demat accounts of Unickon Securities (PAN: AAPFS5325P) with the depositories for settlement of the pending claims of the clients of Unickon Securities. NSE and BSE shall utilize such securities for settlement of the claims of the clients of Unickon Securities as per their respective bye-laws and in co-ordination with each other.”*

Securities Appellate Tribunal Orders dated August 7, 2015 and November 18, 2015 –

- 3.1 On being aggrieved with the abovementioned Confirmatory Order, Shri Gajendra Nagpal filed an Appeal before the Hon'ble Securities Appellate Tribunal (“**SAT**”) (Appeal No. 268 of 2015). The Hon'ble SAT vide Order dated August 7, 2015, disposed of the aforesaid Appeal with the following directions –

“3. Appeal is disposed of by directing SEBI to issue a show-cause notice to the Appellant within a period of 4 weeks from today and the Appellant is directed to file his reply to the show-cause notice within 7 days of receiving the show-cause notice. Thereafter SEBI is directed to hear the Appellant and other concerned parties and pass final order on merits and in accordance with law within a period of three months from the date of receiving reply to the show-cause notice from the Appellant.”

3.2 Subsequently, Shri Gajendra Nagpal filed Miscellaneous Application No. 325 of 2015 in Appeal No. 268 of 2015 while SEBI also filed Miscellaneous Application 326 of 2015 in the aforesaid Appeal. The Hon'ble SAT vide Order dated November 18, 2015, disposed of the aforementioned Miscellaneous Applications with the following directions –

5. *“In the circumstances, both the Miscellaneous Applications are disposed of by passing the following order:*
- a. *Time to issue show cause notice by SEBI to the appellant is extended till November 20, 2015.*
 - b. *Appellant is directed to file his reply to the show cause notice as expeditiously as possible preferably within seven days of receiving the show cause notice.*
 - c. *On receiving reply to the show cause notice SEBI shall hear the appellant and all other concerned parties and pass final order on merits and in accordance with law within a period of three months from the date of receiving reply to the show cause notice.*
 - d. *If SEBI fails to pass the final order within three months from the date of receiving reply to the show cause notice, then the directions contained in the ex-parte interim order passed against the appellant on May 26, 2014 shall come to an end without any reference to this Tribunal.”*

Show Cause Notice dated November 19, 2015 –

4.1 In compliance with the abovementioned Order of the Hon'ble SAT dated November 18, 2015, a Show Cause Notice (“**SCN**”) dated November 19, 2015, was issued under Sections 11(1), 11(4) and 11B of the SEBI Act, 1992 (“**SEBI Act**”) and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (“**PFUTP Regulations**”) and Section 19 of the Depositories Act, 1996 (“**Depositories Act**”) to the following entities, viz. –

- i. Unickon Securities;
- ii. Shri Ram Mohan Gupta [Director–Unickon Securities];
- iii. Shri Gajendra Nagpal [Director–Unickon Securities];
- iv. Shri Neeraj Grover [Ex–Compliance Officer–Unickon Securities];
- v. I360 Staffing and Training Solutions Private Limited (“**I360 STS**”);
- vi. Smt Sonia Nagpal;
- vii. Smt Kaushal Kumari Nagpal (“**Kaushal Nagpal**”);
- viii. Unickon Fincap Private Limited (“**Unickon Fincap**”);
- ix. Unickon Commodities Private Limited (“**Unickon Commodities**”);
- x. Unickon Media and Marketing Services Private Limited (“**Unickon Media and Marketing**”);
- xi. Unickon Capital Services Private Limited (“**Unickon Capital**”);
- xii. Uniwealth Insurance Brokers Private Limited (“**Uniwealth Insurance Brokers**”);
- xiii. Unickon Finserve Private Limited (“**Unickon Finserve**”);

- xiv. Unickon Asset Reconstruction Company Private Limited (“**Unickon Asset Reconstruction Company**”);
- xv. Unickon Properties Com Private Limited (“**Unickon Properties**”);
- xvi. Unickon Financial Consultants Private Limited (“**Unickon Financial Consultants**”);
- xvii. Unickon Real Estate Private Limited (“**Unickon Real Estate**”);
- xviii. Unickon Financial Intermediaries Private Limited (“**Unickon Financial Intermediaries**”);
- xix. Tripace Marketing Services Private Limited (“**Tripace**”);
- xx. Vighnaharta Direct Insurance Broking Private Limited (“**Vighnaharta**”).

4.2 In the abovementioned SCN, the following violations were alleged –

- i. **Dealing in securities in a fraudulent and unfair manner and defrauding investors in securities** – Unickon Securities is a subsidiary of Unickon Financial Intermediaries and is therefore, part of the Unickon Group. Unickon Securities fraudulently transferred clients’ securities to the other Group Entities of Unickon Financial Intermediaries. The aforesaid securities were subsequently pledged by Unickon Securities and Unickon Fincap (clients’ securities were transferred from Unickon Securities to Unickon Fincap) with various financiers. Further, funds raised by way of the aforesaid pledging and also funds lying in its clients’ accounts, were transferred by Unickon Securities to the Group Entities/Associate Companies (including I360 STS) of Unickon Financial Intermediaries *inter alia* for meeting their working capital requirement and also for funding trades executed by I360 STS. Unickon Securities, its Directors, Shri Gajendra Nagpal and Shri Ram Mohan Gupta, its Ex–Compliance Officer, Shri Neeraj Grover; Unickon Fincap; I360 STS and its Directors, Smt Sonia Nagpal and Smt Kaushal Kumari Nagpal, were therefore, alleged to have engaged in a course of business in connection with dealing in securities of clients of Unickon Securities in a fraudulent and unfair manner and defrauded investors in order to make illegal gains for themselves. As a result of the aforesaid, the aforementioned entities were alleged to have violated Sections 12A(b) and (c) of the SEBI Act and Regulations 3(a) and (d) and Regulations 4(1) of the PFUTP Regulations. Further, the Group Entities/Associate Companies to whom funds (raised by way of the aforesaid pledging and also funds lying in Unickon Securities clients’ accounts) were transferred, had derived economic benefits in view of diversion of funds from Unickon Securities in connivance with Unickon Fincap.
- ii. **Indulged in fund based activities** – Unickon Securities provided funds to its Group Companies, which were not related to the securities market, by way of Inter Corporate Deposits (“**ICDs**”). Unickon Securities earned interest from the ICDs, which constituted more than 50% of its total operating income for the Financial Years 2011–12 and 2012–13. As a result of the aforesaid activity, Unickon Securities was alleged to have violated Rule 8(1)(f) of the Securities Contracts (Regulation)

- Rules, 1957 (“**SCR Rules**”); Section 12(1) of the SEBI Act; Regulations 9(b) and (f) of the Stock Brokers Regulations; Clauses A(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulation 9 of Stock Brokers Regulations.
- iii. **Misutilization of Clients’ funds and securities** – Unickon Securities misutilised clients’ funds and securities and diverted funds for utilization by itself and its Group Companies/Associate Companies. As a result of the aforesaid, Unickon Securities was alleged to have violated Section 12(1) of the SEBI Act; Regulations 9(b) and (f) of the Stock Brokers Regulations; SEBI Circulars No. MRD/DoP/SE/CIR-11/2008 dated April 17, 2008 and No. CIR/MRD/DMS/13/2010 dated April 23, 2010, respectively; Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulation 9 of Stock Brokers Regulations.
- iv. **Margin Funding** – Unickon Securities extended margin trading facility to its clients without obtaining requisite approval from any Recognised Stock Exchange(s) as specified in the SEBI Circular No. SEBI/MRD/SE/SU/Cir-15/04 dated March 19, 2004. By extending such margin trading facility, Unickon Securities funded transactions of several of its clients (through utilization of funds of its other clients) by charging delayed payment charges from such clients and allowing them further exposure in spite of debit balances. As a result of the aforesaid, Unickon Securities was alleged to have violated SEBI Circular No. SEBI/MRD/SE/SU/Cir-15/04 dated March 19, 2004; Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulation 9(f) of Stock Brokers Regulations.
- v. **Non-settlement of clients’ funds and securities and Failure to provide statement of transactions in securities** – Unickon Securities failed to carry out periodic settlement of funds and securities of its clients and also failed in ensuring delivery of securities and making payment of amounts due to its clients. Unickon Securities also failed to provide statements of accounts in respect of funds of its clients. As a result of the aforesaid, Unickon Securities is alleged to have violated Clause 12 of the SEBI Circular No. MIRSD/SE/Cir-19/2009 dated December 3, 2009, Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients specified in SEBI Circular No. CIR/MIRSD/16/2011 dated August 22, 2011; Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulations 9(b) and 9(f) of Stock Brokers Regulations. Unickon Securities also failed to provide periodic statement of transactions in securities and resultant shareholding to the beneficial owners of such securities. As a result of the aforesaid activity, Unickon Securities was alleged to have violated Regulation 20(2)(b) of the Depository and Participants Regulations; Clause 1 and 3 of Code of Conduct for Depository Participants under Regulation 20AA of the Depository and Participants Regulations; Regulation 43

of the Depository and Participants Regulations and SEBI Circular No. CIR/MRD/DP/37/2010 dated December 14, 2010.

- vi. **Non-segregation of clients' funds** – Unickon Securities failed to segregate its funds from those of its clients. As a result of the aforesaid, Unickon Securities was alleged to have violated SEBI Circular No. SMD/SED/CI/93/23321 dated November 18, 1993; Circular No. MRD/DoP/SE/CIR-11/2008 dated April 17, 2008 and Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients specified in SEBI Circular No. CIR/MIRSD/16/2011 dated August 22, 2011.
- vii. **Failure to ensure that periodic Internal Audit were conducted** – Unickon Securities failed to ensure that periodic Internal Audit were conducted of its operations and as a result, was alleged to have violated SEBI Circular No. MIRSD/DPSIII/Cir-26/08 dated August 22, 2008 and Circular No. MRD/DMS/Cir-29/2008 dated October 21, 2008.
- viii. **Failure to obtain regulatory approval prior to change in management and control** – As a SEBI registered intermediary i.e. Stock Broker and Depository Participant, Unickon Securities failed to obtain prior approval from SEBI for the change in management and control brought about on account of the execution of the Settlement Agreement dated September 2, 2013 (between Shri Gajendra Nagpal and Shri Ram Mohan Gupta) (“**Settlement Agreement**”) alongwith Share Purchase Agreement dated September 2, 2013 (between Shri Gajendra Nagpal, Shri Ram Mohan Gupta and Unickon Securities) (“**Share Purchase Agreement**”). As a result of the aforesaid, Unickon Securities was alleged to have violated Section 12(1) of the SEBI Act; Regulations 9(b) and (c) of the Stock Brokers Regulations; Regulations 20(2)(b) and 20(2)(ca) of the Depository and Participants Regulations.
- ix. **Non-redressal of investors'/clients' complaints** – Unickon Securities failed to redress investors'/clients' complaints pertaining to '*non-receipt of funds and securities*' within the stipulated period of 30 days from the date of receipt of such complaints. The aforesaid complaints, which pertained to the period prior to the aforementioned Settlement Agreement and Share Purchase Agreement and subsequent to such Agreements, had resulted in substantially high value of claims. Accordingly, Unickon Securities was alleged to have violated Regulations 9(b), (e) and (f) of the Stock Brokers Regulations; Regulations 20(2)(b), 20(2)(e) and 53B of the Depository and Participants Regulations and Clauses 1, 2(d), 3 and 5 of the Code of Conduct for Depository Participants under Regulation 20AA of the Depository and Participants Regulations.

x. **Violations by Shri Neeraj Grover, Ex-Compliance Officer of Unickon Securities** – Shri Neeraj Grover, who was the Compliance Officer of Unickon Securities during the relevant period when non-compliances of the aforementioned regulatory provisions of the SEBI Act, SCR Rules, SEBI Circulars, Stock Brokers Regulations and the Depository and Participants Regulations, were detected by SEBI, was alleged to have failed in his duty as a Compliance Officer and as a result, was alleged to have violated the provisions of Regulation 18A(2) of the Stock Brokers Regulations and Regulation 58(B)(2) of the Depositories and Participants Regulations.

4.3 The aforementioned entities (paragraph 4.1(i)-(xx) at pages 5-6) were directed to show cause as to why appropriate directions including but not limited to freezing of all demat and bank accounts held by them; direction not to alienate property held by them; directions for refunding the money to investors/clients and directions to prohibit them from accessing the capital market and from buying, selling or dealing in securities in any manner whatsoever, etc. should not be issued under Sections 11(1), 11(4) and 11B of the SEBI Act read with Regulation 11 of the PFUTP Regulations, for violations alleged therein. In addition, Unickon Securities-Depository Participant and Shri Neeraj Grover, were also directed to show cause as to why directions in the interest of investors and the securities market should not be issued under Section 19 of the Depositories Act, for violations alleged therein.

4.4 The relevant provisions of the SEBI Act, SCR Rules, the Stock Brokers Regulations, the Depository and Participants Regulations, are reproduced as under:

I. SEBI Act –

A. 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.

B. Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly –

...

(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;”

II. Securities Contracts (Regulation) Rules, 1957

A. 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:

(1) No person shall be eligible to be elected as a member if –

...

(f) He is engaged 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 unless he undertakes on admission to sever his connection with such business:

Provided that no member may conduct business in commodity derivatives, except by setting up a separate company which shall comply with the regulatory requirements, such as, networth, capital adequacy, margins and exposure norms as may be specified by the Forward Market Commission, from time to time:

Provided further that nothing herein shall be applicable to any corporations, bodies corporate, companies or institutions referred to in items (a) to (k) of the proviso to sub-rule (4).

III. PFUTP Regulations –

A. Prohibition of certain dealings in securities

3. No person shall directly or indirectly—

(a) Buy, sell or otherwise deal in securities in a fraudulent manner;

...

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

B. Prohibition of manipulative, fraudulent and unfair trade practices

4. (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.”

IV. Stock Brokers Regulations –

A. Conditions of registration.

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely –

...

(b) he shall abide by the rules, regulations and bye-laws of the stock exchange which are applicable to him.

(c) where the stock broker proposed change in control, he shall obtain prior approval of the Board for continuing to act as such after the change;

...

(e) he shall take adequate steps for redressal of grievances, of the investors within one month of the date of receipt of the complaint and inform the Board as and when required by the Board.

(f) he shall at all times abide by the Code of Conduct as specified in Schedule II.

B. Second Schedule–Code of conduct for Stock Brokers.

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.

...

(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.

C. Appointment of Compliance Officer.

18A. (2) *The compliance officer shall immediately and independently report to the Board any non-compliance observed by him.*

V. Depositories and Participants Regulations –

A. Grant of certificate of registration.

20. (2) *The grant of certificate of registration in Form F shall be subject to the following namely:*

(b) The participant shall comply with the provisions of the Act, Depositories Act, the bye-laws, agreements and these regulations;

(ca) where the participant proposes change in control, it shall obtain prior approval of the Board for continuing to act as such after the change;

(e) The participant shall redress the grievances of beneficial owners within thirty days of the date of the receipt of the complaint and keep the depository informed about the number and the nature of redressals;

B. Participants to abide by Code of Conduct.

20AA. *The Participant holding a certificate shall, at all times, abide by the Code of Conduct as specified in Third Schedule.*

C. Third Schedule–Code of conduct for participants

1. *A participant shall make all efforts to protect the interests of investors.*

2. *A participant shall always endeavour to –*

(d) Grievances of investors are redressed without any delay.

3. *A participant shall maintain high standards of integrity in all its dealings with its clients and other intermediaries, in the conduct of its business.*

...

5. *A participant shall endeavour to resolve all the complaints against it or in respect of the activities carried out by it as quickly as possible, and not later than one month of receipt.*

D. Statement of accounts.

43. *Every participant shall provide statements of account to the beneficial owner in such form and in such manner and at such time as provided in the agreement with the beneficial owner.*

E. Appointment of compliance officer.

58B. (2) *The compliance officer shall immediately and independently report to the Board any non-compliance observed by him.*

Proceedings pursuant to the Show Cause Notice dated November 19, 2015 –

- 5.1 SEBI received the following replies to the SCN from the following five of the aforementioned twenty entities (paragraph 4.1(i)–(xx) at pages 5–6), viz. –
- i. Shri Gajendra Nagpal replied vide letter dated December 12, 2015 (received at SEBI on December 14, 2015);
 - ii. Shri Ram Mohan Gupta replied vide letter dated December 15, 2015 (received at SEBI on December 18, 2015);
 - iii. I360 STS replied vide letter dated December 9, 2015 (received at SEBI on December 14, 2015);
 - iv. Smt Sonia Nagpal replied vide letter dated December 9, 2015 (received at SEBI on December 14, 2015);
 - v. Smt Kaushal Nagpal replied vide letter dated December 1, 2015 (received at SEBI on December 7, 2015).
- 5.2 The SCN issued to the other fifteen entities by Speed Post, on November 19, 2015, returned undelivered with the remarks *'Left', 'Unclaimed'*. A second attempt was made to deliver the SCN through hand delivery or affixture, where required, by SEBI–Northern Regional Office (“**SEBI–NRO**”) at New Delhi. The aforesaid attempt to effect service of SCN also failed since the concerned entities were not available at their addresses (which were submitted by Unickon Securities to SEBI and which were also obtained from the MCA website i.e. *MCA21 Portal*, by SEBI).
- 5.3 Vide letter dated February 10, 2016, Shri Gajendra Nagpal requested SEBI for an opportunity to inspect the reply submitted by Shri Ram Mohan Gupta. Accordingly, an opportunity for inspection was granted to him on February 17, 2016. On that date, Shri Gajendra Nagpal inspected the reply alongwith documents submitted by Shri Ram Mohan Gupta.
- 5.4 Subsequent to the aforementioned and in conformity with the principle of natural justice, an opportunity for personal hearing before me was granted to Shri Gajendra Nagpal, Shri Ram Mohan Gupta, I360 STS, Smt Sonia Nagpal and Smt Kaushal Nagpal, on February 22, 2016.
- 5.5 During the hearing held on February 22, 2016,
- i. Shri Gajendra Nagpal, Shri Ram Mohan Gupta, I360 STS and Smt Sonia Nagpal, appeared before me.
 - ii. Smt Kaushal Nagpal failed to appear before me.

5.6.1 On February 22, 2016, service of the SCN dated November 19, 2015, was effected on the following entities through Shri Ram Mohan Gupta (as mentioned at paragraph 5.2 on page 13, SCN to the following entities had earlier returned undelivered), viz. –

- i. Unickon Securities;
- ii. Unickon Fincap;
- iii. Unickon Commodities;
- iv. Unickon Media And Marketing;
- v. Unickon Capital;
- vi. Unickon Finservice;
- vii. Unickon Asset Reconstruction Company;
- viii. Unickon Properties;
- ix. Unickon Financial Consultants, and
- x. Unickon Financial Intermediaries.

5.6.2 The aforementioned entities [Paragraph 5.6.1(i)–(x)] were granted a weeks’ time to reply to the SCN. Accordingly, replies dated February 29, 2016, were received from Unickon Securities (individually) and the aforementioned entities at Paragraph 5.6.1(ii)–(x) (collectively), respectively.

5.6.3 On the same date i.e. February 29, 2016, service of SCN to Unickon Real Estate was also effected through Shri Ram Mohan Gupta.

5.6.4 Thereafter, an opportunity for personal hearing before me, was granted to all the aforementioned entities [Paragraph 5.6.1(i)–(x) and Unickon Real Estate] on March 4, 2016, where Shri Ram Mohan Gupta (Present Director and Authorised representative for the aforesaid entities) appeared before me on their behalf.

5.7 During the intervening period, Shri Gajendra Nagpal submitted his reply in response to the documents obtained during the inspection on February 17, 2016, vide letter dated February 24, 2016 (received at SEBI on March 2, 2016). Thereafter, additional submissions were also made by Shri Gajendra Nagpal in response to the replies made by the entities mentioned at paragraph 5.6.1(i)–(x) and to the submissions of Shri Ram Mohan Gupta vide letter dated March 4, 2016.

5.8.1 SEBI effected service of SCN to the remaining entities through publication in national newspapers i.e. English Editions of The Times of India, Delhi and National Capital Region (“**NCR**”) on February 24, 2016 and Hindi Editions of the Hindustan Times, Delhi and NCR on February 25, 2016, viz. –

- i. Uniwealth Insurance Brokers;
- ii. Tripace;
- iii. Vighnaharta, and
- iv. Shri Neeraj Grover.

5.8.2 An opportunity for personal hearing before me, was granted to all the aforementioned entities at paragraph 5.8.1(i)–(iv) on March 4, 2016. However, as on that date, the aforementioned entities neither submitted a reply to the SCN nor appeared for the hearing granted to them.

5.8.3 Vide letter dated March 9, 2016, Shri Neeraj Grover requested for a copy of the SCN alongwith all annexures therein. The same was provided to Shri Neeraj Grover and an opportunity of hearing was also granted to him on March 14, 2016. During the aforesaid hearing, Shri Neeraj Grover appeared before me and made oral submissions. Further, Shri Neeraj Grover also made written submissions.

5.9 The aforementioned replies to the SCN; written submissions made during the hearing held on February 22, 2016 and March 4, 2016; additional written submissions made by Shri Gajendra Nagpal and Shri Ram Mohan Gupta, are reproduced below –

- i. Unickon Securities (through its present Director, Shri Ram Mohan Gupta) *inter alia* submitted that –
 - a. Shri Gajendra Nagpal was the Director and the Group Chief Executive Officer (“**CEO**”) of Unickon Group of Companies including Unickon Securities while Shri Vikas Mallan was its Group Chief Financial Officer (“**CFO**”). The aforementioned individuals managed all the affairs of Unickon Securities.
 - b. As per the statement made before the Investigating Authority, Shri Pawan Kumar Dhanuka (“**Pawan Dhanuka**”), Shri Gajendra Nagpal was in charge of and in control of day-to-day operations and was also the final authority for all operational and business decisions of Unickon Securities till May 24, 2013 i.e. prior to in-principle agreement for Shri Gajendra Nagpal to relinquish his stake in the Unickon Group of Companies. Thereafter, Shri Ram Mohan Gupta came to be in control of day-to-day operations of Unickon Securities. As per the statement of Shri Neeraj Grover, the Ex-Compliance Officer of Unickon Securities, Shri Ram Mohan Gupta shifted to Mumbai to take care and be in charge of the entire sales part of that company as country head whereas Shri Gajendra Nagpal was based in Noida at the office of Unickon Securities and was consulted for all its operational purposes.

- c. The e-mail on formation of Core Committee was a proposal. However, no such Committee was ever formed. The e-mail was sent when Unickon Securities faced a cash crunch and the same was marked only to its clients/investors.
 - d. The e-mail dated May 5, 2012, clearly shows that Shri Ram Mohan Gupta was not aware of Unickon Securities' transactions with I360 STS or that the same was done with *mala fide* intentions.
- ii. Shri Ram Mohan Gupta *inter alia* submitted that –
- a. He was only the Director (Sales) in Unickon Securities and was based in Mumbai. He was not connected with Unickon Real Estate, Vighnaharta, Tripace and I360 STS during the period from April 1, 2012 to May 26, 2014.
 - b. He took charge only after the execution of the Settlement Agreement in September 2013. Prior to the execution of that Agreement, he was not controlling the financial activities of the Unickon Group Companies.
 - c. Inspection Reports and Audit Reports did not bring out any discrepancies. He had no access to accounts and just before investigation by SEBI, he had brought funds into the company. This shows that he was not aware of the irregularities and fraud.
 - d. During due diligence (conducted prior to in-principle agreement by Shri Gajendra Nagpal to relinquish his stake in the Unickon Group of Companies), Shri Ram Mohan Gupta discovered several irregularities. He, therefore, sought explanations from Shri Gajendra Nagpal vide e-mail dated April 8, 2014 and April 12, 2014.
 - e. Shri Gajendra Nagpal lured him into buying his stake in the companies.
 - f. During his tenure, Unickon Securities saw a net inflow of ₹24.94 Crores whereas during the period of management of Shri Gajendra Nagpal the company suffered an out flow of ₹29.19 Crores.
 - g. Shri Gajendra Nagpal was also Director of I360 STS from November 3, 2008 to March 30, 2009 and Smt Sonia Nagpal is a major shareholder. Economic benefits were going to I360 STS.
 - h. Funds for settlement of clients' dues were arranged by him either from recovery of other Group Companies or from his personal resources and loans. (He was asked to file proof and details about settlement of client's claim during the hearing on February 22, 2016.)
 - i. Due to 2 criminal complaints pending before Courts, he is compelled not to make any further submissions till conclusion of criminal cases.

iii. Shri Gajendra Nagpal *inter alia* submitted that –

- a. During the six years (2005 to 2011) when he was at the helm, Unickon Securities had faced no unaddressed complaints or non-compliance or any other point of concern.
- b. In January 2012, Private Equity investors put their own man S Krishnaswami as CEO and it was decided to put independent CEO in each group company, which was done by August 2012. He was the CEO of holding company Unickon Financial Intermediaries.
- c. There was no pending complaint from any investor prior to June 2013 and regular statutory compliances and audits were conducted on regular basis till March 2013.
- d. He sold his stake to Shri Ram Mohan Gupta on September 6, 2013 on '*as is where is*' basis. He was Director from June 20, 2004 to September 6, 2013.
- e. Shri Ram Mohan Gupta is not truthful in his statements. Shri Gajendra Nagpal is a victim of his evil designs.
- f. Shri Pawan Dhanuka is shifting responsibilities by giving false statements.
- g. There is no amount due to Unickon Securities from I360 STS. Further, the loan contract between I360 STS and Unickon Fincap does not give any cause of action to SEBI since the write off was made on the basis of availability of own funds invested by Unickon Financial Intermediaries. In support, he has submitted the Certificate of Chartered Accountants, STRG & Associates dated December 16, 2015.
- h. He was not involved in day to day affairs and that he was not told by the Compliance Officer or Shri Sandeep Arora (CFO) about violations of various regulatory requirements.
- i. There is no evidence available on record to prove that he or his family members have derived any economic benefit from any transaction which happened in Unickon Group.
- j. Funds received in Unickon Securities from Unickon Group Companies, subsequent to the transfers made by Unickon Securities are in excess by ₹29.27 Crores, therefore, there is no loss to investor.
- k. He was a Director and Shareholder of Unickon Real Estate only till December 31, 2009. During that time there was no transfer of any funds from any company to Unickon Real Estate. Shri Ram Mohan Gupta became CEO of Unickon Real Estate in August 2012. Unickon Real Estate has to collect ₹93 crores from 149 builders (till June 2012).
- l. He was not given the list of unsatisfied claimants as on the date of SCN.

iv. I360 STS *inter alia* submitted that –

- a. I360 STS is not a stock broking company therefore nor governed by the SEBI Act. Unickon Fincap is a Non-Banking Financial Company (“**NBFC**”) and is governed by the Reserve Bank of India (“**RBI**”).
- b. I360 STS had a sale and purchase of shares transaction through Unickon Securities and no debt whatsoever is due to Unickon Securities.
- c. Dealing and transaction in the year 2008 were essentially in the nature of loan with Unickon Fincap and over this contractual relationship, SEBI has no jurisdiction to interfere.
- d. There was some funding (for trading in the scrip of Core Projects) which Shri Ram Mohan Gupta facilitated in account of I360 STS from Unickon Fincap as loan and all money was transferred to Unickon Securities.
- e. The trading continued from August 27, 2008 to October 14, 2008, under close monitoring of Shri Ram Mohan Gupta. At the end of year 2008, Smt Sonia Nagpal was told by Shri Ram Mohan Gupta that the loss suffered in trading will be recovered from the entity on whose behalf the trades were carried out or will be written off.
- f. Officials of Unickon Group, including Directors and secretarial staff, were involved with I360 STS since the stage of its incorporation. Legal Notice to SEBI that it has no jurisdiction to interfere in a loan transaction entered into in 2008 and therefore, the SCN against I360 STS may be withdrawn.

v. Smt Sonia Nagpal *inter alia* submitted that –

- a. I360 STS had a loan transaction with Unickon Fincap through its Director, Shri Vikas Mallan.
- b. No debt is due to Unickon Securities.
- c. SEBI has no jurisdiction to deal with the said loan transaction and the SCN against her may be withdrawn.
- d. She was not in a position to oppose trading in shares of Core Projects Limited (“**Core Projects**”) on behalf of a client despite her reservations to involve I360 STS into share trading activities.

vi. Smt Kaushal Nagpal *inter alia* submitted that –

- a. She joined as Director of I360 STS on February 1, 2010.
- b. The dealing and transaction of the year 2008 of I360 STS was in the nature of loan transaction with Unickon Fincap, which is also an NBFC.

- c. SEBI has no jurisdiction to deal with the said loan transaction and the SCN against her may be withdrawn.
 - d. Subsequently, she informed by e-mail that she has filed a Writ before Delhi High Court, *inter alia* challenging the SCN dated November 19, 2015.
- vii. Unickon Fincap, Unickon Commodities, Unickon Media And Marketing, Unickon Capital, Unickon Finserve, Unickon Asset Reconstruction Company, Unickon Properties, Unickon Financial Consultants and Unickon Financial Intermediaries, collectively submitted (through their present Director and Authorised representative, Shri Ram Mohan Gupta) *inter alia* that –
- a. Shri Ram Mohan Gupta is the Director of the aforementioned entities.
 - b. Details of Directors and shareholders of I360 STS.
 - c. Shri Gajendra Nagpal who was the Director and Group CEO, was taking care of all activities with the help of Group CFO, Shri Vikas Mallan.
 - d. All the Group Entities have been victimized by the ill intentions of Shri Gajendra Nagpal and his associates as they have made wrongful gains for themselves by causing undue loss to the various Group Companies and to Shri Ram Mohan Gupta, from day one.
 - e. According to Bank Statements already submitted, funds transferred to I360 STS by way of ICDs and other transactions were in excess of ₹35 Crores.
 - f. Unickon Securities experienced net inflow of ₹29.94 Crores during the period of management of Shri Ram Mohan Gupta whereas it suffered an outflow of ₹29.19 Crores during the period of management of Shri Gajendra Nagpal.
- viii. Shri Neeraj Grover *inter alia* submitted that –
- a. He was appointed as a Compliance Officer of Unickon Securities in May 2010.
 - b. He had no prior experience as a Compliance Officer. Both the Directors, viz. Shri Gajendra Nagpal and Shri Ram Mohan Gupta, told him that he was only a stop gap arrangement. However, Shri Neeraj Grover ended up serving in that capacity for a period of four years.
 - c. Complaints relating to non–receipt of funds reach unmanageable levels at the end of 2013 and as a result, he quit his post in 2014.
 - d. He was merely an employee and acted as per the directions of his superiors.
 - e. The submissions made by Shri Neeraj Grover were a reaffirmation of his statements recorded before the Investigating Authority on December 8, 2014.

- ix. Unickon Real Estate (through its present Director and Authorised representative, Shri Ram Mohan Gupta) *inter alia* submitted that –
- a. Unickon Real Estate had no involvement with the activities carried by Unickon Securities and Unickon Fincap. These activities were done and managed by Shri Gajendra Nagpal (then Group CEO) in connivance with Shri Vikas Mallan (Unickon Group CFO).
 - b. It was only on account of the efforts made by Shri Ram Mohan Gupta that Unickon Real Estate was able to recover moneys from debtors. Further, Shri Ram Mohan Gupta also made contributions from his personal assets for returning money outstanding towards other Unickon Group Entities.

Consideration of Issues and Findings –

6.1 I have considered the *Ex-parte Ad Interim Order* dated May 26, 2014 alongwith the *Confirmatory Order* dated March 2, 2015; the SCN dated November 19, 2015 alongwith replies made to the SCN; Submissions made during the hearings held on February 22, 2016; March 4, 2016 and March 14, 2016, alongwith additional written submissions made subsequent to the aforesaid hearing and all other relevant material available on record. In light of the same, I shall now proceed to deal with the merits of the case.

Preliminary Submissions –

6.2.1 I note that in their replies, Shri Gajendra Nagpal, I360 STS, Smt Sonia Nagpal and Smt Kaushal Nagpal, have *inter alia* submitted that since the transaction entered into between Unickon Fincap and I360 STS in 2008 was in the nature of a loan transaction, SEBI does not have jurisdiction to interfere over the resulting contractual relationship and therefore, the impugned SCN should be withdrawn.

6.2.2 In this regard, I note that –

- i. The SCN dated November 19, 2015, was issued *inter alia* to Shri Gajendra Nagpal, I360 STS, Smt Sonia Nagpal and Smt Kaushal Nagpal, under the provisions of Section 11(1), 11(4) and 11B of the SEBI Act read with Regulation 11 of the PFUTP Regulations and Section 19 of the Depositories Act.
- ii. As per the SCN, it was *inter alia* alleged that –
 - a. The transaction entered into between I360 STS and Unickon Fincap (submitted by the aforementioned entities to be in the nature of a loan transaction thereby resulting in a

contractual relationship between the said parties) in effect, resulted in the funding by Unickon Fincap of I360 STS's trading in the scrip of Core Projects to the extent of ₹25.71 Crores.

- b. The aforesaid amount of ₹25.71 Crores was then set-off by debiting the accounts of Unickon Securities and Unickon Fincap, entities which had no connection to the trade carried out by I360 STS in the scrip of Core Projects.
 - c. I360 STS was admittedly a company under the Executive, Financial, Operational and Administrative Control of Unickon Securities' parent company i.e. Unickon Financial Intermediaries.
 - d. I360 STS was also an Associate/Related Party Company of Unickon Securities on account of the fact that its Director, Smt Sonia Nagpal was the Key Management Person of that entity and also of the proximate relationship shared between its Directors, Smt Sonia Nagpal and Smt Kaushal Nagpal with Shri Gajendra Nagpal, the Director of Unickon Securities.
 - e. Accordingly, Shri Gajendra Nagpal, I360 STS, Smt Sonia Nagpal and Smt Kaushal Nagpal, were *inter alia* alleged to have engaged in a course of business in connection with dealing in securities of clients of Unickon Securities in a fraudulent and unfair manner and defrauded investors in securities in order to make illegal gains for themselves.
- iii. As per the SCN, Shri Gajendra Nagpal, I360 STS, Smt Sonia Nagpal and Smt Kaushal Nagpal, were alleged to have violated the provisions of Sections 12A(b) and (c) of the SEBI Act and Regulations 3(a) and (d) and Regulations 4(1) of the PFUTP Regulations.
- iv. In this context, I note that the scope and ambit of SEBI's powers under Sections 11(1), 11(4) and 11(B) of the SEBI Act read with Regulation 11 of the PFUTP Regulations and Section 19 of the Depositories Act, is very clear and unambiguous with respect to the power to issue final directions pursuant to completion of investigation or inspection. It is also a settled position that the aforesaid Sections are interconnected and co-extensive and are enabling provisions for the purpose of protection of the interests of investors in securities and the securities market. Further, the power conferred under those Sections is of widest possible amplitude. Reliance is also placed on the following Judgments/Orders –
- a. In *Bank of Baroda Limited vs. SEBI (2000) 26 SCL 532*, the Hon'ble SAT held that –

“Section 11 and 11B are interconnected and co-extensive as both these sections are mainly focused on investor protection. On a careful perusal of the said section 11 it could be seen that the SEBI has been in no uncertain terms mandated to protect the interest of the investors in securities by such measures as it thinks fit. However, the power under Section 11 is not unlimited. The Legislature has circumscribed this power, by putting the caveat

that these measures are subject to the provisions of the Act. The ambit of power is contained within the framework of the Act. But within the statutory framework such power reigns.”

- b. In *Ramrakh R. Bobra v. SEBI [1999] 96 Comp Cas 623 (Bom)*, the Hon'ble Bombay High Court held that –

“Section 11B is an enabling provision enacted to empower SEBI to protect interest of investors and to promote the development of and to regulate the securities market and to prevent malpractices and manipulations inter alia by brokers. Such an enabling provision must be construed so as to sub serve the purpose for which it is enacted. It would be the duty of the court to further the legislative object of providing a remedy for the mischief. A construction which advances this object should be preferred rather than one which attempts to find a way to circumvent it.

The said power to issue directions under Section 11B must carry with it, by necessary implication, all powers and duties incidental and necessary to make the exercise of these powers fully effective including the power to pass interim orders in aid of the final orders. ...

28. If one has regard to the aforesaid principles, it would follow that the power which has been conferred by Section 11B to issue directions are of the widest possible amplitude and are exercisable in the interest of investors and in order to prevent, inter alia, a broker from conducting his business in a manner detrimental to the interests of the investors or the securities market. The said power to issue directions under Section 11B must carry with it, by necessary implication, all powers and duties incidental and necessary to make the exercise of these powers fully effective including the power to pass interim orders in aid of the final orders.”

- v. In the instant proceedings, it is observed that the purpose of the SCN is *inter alia* to determine whether or not Shri Gajendra Nagpal, I360 STS, Smt Sonia Nagpal and Smt Kaushal Nagpal, had engaged in business in connection with dealing in securities of clients of Unickon Securities in a fraudulent and unfair manner thereby defrauding investors in securities in order to make illegal gains for themselves. It is further noted that the allegation against I360 STS was that it was funded by Unicon Fincap, an entity which had received clients' funds from Unicon Securities and further, had raised money through the illegal pledging of securities of Unicon Securities' clients. I360 STS being an Associate/Related Party Company of Unickon Securities was fully aware that clients' funds were extended to it as loans. Therefore, the question that requires consideration in the instant proceedings, *inter alia*, is whether clients' funds were misutilised by Unickon Fincap and I360 STS. The aforesaid determination can only be arrived at by examining the transaction between I360 STS and Unickon Fincap and also the association between the aforesaid entities with Unickon Securities. Therefore, the mere nature of transaction, viz. loan between I360 STS and Unickon Fincap (related parties) and the resulting contractual relationship between the said entities cannot operate as a bar on SEBI for determining whether or not such transaction was illegal and

detrimental to the interests of investors in securities and the securities market. Further, it will follow that once it has been determined that the aforesaid entities had indulged in '*fraudulent and unfair trade practices relating to securities market*', SEBI has unfettered powers to invoke Sections 11(1), 11(4) and 11(B) of the SEBI Act read with Regulation 11 of the PFUTP Regulations and Section 19 of the Depositories Act, for achieving the objectives of investor protection and for safeguarding the integrity of the securities market.

- vi. Upon consideration of the preceding paragraphs, I, therefore, find no merit in the contentions raised by Shri Gajendra Nagpal, I360 STS, Smt Sonia Nagpal and Smt Kaushal Nagpal that since the transaction entered into between Unickon Fincap and I360 STS in 2008 was in the nature of a loan transaction, SEBI does not have jurisdiction to interfere over the resulting contractual relationship and therefore, the impugned SCN should be withdrawn.

Issues to be considered –

6.3 In the instant proceedings, the issues for determination are as under –

1. *Whether Unickon Securities, its Directors, Shri Gajendra Nagpal and Shri Ram Mohan Gupta, its Ex-Compliance Officer, Shri Neeraj Grover; Unickon Fincap, I360 STS and its Directors, Smt Sonia Nagpal and Smt Kaushal Kumari Nagpal, dealt in securities in a fraudulent and unfair manner and defrauded investors in securities, in violation of Sections 12A(b) and (c) of the SEBI Act; Regulations 3(a) and (d) and Regulations 4(1) of the PFUTP Regulations? Whether the Group Entities/Associate Companies to whom funds were transferred by Unickon Securities, illegally enriched themselves at the cost of innocent investors?*
2. *Whether Unickon Securities indulged in funding activities in violation of Rule 8(1)(f) of the SCR Rules; Section 12(1) of the SEBI Act; Regulations 9(b) and (f) of the Stock Brokers Regulations; Clauses A(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulation 9 of Stock Brokers Regulations?*
3. *Whether Unickon Securities misutilised clients' funds and securities and diverted funds for utilization by itself and its Group Companies/Associate Companies in violation of Section 12(1) of the SEBI Act; Regulations 9(b) and (f) of the Stock Brokers Regulations; SEBI Circulars No. MRD/DoP/SE/CIR-11/2008 dated April 17, 2008 and No. CIR/MRD/DMS/13/2010 dated April 23, 2010, respectively; Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulation 9 of Stock Brokers Regulations?*
4. *Whether the margin trading facility extended by Unickon Securities was in violation of SEBI Circular No. SEBI/MRD/SE/SU/Cir-15/04 dated March 19, 2004; Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulation 9(f) of Stock Brokers Regulations?*

5. *Whether the failure to carry out settlement of clients' funds and securities by Unickon Securities—Stock Broker, was in violation of Clause 12 of the SEBI Circular No. MIRSD/SE/Cir-19/2009 dated December 3, 2009, Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients specified in SEBI Circular No. CIR/MIRSD/16/2011 dated August 22, 2011; Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulations 9(b) and 9(f) of Stock Brokers Regulations? Whether the failure to provide periodic statement of transactions in securities and resultant shareholding to the beneficial owners of such securities by Unickon Securities—Depository Participant, was in violation of Regulation 20(2)(b) of the Depository and Participants Regulations; Clause 1 and 3 of Code of Conduct for Depository Participants under Regulation 20AA of the Depository and Participants Regulations; Regulation 43 of the Depository and Participants Regulations and SEBI Circular No. CIR/MRD/DP/37/2010 dated December 14, 2010?*
6. *Whether the non-segregation of clients' funds by Unickon Securities, was in violation of SEBI Circular No. SMD/SED/CI/93/23321 dated November 18, 1993; Circular No. MRD/DoP/SE/CIR-11/2008 dated April 17, 2008 and Clause 15 of SEBI Circular No. CIR/MIRSD/16/2011 dated August 22, 2011?*
7. *Whether the failure by Unickon Securities to have periodic Internal Audit conducted, was in violation of SEBI Circular No. MIRSD/DPSIII/Cir-26/08 dated August 22, 2008 and Circular No. MRD/DMS/Cir-29/2008 dated October 21, 2008?*
8. *Whether the failure by Unickon Securities to obtain regulatory approval prior to change in management and control, was in violation of Section 12(1) of the SEBI Act; Regulations 9(b) and (c) of the Stock Brokers Regulations; Regulations 20(2)(b) and 20(2)(ca) of the Depository and Participants Regulations?*
9. *Whether the non-redressal of investor complaints by Unickon Securities was in violation of Regulations 9(b), (e) and (f) of the Stock Brokers Regulations; Regulations 20(2)(b), 20(2)(e) and 53B of the Depository and Participants Regulations and Clauses 1, 2(d), 3 and 5 of the Code of Conduct for Depository Participants under Regulation 20AA of the Depository and Participants Regulations?*
10. *Whether Shri Neeraj Grover was in violation of Regulation 18A(2) of the Stock Brokers Regulations and Regulation 58(B)(2) of the Depositories and Participants Regulations?*

6.3.1 *Whether Unickon Securities, its Directors, Shri Gajendra Nagpal and Shri Ram Mohan Gupta, its Ex-Compliance Officer, Shri Neeraj Grover; Unickon Fincap, I360 STS and its Directors, Smt Sonia Nagpal and Smt Kaushal Kumari Nagpal, dealt in securities in a fraudulent and unfair manner and defrauded investors in securities, in violation of Sections 12A(b) and (c) of the SEBI Act; Regulations 3(a) and (d) and Regulations 4(1) of the PFUTP Regulations? Whether the Group Entities/Associate Companies to whom funds were transferred by Unickon Securities, illegally enriched themselves at the cost of innocent investors?*

6.3.2 I have perused the replies/submissions of Shri Gajendra Nagpal, Shri Ram Mohan Gupta and I360 STS alongwith its Directors. In this regard, I note that none of the aforesaid entities have disputed the allegations/charges levelled in the SCN but rather have tried to put the blame for the lapses/violations on each other.

6.3.3 From the material available on record, it is observed that –

- i. Vide letter dated August 14, 2014, Unickon Securities submitted its shareholding details as on March 31, 2013, which is reproduced below –

SHAREHOLDING PATTERN IN UNICKON SECURITIES AS ON 31.03.2013			
Sr. No.	Name of Shareholder	No. of Shares	% of Shareholding
1.	Unicon Financial Intermediaries Private Limited	16249980	99.99988
2.	Shri Gajendra Nagpal	10	0.00006
3.	Shri Ram Mohan Gupta	10	0.00006
Total		16250000	100.0000

- ii. Further, the shareholding pattern in Unicon Financial Intermediaries, which was the major shareholder of Unicon Capital, as on March 31, 2013, was as follows –

SHAREHOLDING PATTERN IN UNICKON FINANCIAL INTERMEDIARIES PRIVATE LIMITED AS ON 31.03.2013			
Sr. No.	Name of Shareholder	No. of Shares	% of Shareholding
1.	Shri Gajendra Nagpal	6980000	27.50
2.	Shri Ram Mohan Gupta	3930000	15.48
3.	Jamuna Consultants Private Limited	2620000	10.32
4.	Ms. Sameera Aga Zaidi	1500000	5.91
5.	Mr. Umesh R Doshi	460000	1.81
6.	Sequoia Capital India Growth Investment	4000	0.02
7.	Ms. Vandana Manchanda	545600	2.15
8.	Subhkam Ventures India Limited	7049000	27.77
9.	Nexus India Ventures Investments	2000	0.01
10.	Mr. Girish R Doshi	460000	1.81
11.	Mr. Sanjay R Doshi	467600	1.84
12.	Others	1364400	5.38
Total		25382600	100.00

- iii. The details of Directors of Unickon Securities, is provided below –

Sr. No.	Name of Shareholder	Period of Directorship	
		From	To
1.	Shri Gajendra Nagpal (Promoter)	20.07.2004	06.09.2013
2.	Shri Ram Mohan Gupta (Promoter)	20.07.2004	Till Date

- iv. During the period from April 1, 2012 to May 26, 2012, Smt Sonia Nagpal was the Key Management Person of Unickon Securities. Shri Neeraj Grover was the Compliance Officer for the Stock Broking and Depository Participant operations of Unickon Securities.

- v. The details of Directors of Unicon Financial Intermediaries Private Limited (submitted by Shri Gajendra Nagpal vide letter dated December 22, 2014), is provided below –

Sr. No.	Name of Shareholder	Period of Directorship	
		From	To
1.	Shri Gajendra Nagpal	20.07.2004	06.09.2013
2.	Shri Ram Mohan Gupta	20.07.2004	Till Date
3.	Shri Ravi Kumar	12.09.2006	27.05.2008
4.	Shri Manu Punnoose	27.05.2008	30.03.2012
5.	Shri S K Jain	17.03.2008	31.03.2011
6.	Shri Rajvi Sabharwal	24.06.2009	01.04.2010
7.	Shri Gautam Mago	20.07.2011	22.03.2012

- vi. In addition to Unickon Securities, the other Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries (Unickon Securities' Parent Company), are as follows –

- a. Unickon Commodities (Directors–Shri Ram Mohan Gupta and Shri Gajendra Nagpal);
- b. Unickon Media and Marketing (Directors–Shri Ram Mohan Gupta and Shri Gajendra Nagpal);
- c. Unickon Fincap (Directors–Shri Ram Mohan Gupta and Shri Gajendra Nagpal);
- d. Unickon Capital Services (Directors–Shri Ram Mohan Gupta and Shri Gajendra Nagpal);
- e. Unickon Asset Reconstruction Company (Directors–Shri Ram Mohan Gupta and Shri Gajendra Nagpal);
- f. Unickon Finserve (Directors–Shri Ram Mohan Gupta and Shri Gajendra Nagpal);
- g. Unickon Properties (Directors–Shri Ram Mohan Gupta and Shri Gajendra Nagpal);
- h. Unickon Financial Consultants (Directors–Shri Ram Mohan Gupta and Shri Gajendra Nagpal), and
- i. Uniwealth Insurance Brokers [Directors–Shri Sandeep Arora and Smt Kaushal Nagpal (Mother of Shri Gajendra Nagpal)].

- vii. The shareholding pattern in Unicon Commodities as on March 31, 2013, was as follows –

SHAREHOLDING PATTERN IN UNICKON COMMODITIES AS ON 31.03.2013		
Sr. No.	Name of Shareholder	% of Shareholding
1.	Unicon Financial Intermediaries Private Limited	99.9900000
2.	Shri Gajendra Nagpal	0.0003372
3.	Shri Ram Mohan Gupta	0.0003372
Total		100.0000000

viii. The shareholding pattern in Unicon Media and Marketing as on March 31, 2013, was as follows –

SHAREHOLDING PATTERN IN UNICKON MEDIA AND MARKETING AS ON 31.03.2013		
Sr. No.	Name of Shareholder	% of Shareholding
1.	Unicon Financial Intermediaries Private Limited	99.80
2.	Shri Gajendra Nagpal	0.10
3.	Shri Ram Mohan Gupta	0.10
Total		100.00

ix. The shareholding pattern in Unicon Fincap as on March 31, 2013, was as follows –

SHAREHOLDING PATTERN IN UNICKON FINCAP AS ON 31.03.2013		
Sr. No.	Name of Shareholder	% of Shareholding
1.	Unicon Financial Intermediaries Private Limited	99.9900000
2.	Shri Gajendra Nagpal	0.0002671
3.	Shri Ram Mohan Gupta	0.0001335
Total		100.0000000

x. The shareholding pattern in Unicon Capital Services as on March 31, 2013, was as follows –

SHAREHOLDING PATTERN IN UNICKON CAPITAL SERVICES AS ON 31.03.2013		
Sr. No.	Name of Shareholder	% of Shareholding
1.	Unicon Financial Intermediaries Private Limited	98.0582
2.	Shri Gajendra Nagpal	1.2621
3.	Shri Ram Mohan Gupta	0.6796
Total		100.0000

xi. The shareholding pattern in Unicon Asset Reconstruction Company as on March 31, 2013, was as follows –

SHAREHOLDING PATTERN IN UNICKON ASSET RECONSTRUCTION COMPANY AS ON 31.03.2013		
Sr. No.	Name of Shareholder	% of Shareholding
1.	Unicon Financial Intermediaries Private Limited	99.80
2.	Shri Gajendra Nagpal	0.10
3.	Shri Ram Mohan Gupta	0.10
Total		100.00

xii. The shareholding pattern in Unicon Finserve as on March 31, 2013, was as follows –

SHAREHOLDING PATTERN IN UNICKON FINSERVE AS ON 31.03.2013		
Sr. No.	Name of Shareholder	% of Shareholding
1.	Unicon Financial Intermediaries Private Limited	99.80
2.	Shri Gajendra Nagpal	0.10
3.	Shri Ram Mohan Gupta	0.10
Total		100.00

xiii. The shareholding pattern in Unicon Properties as on March 31, 2013, was as follows –

SHAREHOLDING PATTERN IN UNICKON PROPERTIES AS ON 31.03.2013		
Sr. No.	Name of Shareholder	% of Shareholding
1.	Shri Gajendra Nagpal	65
2.	Shri Ram Mohan Gupta	35
Total		100

xiv. The shareholding pattern in Uniwealth Insurance Brokers as on March 31, 2013, was as follows –

SHAREHOLDING PATTERN IN UNICKON INSURANCE BROKERS AS ON 31.03.2013		
Sr. No.	Name of Shareholder	% of Shareholding
1.	Unicon Financial Intermediaries Private Limited	90
2.	Smt Kaushal Nagpal	9
3.	Shri Sandeep Arora	1
Total		100

xv. Shri Gajendra Nagpal also informed SEBI that the following companies were under the Executive, Financial, Operational and Administrative Control of Unickon Financial Intermediaries, viz. –

- a. Unickon Real Estate [Director–Shri Ram Mohan Gupta and Chief Executive Officer, Shri Gajendra Nagpal];
- b. Vighnaharta;
- c. Tripace, and
- d. I360 STS [Directors–Smt Sonia Nagpal and Smt Kaushal Nagpal].

xvi. The details of Directors of I360 STS (submitted by Unickon Fincap, Unickon Commodities, Unickon Media And Marketing, Unickon Capital, Unickon Finserve, Unickon Asset Reconstruction Company, Unickon Properties, Unickon Financial Consultants and Unickon Financial Intermediaries vide letter dated February 29, 2012), is provided below –

Sr. No.	Name of Shareholder	Period of Directorship	
		From	To
1.	Smt Sonia Nagpal	07.05.2008	Till Date
2.	Shri Vikas Mallan	07.05.2008	03.11.2008
3.	Shri Gajendra Nagpal	03.11.2008	30.03.2009
4.	Shri Subash Nagpal	30.03.2009	01.02.2010
5.	Smt Kaushal Nagpal	01.02.2010	Till Date

- xvii. The shareholding pattern in I360 STS (submitted by Unickon Fincap and several other entities vide letter dated February 29, 2012), is as follows –

SHAREHOLDING PATTERN IN I360 STAFF AND TRAINING SOLUTIONS		
Sr. No.	Name of Shareholder	% of Shareholding
1.	Smt Sonia Nagpal	80
2.	Smt Kaushal Nagpal (Earlier held by Vikas Mallan)	20
Total		100

A. Transfer and Pledging by Unickon Securities of its Clients' securities –

- i. Unickon Securities admittedly transferred securities from its Client Beneficiary Account/Client Margin Account No. 12053500–00023193 to the demat account of Unickon Fincap [(Account No. IN30096610526254) held with Globe Capital Market (Depository Participant–NSDL)] and also to Unickon Securities' demat account [(Account No. IN30096610486219) held with Globe Capital Market (Depository Participant–NSDL)]. Unickon Securities admittedly did not have any proprietary trading. Therefore, the securities maintained by Unickon Securities in the Client Beneficiary Account/Client Margin Account No. 12053500–00023193, were only of its clients.
- ii. Unickon Securities admittedly pledged its clients' securities (transferred from the Client Beneficiary Account/Client Margin Account No. 12053500–00023193) –
 - a. With third party financiers (through Unickon Fincap) i.e. Edelweiss Financial Services Private Limited (“**Edelweiss**”), DSP Merrill Lynch (“**DSPML**”), Infrastructure Leasing & Financial Services Limited (“**IL&FS**”), Citicorp Finance (India) Limited (“**CitiFinancial**”) and Morgan Stanley India Private Limited (“**Morgan Stanley**”), and
 - b. With ICICI Bank (directly by Unickon Securities).
- iii. The transfer of securities by Unickon Securities and subsequent pledging with third party financiers through Unickon Fincap (“**Pledging Facility**”) (offered through Unickon Fincap–NBFC arm of

the Unickon Group of Companies) entailed its clients paying 25% of the total consideration of the securities purchased on account of trading by such client while the remaining amount was jointly funded by Unickon Fincap and third party financiers (with whom securities were pledged through Unickon Fincap). Any client of Unickon Securities desirous of availing the Pledging Facility was required to enter into an Agreement at the time of account opening with Unickon Fincap (“**Agreement for Pledging Facility**”). As per the aforesaid Agreement, the securities of the concerned client were to be pledged with Unickon Fincap for grant of enhanced exposure. In effect, the aforesaid Agreement provided for the facility of a loan against the clients’ securities.

- iv. Unickon Securities admittedly offered the Pledging Facility from the year 2007 onwards for meeting the excess pay-in obligations of its clients. Initially, the Pledging Facility was only offered to those clients of Unickon Securities who had entered into the Agreement for Pledging Facility and who explicitly wanted to avail of the facility for enhanced exposure in trading and financing. The *Pledgee* for such clients was Unickon Fincap.
- v. However, from June 2012 onwards, a cash crunch faced by Unickon Securities resulted in the mismatch between its client’s financial ledger account and such client’s available bank account balance. On account of the aforesaid, the financial gap further resulted in the non-availability of funds for meeting the standing pay-in obligations of Unickon Securities’ clients. Therefore, the securities of clients of Unickon Securities who had not even entered into the Agreement for Pledging Facility were pledged with third party financiers (through Unickon Fincap). The aforesaid pledge of securities was done without the explicit knowledge and consent of Unickon Securities’ clients. Further, Unickon Securities admittedly carried out the aforesaid pledge of securities without any pre-defined period resulting in its clients not being aware when such securities were released from the pledge. As has been stated earlier, securities from the Client Beneficiary Account/Client Margin Account No. 12053500–00023193 of Unickon Securities were pledged with third party financiers (through Unickon Fincap), by way of the Pledging Facility.
- vi. Pledging of securities was also carried out through Unickon Securities and that resulted in securities from its aforementioned Client Beneficiary Account/Client Margin Account No. 12053500–00023193, being pledged with ICICI Bank.
- vii. An analysis of the account statement for the Client Beneficiary Account/Client Margin Account No. 12053500–00023193 of Unickon Securities (for the period from February 12, 2008 to January 9, 2015), substantiates the aforementioned admission that the securities of its clients were transferred to the demat account of Unickon Fincap for pledging with third party financiers (through Pledging Facility) and were also transferred for pledging by Unickon Securities with ICICI

Bank. It is pertinent to reiterate that Unickon Securities admittedly did not have any proprietary trading and therefore, the securities maintained in its Client Beneficiary Account/Client Margin Account No. 12053500–00023193 were only of its clients. In this context, it is observed that –

Transfer and Pledging by Unickon Securities of its Clients' securities – Stage I

- a. The transaction statement of Client Beneficiary Account/Client Margin Account No. 12053500–00023193 of Unickon Securities–Stock Broker (Client Beneficiary Account–Pool Account of Unickon Securities with CDSL), which was held through Unickon Securities–Depository Participant), revealed 2 other accounts to whom its clients' securities were frequently transferred to, –
 - Securities were transferred from the Client Beneficiary Account/Client Margin Account No. 12053500–00023193, by Unickon Securities to its demat account (Account No. IN30096610486219) held with Globe Capital Market (Depository Participant–NSDL). The securities received in the aforesaid account of Unickon Securities were regularly pledged with ICICI Bank.
 - Securities were transferred from the Client Beneficiary Account/Client Margin Account No. 12053500–00023193, by Unickon Securities to the demat account of Unickon Fincap (Account No. IN30096610526254) also held with Globe Capital Market (Depository Participant–NSDL). The aforesaid securities were further transferred to another demat account of Unickon Fincap (Account No. IN30096610263202 also with Globe Capital Market) and were regularly pledged with third party financiers (through Unickon Fincap), by way of the Pledging Facility.

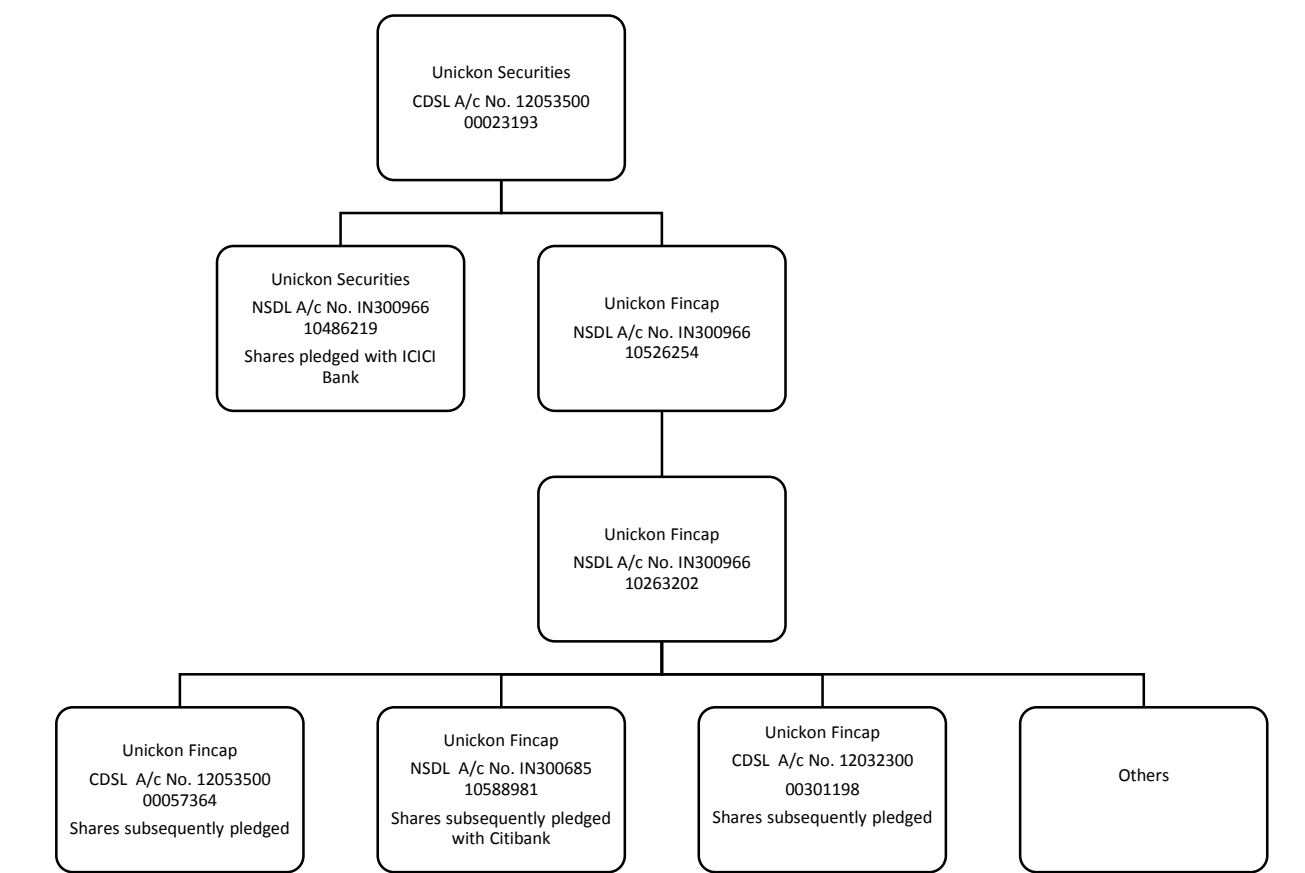
Transfer and Pledging by Unickon Securities of its Clients' securities – Stage II

- b. The transaction statement of Unickon Fincap's demat account (Account No. IN30096610263202), revealed several other accounts to whom the securities (initially transferred from Unickon Securities' Client Beneficiary Account/Client Margin Account No. 12053500–00023193), were further transferred in the following manner –
 - Securities were transferred to and fro through off–market transactions from Unickon Fincap's NSDL demat account (Account No. IN30096610263202) to its CDSL demat

account No. 12053500–00057364. The securities so received in Unickon Fincap’s CDSL demat account were subsequently pledged.

- Securities were transferred to and fro through off–market transactions from Unickon Fincap’s NSDL demat account (Account No. IN30096610263202) to its other NSDL demat account No. IN30068510588981. The securities so received in Unickon Fincap’s other NSDL demat account were subsequently pledged with CitiBank.
- Securities were transferred to and fro through off–market transactions from Unickon Fincap’s NSDL demat account (Account No. IN30096610263202) to its other CDSL demat account No. 12032300–00301198. The securities so received in Unickon Fincap’s CDSL demat account were subsequently pledged.
- Securities were also transferred to and fro from Unickon Fincap’s NSDL demat account (Account No. IN30096610263202) to several other demat accounts held in the name of individuals/corporate entities. Further, in some of the aforesaid demat accounts held by individuals, securities were also transferred to and fro from Unickon Securities’ Client Beneficiary Account/Client Margin Account No. 12053500–00023193.

c. The following diagram illustrates the aforementioned transfer and pledge of securities –



B. Value of Clients’ Securities pledged by Unickon Securities with ICICI Bank and with third party financiers (through Pledging Facility offered by Unickon Fincap) and subsequent invocation of Pledge and sale of securities by ICICI Bank and Third Party Financiers –

- i. From the transaction statement of the Client Beneficiary Account/Client Margin Account No. 12053500–00023193 for the period February 12, 2008 to January 9, 2015, it is observed that Unickon Securities transferred clients’ securities amounting to ₹36.67 Crores (Valuation based on the market price of the scrips as on January 9, 2015) to the demat account of Unickon Fincap (Account No. IN30096610526254). These securities were transferred to the aforesaid demat account of Unickon Fincap for pledging with third party financiers (through Pledging Facility). In addition to the aforesaid, it is also observed that ICICI Bank (vide e–mail dated January 21, 2015) provided SEBI with a list of securities pledge by Unickon Securities with that Bank, which amounted to ₹23.42 Crores (Valuation based on the market price of the scrips as on January 9, 2015). From the aforementioned, it is observed that securities amounting to a total value of ₹60.09 Crores (36.67+23.42) were transferred from the Client Beneficiary Account/Client Margin

Account No. 12053500–00023193, for pledging by Unickon Securities with ICICI Bank and with third party financiers (through the Pledging Facility offered by Unickon Fincap).

- ii. ICICI Bank (vide e–mail dated January 21, 2015) informed SEBI that it had invoked the pledge and sold off pledged securities (pledged directly by Unickon Securities) amounting to ₹10.22 Crores to recover dues. In addition, Unickon Securities informed SEBI that one third party financier i.e. IL&FS, had invoked the pledge and sold off pledged securities (pledged through the Pledging Facility offered by Unickon Fincap) prior to the Interim Order dated May 26, 2014. Further, Unickon Securities informed SEBI that subsequent to the aforesaid Interim Order, two third party financiers i.e. Edelweiss and CitiFinancial/CitiBank, had invoked the pledge and sold off pledged securities amounting to ₹10 Crores to recover dues. From the aforementioned, it is observed that pledge was invoked by ICICI Bank and third party financiers and securities amounting to at least ₹20.22 Crores were sold off.
- iii. Vide letter dated April 3, 2015, Unickon Fincap provided SEBI with information pertaining to the invocation of pledge by two third party financiers i.e. Edelweiss and CitiFinancial/CitiBank Securities. Unickon Fincap also informed SEBI that certain securities were lying free in its demat accounts [Account No. 12053500–00057364 (with CDSL) and Account No. IN30096610263202 (with NSDL)]. The aforesaid fact was also confirmed by Unickon Securities, while informing SEBI that free securities were credited to the demat account of Unickon Fincap. It is observed that Unickon Fincap had prior to April 3, 2015, transferred securities from its demat account (Account No. 12053500–00057364 with CDSL) to its other demat account no. 12019101–02301686 (held with SMC Global Securities Limited, Depository Participant–CDSL).
- iv. The transfer of securities from the Client Beneficiary Account/Client Margin Account No. 12053500–00023193 to Unickon Securities' other demat account (Account No. IN30096610486219) and also to Unickon Fincap's demat account, without the knowledge and consent of its clients clearly indicate that Stock Broking entity failing to act as per the instructions of the beneficial owners of such securities i.e. its clients. As stated in the preceding paragraphs, the aforesaid securities were further used by Unickon Securities for pledging with ICICI Bank (by Unickon Securities itself) and by Unickon Fincap for pledging with third party financiers. The original beneficial owners i.e. clients of Unickon Securities including those who had no margin requirement, were never informed by Unickon Securities of the fact that their securities had been pledged with third party financiers (through Unickon Fincap) and with ICICI Bank (by Unickon Securities itself). Further, Unickon Securities never obtained the requisite approval from any of the recognised Stock Exchanges where it had its operations, for extending Margin Trading Facility to

its clients. In its Inspection Report dated May 20, 2014, BSE observed that funding facility was provided to the clients' and Group Companies of Unickon Securities, by Unickon Fincap and that Unickon Securities had not obtained approval of that Exchange for offering Margin Trading Facility. Further, in its Inspection Reports for the period 2013–2014, NSE observed that Unickon Securities was funding clients' transactions wherein it charged delayed payment charges from them and allowed further exposure despite debit balances. In the absence of such approval, it could not have transferred securities from the Client Beneficiary Account/Client Margin Account No. 12053500–00023193 to the demat account of Unickon Fincap (Account No. IN30096610526254) (other than those of clients who had entered into the Agreement for Pledging Facility with Unickon Fincap). Further, since Unickon Fincap was never a client of Unickon Securities–Stock Broker but rather, was a client of Unickon Securities–Depository Participant, the aforesaid unauthorised transfer of clients' securities resulted in a transfer of beneficial ownership in such securities from the clients of Unickon Securities to Unickon Fincap.

C. Transfer by Unickon Securities of funds from its Clients' Bank Accounts to its Business Bank Accounts [the aforesaid funds included funds raised through unauthorised pledging of clients' securities with ICICI Bank (by Unickon Securities) and with third party financiers (through Unickon Fincap) as well as funds lying in its Clients' Bank Accounts other than those raised through the aforesaid pledging of securities] and the subsequent utilisation of the said funds by Unickon Securities –

- i. Unickon Securities admittedly operated two types of Bank Accounts–Clients' Bank Accounts and Business Bank Accounts and the final authority for the aforesaid Accounts were its Directors, Shri Gajendra Nagpal and Shri Ram Mohan Gupta. The aforesaid fact is also borne out from the Settlement Agreement executed on September 6, 2013, whereby Shri Gajendra Nagpal *“has agreed and consented to Ram Mohan to withdraw all his authority for bank account signature for and on behalf of all entities herein mentioned in (that) agreement in the capacity of Director, CEO or otherwise.”* Further, in his statement before the Investigating Authority, which was recorded on December 8, 2014, Shri Neeraj Grover submitted that Shri Ram Mohan Gupta and Shri Gajendra Nagpal were the authorised signatories for the bank accounts of Unickon Securities.
- ii. The funds raised by Unickon Securities through the unauthorised transfer and pledging of clients' securities with ICICI Bank (by Unickon Securities itself) and with third party financiers (through Unickon Fincap), were subsequently transferred to Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries (Unickon Securities' Parent Company). Further, funds lying in the clients' accounts (other than those raised through the unauthorised transfer and pledging of securities), which included funds received from the Stock

Exchanges as pay-out for trades executed by clients of Unickon Securities, were also transferred from Unickon Securities' Clients' Bank Accounts to its Business Bank Accounts and thereafter, were subsequently transferred to the aforementioned Group Companies/Associate Companies/Subsidiaries.

- iii. The following diagram illustrates the receipt of funds in the Business Bank Accounts of Unickon Securities –



- iv. From the Client Ledger Balance dated March 5, 2014 (submitted by Unickon Securities during the Inspection conducted by NSE), it is observed that the Net Credit Balance payable to the clients of Unickon Securities was ₹15.47 Crores.

Particulars	Payable to Clients	Receivable from Clients	Net Payable to Clients
Client Ledger Balance	₹19.92 Crores	₹4.45 Crores	₹15.47 Crores

- v. The corresponding bank balance available in all bank accounts of Unickon Securities was a negative ₹13.99 Crores i.e. Overdraft (Net Payable to Clients) – Actual available Balance. For arriving at the amount of ₹13.99 Crores, the amount available in Unickon Securities' Business Bank Accounts has been considered since the funds contained in those Accounts were those transferred by it from its Clients' Bank Accounts.

Particulars	Available Balance	Overdraft (Net Payable to Clients)	Overdraft (Net Payable To Bank)
Unickon Securities Business Bank Accounts	₹1.93 Crores	₹15.92 Crores	₹13.99 Crores (Approximate)

- vi. From a consideration of Paragraphs 6.4.3(xx)–(xxi), it is observed that Unickon Securities did not have the requisite funds for making payments to its clients. There was a shortfall of ₹13.54 Crores, which was the net amount payable by Unickon Securities to its Clients (as per the Client Ledger Balance). Further, there was a shortfall of ₹13.99 Crores, which was the net amount payable by

Unickon Securities to its Bankers. Accordingly, there was a total shortfall of ₹27.53 Crores [13.54 (Net Payable to Clients) + 13.99(Net Payable to Bankers), which was money owed by Unickon Securities to its clients and Bankers.

- vii. From the Balance Sheets of Unickon Securities for the Financial Years 2011–12 and 2012–13, it is observed that the entity created Fixed Deposits, which were either held as margin by Stock Exchanges or as collateral for obtaining overdraft credit limit facility from its Bankers. Unickon Securities (through its letter dated November 14, 2014) admittedly transferred funds from its Clients' Bank Accounts to its Business Bank Accounts, part of which were subsequently used for creating the aforesaid Fixed Deposits.
- viii. Vide letter dated November 7, 2014, Unickon Securities submitted information detailing the transfer of funds from its Business Bank Accounts to the Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries (Unickon Securities' Parent Company) during the period from April 1, 2012 to October 31, 2014. From the aforesaid information, it is observed that Unickon Securities transferred approximately ₹175.10 Crores, out of which approximately ₹102 Crores was transferred to Unickon Real Estate. It is also observed that the aforementioned Group Companies, etc. further transferred the funds amongst each other during the period April 1, 2014 to October 31, 2014.
- ix. The details of funds transferred by Unickon Securities to Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries are reproduced below –

TABLE I – FUNDS TRANSFERRED DURING THE PERIOD APRIL 1, 2012 TO MARCH 31, 2013			
ENTITY TO WHOM FUNDS WERE TRANSFERRED/RECEIVED FUNDS FROM UNICKON SECURITIES	AMOUNT TRANSFERRED (₹) (A)	AMOUNT RECEIVED (₹) (B)	DIFFERENCE (₹) [(A)-(B)]
Unickon Commodities	27514973	19022813	8492160
Unickon Media and Marketing	12117235	12112263	4972
Unickon Fincap	494646841	596822897	– 102176056
Unickon Capital Services	5346387	100000	5246387
Uniwealth Insurance Brokers	9050000	9108000	– 58000
Unickon Real Estate	624476895	242424171	382052724
Unickon Financial Intermediaries	312850	869103	– 556253
Vighnaharta	14024	47707	– 33683
Universal Insurance Consultants	16800	17585	– 785
Total	1173496005	880524539	292971466

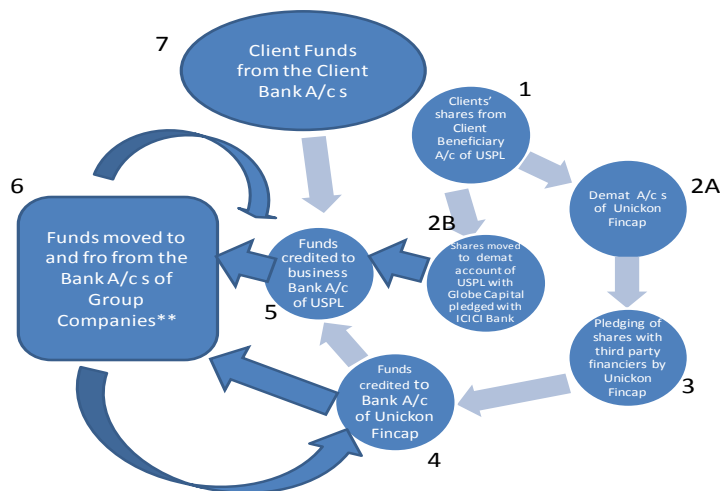
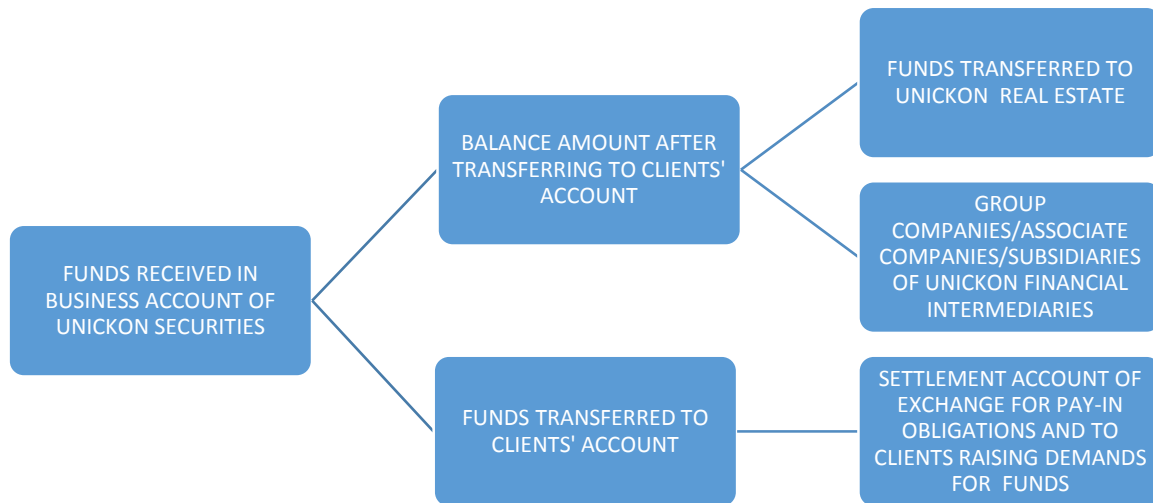
TABLE II – FUNDS TRANSFERRED DURING THE PERIOD APRIL 1, 2013 TO MARCH 31, 2014			
ENTITY TO WHOM FUNDS WERE TRANSFERRED/RECEIVED FUNDS FROM UNICKON SECURITIES	AMOUNT TRANSFERRED (₹) (A)	AMOUNT RECEIVED (₹) (B)	DIFFERENCE (₹) [(A)-(B)]
Unickon Commodities	2896340	2672440	223900
Unickon Media and Marketing	15000	583479	– 568479
Unickon Fincap	165160112	154590061	10570051
Unickon Capital Services	311796	0	311796
Uniwealth Insurance Brokers	74405	72592	1813
Unickon Real Estate	225331652	256907729	– 31576077
Unickon Financial Intermediaries	8615226	159525000	– 150909774
Vighnaharta	1602399	1604945	– 2546
Prithvi Insurance Consultant*	105000	105000	0
Universal Insurance Consultants	4550	0	4550
Tripace	1004550	10000000	– 8995450
Total	405121030	586061246	– 180940216

*Details of Prithvi Insurance Consultant not available.

TABLE III – FUNDS TRANSFERRED DURING THE PERIOD APRIL 1, 2014 TO OCTOBER 31, 2014			
ENTITY TO WHOM FUNDS WERE TRANSFERRED/RECEIVED FUNDS FROM UNICKON SECURITIES	AMOUNT TRANSFERRED (₹) (A)	AMOUNT RECEIVED (₹) (B)	DIFFERENCE (₹) [(A)-(B)]
Unickon Commodities	15000	0	15000
Unickon Media and Marketing	112500	0	112500
Unickon Fincap	2318000	29179500	– 26861500
Unickon Capital Services	200000	990000	– 790000
Uniwealth Insurance Brokers	125300	12100	113200
Universal Insurance Consultants	39000	0	39000
Unickon Real Estate	167450000	541138180	– 373688180
Unickon Financial Intermediaries	2023680	5489300	– 3465620
Prithvi Insurance Consultant*	0	279000	– 279000
Total	172283480	577088080	– 404804600

*Details of Prithvi Insurance Consultant not available.

- x. The following diagram illustrates the utilization of funds received in the Business Bank Accounts of Unickon Securities –



- xi. Unickon Securities admittedly transferred funds from its Business Bank Accounts to the accounts of Group Companies/Associate Companies/Subsidiaries of its Parent Company i.e. Unickon Financial Intermediaries. Unickon Securities admitted that funds received in the Business Bank Accounts were also funds transferred from Unickon Securities Clients' Bank Accounts. The aforesaid funds, which were in the form of ICDs, were used by the Group Companies, etc. for meeting their working capital requirement. Unickon Securities admitted that funds were transferred

from its Business Bank Accounts to its Group Companies, etc. on a regular basis, as running account and the same were in the nature of loans with varying interest rates mutually agreed to between the parties to such transfer.

- xii. From the Annual Report of Unickon Securities for the Financial Year 2012–13, it is observed that the outstanding amount with the Group Companies, etc. was approximately ₹42 Crores. Admittedly, the Unickon Group of Companies were facing a severe working capital crunch, which thereby necessitated the aforementioned transfer of funds. Unickon Securities admittedly transferred clients' funds to its Business Bank Accounts and the final decision for such transfer was made by its Directors, Shri Ram Mohan Gupta and Shri Gajendra Nagpal. The aforesaid funds were used for its business requirements and also for business purpose of the Group Companies of Unickon Fincap.
- xiii. From an analysis of the Bank Accounts submitted by Unickon Securities vide letter dated August 14, 2014, it is observed that funds from its Business Bank Accounts were transferred to Unickon Real Estate. Further, funds which were transferred to the Business Bank Accounts of Unickon Securities, from Unickon Fincap's Bank Accounts, were further transferred to Unickon Real Estate. Further, funds were also directly transferred from Unickon Fincap's Bank Accounts to the Bank Accounts of its Group Companies, etc. It is relevant to note that funds transferred from Unickon Fincap's Bank Accounts also included funds raised through the pledge of securities owned by Unickon Securities' clients, without their knowledge and explicit consent.
- xiv. From the Annual Report of Unickon Securities for the Financial Years 2012–13 and 2013–14, it is observed that the revenue of Unickon Securities consisted of income generated from operations (income from Stock Broking and delayed payment charges and marketing support fee), operating incomes (interest on ICDs and interest on Fixed Deposits) and other income (interest income on Fixed Deposits constituted other income).
- xv. It is observed that for the Financial Year 2011–12, the income from interest on ICDs and interest on Fixed Deposits was ₹14.32 Crores, which constituted 55% of the total operating income of Unickon Securities. Further, for the Financial Year 2012–13, the income from interest on ICDs and interest on Fixed Deposits was ₹14.72 Crores, which constituted 87% of the total operating income of Unickon Securities. However, for the Financial Year 2013–14, the income from interest on ICDs and interest on Fixed Deposits constituted 95% of the total operating income of Unickon Securities. It is therefore, observed that the major portion of the other operating income of Unickon Securities comprised of ICDs and interest on Fixed Deposits.

D. Funds transferred by Unickon Securities to Unickon Real Estate.

- i. From the letter dated November 7, 2014, submitted by Unickon Securities to SEBI, it is observed that Unickon Securities transferred approximately ₹175.10 Crores from its Business Bank Accounts to the Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries (Unickon Securities' Parent Company) during the period from April 1, 2012 to October 31, 2014, out of which approximately ₹102 Crores was transferred to Unickon Real Estate. It is pertinent to note that Shri Ram Mohan Gupta was the Director of Unickon Real Estate while Shri Gajendra Nagpal was its Chief Executive Officer during the relevant period of receipt of funds from Unickon Securities.

- ii. From the Bank Account Statements of Unickon Real Estate with HDFC Bank Limited, Axis Bank Limited and ICICI Bank for the relevant period, it is observed that –

TABLE IV – FUND TRANSFERS TO UNICKON REAL ESTATE	
BANK ACCOUNTS OF UNICKON REAL ESTATE	OBSERVATIONS
HDFC Bank Limited Bank Account No. 00030340029574	<ul style="list-style-type: none"> i. Funds by way of ICDs were received in this account from Unickon Securities alongwith the Group Companies. ii. A major portion of the abovementioned funds were subsequently utilised by Unickon Real Estate, for repayment of ICDs. In other words, the aforesaid utilisation of funds by Unickon Real Estate amounted to repayment of ICDs to one Group Company, utilising the funds received as ICDs from another Group Company. iii. A portion of the aforesaid funds were also transferred to the other bank accounts of Unickon Real Estate. iv. Funds were also disbursed in the name of individuals and real estate companies. v. The movement of funds to and from Unickon Real Estate occurred on a daily basis and at times, more than once on a single date.
ICICI Bank Account No. 000705019212	<ul style="list-style-type: none"> i. Funds were received in this account from other bank accounts of Unickon Real Estate and also from the Group Companies of Unickon Securities. ii. Funds from this account were also transferred to another ICICI Bank Account of Unickon Real Estate. iii. Funds from this account were also transferred back to Unickon Securities and Unickon Fincap.
Axis Bank Limited Bank Account No. 909020042692980	<ul style="list-style-type: none"> i. Funds from this account were debited with payments to individuals, payments as salary transfers and also to some accounts of Unickon Real Estate. However, information regarding the aforesaid accounts of Unickon Real Estate were not provided to SEBI. ii. Funds from this account were also transferred back to Unickon Securities, Unickon Fincap and the Group Companies.

- iii. From the abovementioned Table IV, it is observed that funds were transferred from Unickon Securities, Unickon Fincap and the Group Companies to Unickon Real Estate. The aforesaid funds were subsequently utilised by Unickon Real Estate, for repayment of ICDs. In other words, the

aforesaid utilisation of funds by Unickon Real Estate amounted to repayment of ICDs to one Group Company, utilising the funds received as ICDs from another Group Company. Further, the funds were also utilised towards salary payments, etc. It is pertinent to note that the aforesaid funds included funds transferred by Unickon Securities, which were funds from its Clients' Bank Accounts and funds raised through pledging of clients' securities with ICICI Bank and also included funds transferred by Unickon Fincap, which were funds raised through pledging of clients' securities with third party financiers.

- iv. In addition to the above, it is observed that funds transferred by Unickon Securities were also utilised by Unickon Real Estate for its business operations i.e. purchase of property, etc. In this context, it is noted that Unickon Securities vide reply dated November 5, 2014 (reply to summons dated October 27, 2014), provided details of payments made for purchase of assets during the period from April 1, 2012 to May 26, 2012. From the same, it is observed that Unickon Real Estate paid an amount of ₹1.22 Crores towards the purchase of 15 Units of 'DLF Corporate Green'. However, as per information obtained from Delhi Land and Finance ("DLF") vide its letter dated April 1, 2015, Unickon Real Estate had made bookings for 48 Units of 'DLF Corporate Green' and an amount of ₹4.93 Crores was paid towards the aforesaid bookings. However, it was informed by DLF that no Unit/Property was booked in the name of Unickon Real Estate or the Group Companies of Unickon Securities. DLF further informed that Unickon Real Estate subsequently sold off 20 of the aforesaid 48 Units by way of nomination/transfer to third party while allotment of 27 Units were cancelled on account of default by Unickon Real Estate, in payment of overdue installments. As on April 1, 2015, DLF informed SEBI that Unickon Real Estate held only one Unit of 'DLF Corporate Green'.

E. Transactions between Unickon Securities and its Associate/Related Party Company i.e. I360 STS.

- i. I360 STS, a Private Limited Company, was a client of Unickon Securities–Stock Broking and had also entered into the Agreement for Pledging Facility with Unickon Fincap for the purpose of availing enhanced exposure in trading and financing. As per information submitted by Shri Vikas Mallan (Ex–CFO of the Unickon Group) on December 8, 2014, a client of I360 STS, viz. Bermaco, had traded through its demat account, in the scrip of Core Projects. The aforesaid trade was done through Unickon Securities–Stock Broker. As per information submitted by Shri Vikas Mallan, Core Projects was a client of Shri Ram Mohan Gupta and the aforesaid trade was known to both Shri Gajendra Nagpal and Shri Ram Mohan Gupta.

- ii. The Directors of I360 STS are Smt Sonia Nagpal and Smt Kaushal Nagpal. As stated earlier, Smt Sonia Nagpal is the wife of Shri Gajendra Nagpal while Smt Kaushal Nagpal is Shri Gajendra Nagpal's mother. Further, from the Audited Balance Sheets of Unickon Securities for the Financial Years 2011–12 and 2012–13, it is observed that Smt Sonia Nagpal was specified as the Key Management Person.
- iii. Vide reply dated November 7, 2014, Unickon Securities informed SEBI that I360 STS owed an amount of approximately 19.50 Crores to the Unickon Group of Companies. The aforesaid submission of Unickon Securities was based on the Audit Report of August 2012 submitted by KPMG (Auditors) for the Financial Years 2009–10 and 2010–11 and also the Audit Report dated August 9, 2012, submitted by BSSR & Co. (Auditors) on the amended Financial Statements of Unickon Securities and Unickon Fincap as on March 31, 2011. Unickon Securities also informed SEBI that payments made to I360 STS were not reflected in the Balance Sheets for Financial Years 2009–10, 2010–11 and 2011–12. The following extract from the Audit Report submitted by BSSR & Co. substantiates the admission made by Unickon Securities that I360 STS owed an amount of approximately ₹19.50 Crores to the Unickon Group of Companies –

“Subsequent to the issuance of our earlier Audit Report dated 27 September 2011 on the original financial statements, we were informed that certain incorrect debits amounting to ₹15,69,05,000 had been made in the records of the company during the years 2008-2011 whereby instead of debiting the account of a private limited company which was a related party, debits were made in the accounts of certain other customers through management override of controls on the basis of unauthentic documents/confirmations. This resulted in non-recognition by another group company of a provision against the amount recoverable from the related party, in which a director of the Company had interest through his relatives.

Attention is invited to note 3 of Schedule 16 to the financial statements, regarding modifications made in the records of the company during the years 2008-2011 as a result of which the Company did not recognize provisions in respect of bad/ doubtful loan of ₹15,69,05,000 during the financial year ended 31 March 2009 on account of the inability of the private limited company (whose Promoters are related to a director of the company - a fact which had not been disclosed to the Company as a part of the statutory declarations required under the Companies Act, 1956) to repay the amount. The loan had been given to purchase certain shares whose market prices subsequently experienced a sharp decline. Further, the Company has recognized interest income of ₹12,784,023 and ₹32,483,588 of the aforementioned loan during the financial years ended 31 March 2009 and 31 March 2010 respectively. Based on the detailed investigations of the matter, an amount of ₹19,48,87,688 on account of the loss due to non-recoverability of the loan and the interest accrued thereon during the financial years ended 31 March 2009 and 31 March 2010, has been recognized as a provision for bad and doubtful loan in the current year and has been disclosed as a prior

period item in the financial statements. The Company has not yet fixed the responsibility for this loss and therefore, the steps to recover the same have not yet been taken ...”

- iv. Unickon Securities, vide letter dated April 3, 2015, informed SEBI that an amount of ₹35 Crores was transferred to I360 STS. The source of the aforesaid funds also included funds raised by Unickon Fincap by pledging securities of Unickon Securities’ clients with third party financiers. Transfer of funds to I360 STS, raised through the pledging of securities by Unickon Fincap, occurred regularly during the period between 2008 and 2012.
- v. In her submission as Director, Smt Sonia Nagpal submitted incomplete bank statements of I360 STS. From one of the bank statements submitted by her i.e. ICICI Bank Account No. 000705027206, it is observed that there were fund transfers between Unickon Fincap and I360 STS. Vide summons dated March 31, 2015, Smt Sonia Nagpal was directed to provide complete details of all bank accounts of I360 STS. However, vide her subsequent reply dated April 7, 2015, Smt Sonia Nagpal failed to submit information regarding the aforesaid ICICI Bank Account. Smt Sonia Nagpal instead provided information of 2 other bank accounts of I360 STS i.e. HDFC Bank Limited Account No. 00030340033296 and ICICI Bank Account No. 000705024991, stating that the aforesaid were the major bank accounts for that company. It is however, observed that information regarding the aforementioned ICICI Bank Account of I360 STS was obtained by SEBI, from ICICI Bank.
- vi. While Smt Sonia Nagpal accepted the fact that there were financial transactions between Unickon Fincap and I360 STS and also Unickon Securities and I360 STS during the Financial Years from 2008–09 and 2012–13, failed to provide information regarding the nature of such transactions alongwith the consideration received for the said transactions. Smt Sonia Nagpal instead suggested that the same may be obtained from the Director of Unickon Securities, Shri Ram Mohan Gupta and also from its Ex–CFO, Shri Vikas Mallan, who was earlier the Director of I360 STS.
- vii. Shri Gajendra Nagpal, vide an e–mail dated May 7, 2012, addressed to KPMG and Shri Ram Mohan Gupta, informed them that –
 - i. *“I360 STS had approached Unickon Securities for one of its client/acquaintance to have business with Unickon. Unickon was not careful to know more about this investor /acquaintance of I360 STS.*
 - ii. *Such facility arrangements should have been shared as to the relationship of director of I360 STS with one of the director and functionaries of Unickon as well as with the entire Board.*
 - iii. *Two of the board members and management was in know of the transaction.*

- iv. *The transaction was done in the scrip of Core Projects and the same was executed in August 2008 when the price of scrip was ₹290.*
 - v. *A cash margin of ₹3 Crores was given by I360 STS as margin and an additional margin of ₹3 Crores came in the month of September 2008. Against this Unickon Fincap had funded an amount of ₹25.71 Crores.*
 - vi. *In October 2008, the price of Core Projects fell to ₹60. Unickon managed to sell the stock at an average price of ₹80 and hence suffered a huge loss on this account.*
 - vii. *Regarding debits, on information received from I360 STS of its client as shared, without doubting and in haste, transfer entries were made as the same were towards adequate margins.”*
- viii. I note that in their replies, I360 STS, Smt Sonia Nagpal and Smt Kaushal Nagpal, have *inter alia* submitted that since the transaction entered into between Unickon Fincap and I360 STS in the year 2008 was in the nature of a loan transaction, SEBI does not have jurisdiction to interfere over the resulting contractual relationship. From the preceding paragraphs, it is noted that –
- i. Having regard to the proximity of Smt Sonia Nagpal and Smt Kaushal Nagpal with Unickon Securities’ Director, Shri Gajendra Nagpal, and also in view of the fact that Smt Sonia Nagpal was the Key Management Person of Unickon Securities, I360 STS was therefore, an Associate/Related Party Company of Unickon Securities.
 - ii. As a result of the abovementioned relationship, I360 STS was also a company under the Executive, Financial, Operational and Administrative Control of Unickon Securities’ parent company i.e. Unickon Financial Intermediaries.
 - iii. I360 STS was, therefore, in a position to avail of monetary benefits from Unickon Securities and Unickon Fincap.
 - iv. However, the aforesaid relationship between the Directors of I360 STS and Shri Gajendra Nagpal, was never disclosed to the Board of Unickon Securities and Unickon Fincap.
 - v. I360 STS traded in the scrip of Core Projects to the extent of ₹25.71 Crores, which was funded by Unickon Fincap through the Pledging Facility.
 - vi. The aforementioned trade resulted in a substantial loss, which was then set-off by debiting the accounts of Unickon Securities and Unickon Fincap, entities which had no connection to the said trade carried out by I360 STS in Core Projects. Further, the interest income on loans granted to I360 STS, which were not recovered, were incorrectly recognised as revenue by Unickon Securities and Unickon Fincap.
 - vii. The Auditors’ Reports while clearly indicating that outstanding dues amounting to ₹19.50 Crores was recoverable from I360 STS, stated that Unickon Securities and Unickon Fincap

“has not yet fixed the responsibility for this loss and therefore, the steps to recover the same have not yet been taken.”

- viii. It is, therefore, very clear from the aforementioned facts that the issues dealt therein pertain to the alleged fraudulent acts, omissions and *mala fide* conduct of I360 STS which were *prima facie* found to be in contravention of securities laws which are to be enforced exclusively by SEBI. The issues involved in the instant matter have wide ramifications for protection of interests of investors and securities market and for safeguarding the market integrity.

6.3.4 From a consideration of paragraph 6.3.3, I find that –

- i. Unickon Securities admittedly transferred securities from its Client Beneficiary Account/Client Margin Account No. 12053500–00023193 to the demat account of Unickon Fincap (Account No. IN30096610526254) and also to Unickon Securities’ demat account (Account No. IN30096610486219). Unickon Securities admittedly did not have any proprietary trading. Therefore, the securities maintained by Unickon Securities in the aforesaid Client Beneficiary Account/Client Margin Account No. 12053500–00023193, were only of its clients.
- ii. Unickon Securities admittedly pledged its clients’ securities (transferred from the Client Beneficiary Account/Client Margin Account No. 12053500–00023193) –
 - a. With ICICI Bank (directly by Unickon Securities) and
 - b. With third party financiers (through Unickon Fincap) i.e. Edelweiss Financial Services Private Limited (“**Edelweiss**”), DSP Merrill Lynch (“**DSPML**”), Infrastructure Leasing & Financial Services Limited (“**IL&FS**”), Citicorp Finance (India) Limited (“**CitiFinancial**”) and Morgan Stanley India Private Limited (“**Morgan Stanley**”).
- iii. There was a transfer of securities (amounting to a total value of ₹60.09 Crores) from the Client Beneficiary Account/Client Margin Account No. 12053500–00023193 to Unickon Securities’ demat account (Account No. IN30096610486219) and also to Unickon Fincap’s demat account. Since Unickon Fincap was never a client of Unickon Securities–Stock Broker but rather, was a client of Unickon Securities–Depository Participant, the aforesaid unauthorised transfer of clients’ securities resulted in a transfer of beneficial ownership in such securities from the clients of Unickon Securities to Unickon Fincap. The original beneficial owners i.e. clients of Unickon Securities including those who had no margin requirement, were never informed by Unickon Securities of the fact that their securities had been pledged with ICICI Bank (directly by Unickon Securities) and with third party financiers (through Unickon Fincap). The aforesaid transfer of securities was effected without the knowledge and explicit consent of Unickon Securities’ clients

and therefore, resulted in that Stock Broking entity failing to act as per the instructions of the beneficial owners of such securities i.e. its clients. Further, Unickon Securities never obtained the requisite approval from any of the recognised Stock Exchanges where it had its operations, for extending Margin Trading Facility to its clients. In the absence of such approval, it could not have transferred securities from the Client Beneficiary Account/Client Margin Account No. 12053500–00023193 to the demat account of Unickon Fincap (Account No. IN30096610526254) (other than those of clients who had entered into the Agreement for Pledging Facility with Unickon Fincap).

- iv. The funds raised by Unickon Securities through the unauthorised transfer and pledging of clients' securities with ICICI Bank and with third party financiers (through Unickon Fincap) alongwith funds lying in the Clients' Bank Accounts (other than those raised through the unauthorised transfer and pledging of securities, which included funds received from the Stock Exchanges as pay–out for trades executed by clients of Unickon Securities and which were transferred to Unickon Securities' Business Bank Accounts), were subsequently transferred to Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries (Unickon Securities' Parent Company). Further, Unickon Securities admittedly transferred funds from its Clients' Bank Accounts to its Business Bank Accounts, part of which were subsequently used for creating Fixed Deposits, which were either held as margin by Stock Exchanges or as collateral for obtaining overdraft credit limit facility from its Bankers.
- v. During the period from April 1, 2012 to October 31, 2014, Unickon Securities admittedly transferred approximately ₹175.10 Crores from its Business Bank Accounts to the bank accounts of abovementioned Group Companies/Associate Companies/Subsidiaries. It is also observed that the aforementioned Group Companies/Associate Companies/Subsidiaries, further transferred the funds amongst each other during the period April 1, 2014 to October 31, 2014. Unickon Securities admitted that funds were transferred from its Business Bank Accounts to Group Companies/Associate Companies/Subsidiaries, on a regular basis, as running account and the same were in the nature of loans with varying interest rates mutually agreed to between the parties to such transfer. The aforesaid funds, which were also in the form of ICDs, were used by the aforesaid Group Companies/Associate Companies/Subsidiaries, for *inter alia* meeting their working capital requirement.
- vi. During the period from April 1, 2012 to October 31, 2014, out of the abovementioned ₹175.10 Crores transferred from Unickon Securities' Business Bank Accounts, approximately ₹102 Crores was transferred to Unickon Real Estate. Further, it is observed that funds were also

transferred directly from Unickon Fincap and the abovementioned Group Companies/Associate Companies/Subsidiaries to Unickon Real Estate. The aforesaid funds were subsequently utilised by Unickon Real Estate, for repayment of ICDs. In other words, the aforesaid utilisation of funds by Unickon Real Estate amounted to repayment of ICDs to one Group Company, utilising the funds received as ICDs from another Group Company. Further, the funds were also utilised towards salary payments and purchase of property. It is pertinent to note that the aforesaid funds included clients' funds transferred by Unickon Securities from its Clients' Bank Accounts and funds raised through pledging of clients' securities with ICICI Bank and also included funds transferred by Unickon Fincap (funds raised through pledging of clients' securities with third party financiers).

- vii. During the period between 2008 and 2012, Unickon Securities admittedly transferred ₹35 Crores to I360 STS. The source of the aforesaid funds also included funds raised by Unickon Fincap by pledging securities of Unickon Securities' clients with third party financiers. I360 STS traded in the scrip of Core Projects (trade was effected through I360 STS by a client of Unickon Securities i.e. Bermaco) to the extent of ₹25.71 Crores, which was effectively funded by Unickon Fincap through the Pledging Facility. It is interesting to note that despite being a company ensuring supply of manpower to Unickon Securities, I360 STS had traded in the scrip of Core Projects to the extent of ₹25.71 Crores. The aforementioned trade resulted in a substantial loss, which was then set-off by debiting the accounts of Unickon Securities and Unickon Fincap, entities which had no connection to the said trade carried out by I360 STS in the scrip of Core Projects. As per information submitted by Shri Vikas Mallan, the Ex-CFO of the Unickon Group, the aforementioned trade was known to Shri Ram Mohan Gupta and Shri Gajendra Nagpal. The aforesaid fact is also confirmed by Shri Gajendra Nagpal in his e-mail dated May 7, 2012, to KPMG and Shri Ram Mohan Gupta. Further, the interest income on loans granted to I360 STS, which were not recovered, were incorrectly recognised as revenue by Unickon Securities and Unickon Fincap. The Auditors' Reports while clearly indicating that outstanding dues amounting to ₹19.50 Crores was recoverable from I360 STS, stated that Unickon Securities and Unickon Fincap *"has not yet fixed the responsibility for this loss and therefore, the steps to recover the same have not yet been taken."* This clearly indicates that the management of Unickon Securities and Unickon Fincap granted monetary benefits to I360 STS through usage of clients' funds. Further, there was a clear fabrication, falsification and manipulation of the books and other records of Unickon Securities and Unickon Fincap. Shri Ram Mohan Gupta and Shri Gajendra Nagpal cannot absolve themselves of any liability since it was known to them that I360 STS (a client of Unickon Securities) was given clients' funds for trading in the scrip of Core Projects. Further, the funding for the aforesaid trade was also provided by an entity which was under their control

i.e. Unickon Fincap. The same is reflected in the Balance Sheet of Unickon Fincap dated August 9, 2012, signed by Shri Ram Mohan Gupta and Shri Gajendra Nagpal. I360 STS was also a Related Party Company since the Promoter of Unickon Fincap i.e. Shri Gajendra Nagpal, was related to its Directors, viz. Smt Sonia Nagpal and Smt Kaushal Nagpal. Further, as the Director of I360 STS and also the Key Management Person of Unickon Securities alongwith being the wife of Shri Gajendra Nagpal, Smt Sonia Nagpal had to be aware of the Stock Broking and Depository Participant Operations of Unickon Securities and clients' funds were used for funding I360 STS. Therefore, I360 STS was a participant of the fraud of diversion of clients' funds for its trades in the scrip of Core Projects. Similarly, Smt Kaushal Nagpal (mother of Shri Gajendra Nagpal), who became a Director of I360 STS in 2011, when the aforesaid loan was written off by Unickon Securities, therefore, cannot absolve herself of any liability arising from the aforesaid fraud. Therefore, Smt Sonia Nagpal and Smt Kaushal Nagpal were in a position to be privy to the information of operations of Unickon Securities.

- viii. From the e-mail dated May 5, 2012, sent by Shri Gajendra Nagpal to Shri Gautam Mago, a copy of which was marked to Shri Ram Mohan Gupta (the aforesaid e-mail was signed by Shri Gajendra Nagpal and Shri Ram Mohan Gupta), it is observed that both the aforesaid Directors of Unickon Securities '*admit the slip -up with regard to the matter of I360 STS and Core Projects in Unickon Securities and Unicon Fincap.*' In addition, from the e-mail dated May 7, 2012, it is observed that in reply to the query sought by the Auditors of Unickon Securities i.e. KPMG, Shri Gajendra Nagpal and Shri Ram Mohan Gupta had acknowledged that they were both aware of the transaction undertaken by I360 STS in the scrip of Core Projects.
- ix. From the e-mail dated June 8, 2012, it is observed that Shri Gajendra Nagpal had indicated that he alongwith Shri Ram Mohan Gupta would be part of the Core Committee, which would look in the day-to-day updating of accounts and finance. Further, in the e-mail dated May 23, 2013, (from Shri Gajendra Nagpal informing the Unickon Group that post in-principle approval for relinquishment of control, he would no longer be the Executive Head of the Unickon Group), it was stated by Shri Ram Mohan Gupta that the necessary approvals for all the business of Unickon Group would be granted by him. Subsequent to the aforesaid, it is observed that vide another e-mail, Shri Gajendra Nagpal had accepted the movement of funds of clients to Group Companies as a loan which confirms that Shri Gajendra Nagpal was aware of the clients' funds (given by clients for dealing in securities market) being used for an activity not related to the securities market.
- x. Further, it is noted that the Settlement Agreement (entered into between Shri Gajendra Nagpal and Shri Ram Mohan Gupta) and Share Purchase Agreement (entered into between Shri

Gajendra Nagpal, Shri Ram Mohan Gupta and Unickon Securities) were executed on September 6, 2013. Subsequent to the aforesaid Agreements, Shri Gajendra Nagpal ceased to be a Director in Unickon Securities i.e. w.e.f. September 6, 2013. From the aforesaid Settlement Agreement, it is observed that –

“4. Gajendra has tendered his resignation from the Board of Directors as a Director in the aforementioned companies (Unickon Financial Intermediaries, Unickon Securities, Unickon Commodities, Unickon Fincap, Unickon Media and Marketing, Unickon Capital Services, Unickon Asset Reconstruction Company, Unickon Finserve, Unickon Properties, Unickon Financial Consultants, Unickon Online Services, Univealth Insurance Brokers, Universal Insurance Consultants) and further, resigned from the post of Chief Executive Officer from Univealth Insurance Brokers Pvt. Ltd., Unicon Real Estates Pvt. Ltd., Vighnabharta and Tripace). Gajendra has agreed and consented to Ram Mohan to withdraw all his authority for bank account signature for and on behalf of all entities herein mentioned in this agreement in the capacity of Director, CEO or otherwise. Gajendra further undertakes to sign any documents as required for any reason whatsoever for the period prior to the date of his resignation from the Unickon Group Entities.”

- xi. It is pertinent to note that Shri Gajendra Nagpal was the final authority for bank account signature for and on behalf of all the Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries including Unickon Securities even after May 24, 2013 (post in-principle agreement by Shri Gajendra Nagpal to relinquish his stake in the Unickon Group of Companies, as per the submission made by Shri Pawan Dhanuka) and until the date of his resignation as Director, as brought out in the aforementioned paragraphs. Further, Shri Gajendra Nagpal further undertook to sign any documents as required for any reason whatsoever for the period prior to the date of his resignation from the aforementioned Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries.
- xii. In his statement to SEBI (recorded on January 29, 2015), Shri Pawan Kumar Dhanuka, the Chief Financial Officer of Unickon Securities, informed SEBI that Shri Gajendra Nagpal was in control of day-to-day operations and was also the final authority for all operational and business decisions of Unickon Securities till May 24, 2013, post in-principle agreement to relinquish his stake in the Unickon Group of Companies. Shri Pawan Dhanuka submitted that thereafter, Shri Ram Mohan Gupta came to be in control of day-to-day operations of Unickon Securities. Further, in his submissions dated December 8, 2014, to the Investigating Authority, Shri Neeraj Grover, the Ex-Compliance Officer of Unickon Securities, informed SEBI that Shri Ram Mohan Gupta shifted to Mumbai to take care and be in charge of the entire sales part of the company as country head whereas Shri Gajendra Nagpal was based in Noida at the office of Unickon Securities and for all operational purposes, Shri Gajendra Nagpal was consulted.

- xiii. Despite the abovementioned statements, in view of the evidences above stated, it is clear that Shri Ram Mohan Gupta and Shri Gajendra Nagpal, were equally in control of the operations of Unickon Securities from June 20, 2004 till the date of resignation of Shri Gajendra Nagpal on September 6, 2013. Even, post the resignation of Shri Gajendra Nagpal and subsequent to Shri Ram Mohan Gupta taking control of the operations of Unickon Securities, the practice of pledging clients' securities and the diversion of funds to Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries continued as reflected in the aforementioned demat account statements. Shri Ram Mohan Gupta continues to remain a Director in Unickon Securities.
- xiv. Shri Gajendra Nagpal and Shri Ram Mohan Gupta were the Promoters and Directors of Unickon Securities and were therefore, responsible for the operations of Unickon Securities. As Directors, whatever decisions were effected in Unickon Securities were taken with the consent and knowledge of both of them. Although Shri Gajendra Nagpal was directing and overseeing the day-to-day operations, Shri Ram Mohan Gupta was equally aware of the business decisions taken by the former including in respect of movement of clients' securities and funds.
- xv. Unickon Securities diverted clients' funds to Group Entities/Associate Companies/Subsidiaries of Unickon Financial Intermediaries, by way of ICDs. From the shareholding details of the Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries, it is observed that they were effectively under the control and management of Shri Ram Mohan Gupta and Shri Gajendra Nagpal. Shri Gajendra Nagpal and Shri Ram Mohan Gupta were indirectly holding 42.98 % of the share capital of Unickon Securities (through Unickon Financial Intermediaries) and were also its Promoters. Further, they were major shareholders in all Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries by virtue of their holding in that parent company. Consequently, Shri Gajendra Nagpal and Shri Ram Mohan Gupta had deep and pervasive control over the Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries and also other companies connected to the Group.

6.3.5 In view of the preceding paragraphs, I find that Unickon Securities, its Directors, Shri Gajendra Nagpal and Shri Ram Mohan Gupta, Unickon Fincap, I360 STS and its Directors, Smt Sonia Nagpal and Smt Kaushal Kumari Nagpal, dealt in securities in a fraudulent and unfair manner and defrauded investors in securities, in violation of Sections 12A(b) and (c) of the SEBI Act; Regulations 3(a) and (d) and Regulations 4(1) of the PFUTP Regulations. Further, the Group Entities/Associate Companies to whom funds (raised by way of the aforesaid pledging and also funds lying in Unickon Securities clients' accounts)

were transferred, had derived economic benefits in view of diversion of funds from Unickon Securities in connivance with Unickon Fincap.

6.4.1 *Whether Unickon Securities indulged in fund based activities in violation of Rule 8(1)(f) of the SCR Rules; Section 12(1) of the SEBI Act; Regulations 9(b) and (f) of the Stock Brokers Regulations; Clauses A(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulation 9 of Stock Brokers Regulations?*

6.4.2 Section 12(1) of the SEBI Act mandates a registered intermediary to ensure compliance with the conditions of the Certificate of Registration granted by SEBI, which *inter alia* includes the conditions contained in the Code of Conduct specified under Schedule II read with Regulation 9 of the Stock Brokers Regulations. As per the aforesaid Code of Conduct, a stock broker shall maintain high standards of integrity, act with due skill, care and diligence and shall also not indulge in manipulative, fraudulent or deceptive transactions with a view to disturbing market equilibrium or making personal gains. Further, Rule 8(1)(f) of the SCR Rules prohibit a stock broker from undertaking any business involving personal financial liability.

6.4.3 As noted in the preceding paragraphs, Unickon Securities provided clients' funds to Group Entities/Associate Companies/Subsidiaries of Unickon Financial Intermediaries, by way of ICDs. The aforesaid entities were not related to the securities market. As a result of the aforesaid, Unickon Securities also earned interest income from ICDs, which constituted more than 50% of its total operating income for the Financial Years 2011–12 and 2012–13. I find that Unickon Securities was able to derive economic benefits from the aforesaid transactions with Group Entities/Associate Companies/Subsidiaries of Unickon Financial Intermediaries.

6.4.4 In view of the above, I find that Unickon Securities indulged in fund based activities in violation of Rule 8(1)(f) of the SCR Rules; Section 12(1) of the SEBI Act; Regulations 9(b) and (f) of the Stock Brokers Regulations; Clauses A(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulation 9 of Stock Brokers Regulations.

- 6.5.1 ***Whether Unickon Securities misutilised clients' funds and securities and diverted funds for utilization by itself and its Group Companies/Associate Companies in violation of Section 12(1) of the SEBI Act; Regulations 9(b) and (f) of the Stock Brokers Regulations; SEBI Circulars No. MRD/DoP/SE/CIR-11/2008 dated April 17, 2008 and No. CIR/MRD/DMS/13/2010 dated April 23, 2010, respectively; Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulation 9 of Stock Brokers Regulations?***
- 6.5.2 As noted in the preceding paragraphs, Unickon Securities had misutilised clients' funds and securities and diverted funds for utilization by itself and its Group Companies/Associate Companies without the clients' knowledge and consent and without any agreements in place for allowing such utilisation.
- 6.5.3 As stated in the preceding paragraph, Section 12(1) of the SEBI Act mandates a registered intermediary to ensure compliance with the conditions of the Certificate of Registration granted by SEBI, which *inter alia* includes the conditions contained in the Code of Conduct specified under Schedule II read with Regulation 9 of the Stock Brokers Regulations. As per the aforesaid Code of Conduct, a stock broker shall maintain high standards of integrity, act with due skill, care and diligence and shall also not indulge in manipulative, fraudulent or deceptive transactions with a view to disturbing market equilibrium or making personal gains.
- 6.5.4 In addition, I note that as per the aforementioned SEBI Circular dated April 17, 2008, “2.1 Brokers should have adequate systems and procedures in place to ensure that client collateral is not used for any purposes other than meeting the respective client's margin requirements/pay-ins. Brokers should also maintain records to ensure proper audit trail of use of client collateral.” Further, I note that the SEBI Circular dated April 23, 2010, which pertains to the ‘Execution of Power of Attorney (POA) by the Client in favour of the Stock Broker/Depository Participant’, while standardizing the norms for POA, limits the conditions for its execution in favour of the Stock Broker and Depository Participant.
- 6.5.5 In the instant proceedings, I find that Unickon Securities had failed to act with due skill, care and diligence and had also indulged in manipulative and fraudulent activities through the unauthorised misutilisation of clients' securities and funds and subsequent diversion to its Group Companies/Associate Companies.
- 6.5.6 In view of the aforementioned, I find that the charge against Unickon Securities of violating Section 12(1) of the SEBI Act; Regulations 9(b) and (f) of the Stock Brokers Regulations; SEBI Circulars No. MRD/DoP/SE/CIR-11/2008 dated April 17, 2008 and No. CIR/MRD/DMS/13/2010 dated April

23, 2010, respectively; Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulation 9 of Stock Brokers Regulations, is met.

6.6.1 *Whether the margin trading facility extended by Unickon Securities was in violation of SEBI Circular No. SEBI/MRD/SE/SU/Cir-15/04 dated March 19, 2004; Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulation 9(f) of Stock Brokers Regulations?*

6.6.2 As per the aforementioned SEBI Circular dated March 19, 2004, *“The brokers wishing to extend the facility of margin trading to their clients would be required to obtain prior permission from the exchange/s where the margin trading facility is proposed to be provided. The exchange shall have the right to withdraw this permission at a later date, after giving reasons for the same.”* As noted in the preceding paragraphs, Unickon Securities never obtained the requisite approval from any of the recognised Stock Exchanges where it had its operations, for extending Margin Trading Facility to its clients. In its Inspection Report dated May 20, 2014, BSE observed that funding facility was provided to the clients’ and Group Companies of Unickon Securities, by Unickon Securities and Unickon Fincap. Unickon Securities had not obtained approval of that Exchange for offering Margin Trading Facility. Further, in its Inspection Reports for the period 2013–2014, NSE observed that Unickon Securities was funding clients’ transactions wherein it charged delayed payment charges from them and allowed further exposure despite debit balances.

6.6.3 In view of the above, I find that the margin trading facility extended by Unickon Securities was in violation of SEBI Circular No. SEBI/MRD/SE/SU/Cir-15/04 dated March 19, 2004; Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulation 9(f) of Stock Brokers Regulations.

- 6.7.1 *Whether the failure to carry out settlement of clients' funds and securities by Unickon Securities–Stock Broker, was in violation of Clause 12 of the SEBI Circular No. MIRSD/SE/Cir-19/2009 dated December 3, 2009, Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients specified in SEBI Circular No. CIR/MIRSD/16/2011 dated August 22, 2011; Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulations 9(b) and 9(f) of Stock Brokers Regulations? Whether the failure to provide periodic statement of transactions in securities and resultant shareholding to the beneficial owners of such securities by Unickon Securities–Depository Participant, was in violation of Regulation 20(2)(b) of the Depository and Participants Regulations; Clause 1 and 3 of Code of Conduct for Depository Participants under Regulation 20AA of the Depository and Participants Regulations; Regulation 43 of the Depository and Participants Regulations and SEBI Circular No. CIR/MRD/DP/37/2010 dated December 14, 2010?*
- 6.7.2 From September 2013 onwards, Unickon Securities–Stock Broker admittedly failed to carry out actual periodic settlement of funds and securities of its clients and also failed in ensuring delivery of securities and making payment of amounts due to its clients. Unickon Securities also failed to provide statement of accounts in respect of funds of its clients. Further, Unickon Securities–Depository Participant failed to provide periodic statement of transactions in securities and resultant shareholding to the beneficial owners of such securities.
- 6.7.3 In view of the above, I find that Unickon Securities–Stock Broker violated Clause 12 of the SEBI Circular No. MIRSD/SE/Cir-19/2009 dated December 3, 2009, Clause 33 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients specified in SEBI Circular No. CIR/MIRSD/16/2011 dated August 22, 2011; Clauses A(1)–(3) and A(5) of the Code of Conduct for Stock Brokers specified under Schedule II read with Regulations 9(b) and 9(f) of Stock Brokers Regulations. Further, I find that Unickon Securities–Depository Participant also violated Regulation 20(2)(b) of the Depository and Participants Regulations; Clause 1 and 3 of Code of Conduct for Depository Participants under Regulation 20AA of the Depository and Participants Regulations; Regulation 43 of the Depository and Participants Regulations and SEBI Circular No. CIR/MRD/DP/37/2010 dated December 14, 2010.

- 6.8.1 ***Whether the non-segregation of clients' funds by Unickon Securities, was in violation of SEBI Circular No. SMD/SED/CI/93/23321 dated November 18, 1993; Circular No. MRD/DoP/SE/CIR-11/2008 dated April 17, 2008 and Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients specified in SEBI Circular No. CIR/MIRSD/16/2011 dated August 22, 2011?***
- 6.8.2 I note that SEBI circular no. SMD/SED/CIR/93/23321 dated November 18, 1993, mandates clear segregation of Stock Brokers' money and securities account and the clients' money and securities account. The Circular also obligates the stock brokers to forthwith pay in the clients' account, all the monies received on account of clients. The Circular does not permit use of funds and securities of clients for the stock brokers are for other clients.
- 6.8.3 Unickon Securities admittedly transferred securities from its Client Beneficiary Account/Client Margin Account to the demat account of Unickon and also to Unickon Securities' other demat account. Unickon Securities admittedly did not have any proprietary trading. Therefore, the securities maintained by Unickon Securities in the aforesaid Client Beneficiary Account/Client Margin Account No. 12053500–00023193, were only of its clients. The transfer of securities (amounting to a total value of ₹60.09 Crores) from the Client Beneficiary Account/Client Margin Account to Unickon Securities' demat account and also to Unickon Fincap's demat account, was without the knowledge and consent of Unickon Securities' clients. Unickon Securities admittedly pledged its clients' securities (transferred from the Client Beneficiary Account/Client Margin Account with third party financiers (through Unickon Fincap) and with ICICI Bank (through Unickon Securities itself).
- 6.8.4 The funds raised by Unickon Securities through the unauthorised transfer and pledging of clients' securities with ICICI Bank and with third party financiers (through Unickon Fincap) alongwith funds lying in the Clients' Bank Accounts (other than those raised through the unauthorised transfer and pledging of securities, which included funds received from the Stock Exchanges as pay-out for trades executed by clients of Unickon Securities and which were transferred to Unickon Securities' Business Bank Accounts), were subsequently transferred to Group Companies/Associate Companies/Subsidiaries of Unickon Financial Intermediaries (Unickon Securities' Parent Company). Further, Unickon Securities admittedly transferred funds from its Clients' Bank Accounts to its Business Bank Accounts, part of which were subsequently used for creating Fixed Deposits, which were either held as margin by Stock Exchanges or as collateral for obtaining overdraft credit limit facility from its Bankers.

6.8.5 I therefore, find that Unickon Securities failed to segregate funds in its own Bank Accounts from that of its clients' despite having separate Business Bank Accounts and Clients' Bank Accounts.

6.8.6 In view of the above, I find that the non-segregation of clients' funds by Unickon Securities, was in violation of SEBI Circular No. SMD/SED/CI/93/23321 dated November 18, 1993; Circular No. MRD/DoP/SE/CIR-11/2008 dated April 17, 2008 and Clause 15 of Rights and Obligations document for Stock Broker, Sub-Brokers and Clients specified in SEBI Circular No. CIR/MIRSD/16/2011 dated August 22, 2011.

6.9.1 *Whether the failure by Unickon Securities to have periodic Internal Audit conducted, was in violation of SEBI Circular No. MIRSD/DPSIII/Cir-26/08 dated August 22, 2008 and Circular No. MRD/DMS/Cir-29/2008 dated October 21, 2008?*

6.9.2 From the material available on record, it is observed that Unickon Securities failed to have periodic Internal Audit conducted of its Stock Broking and Depository Participant Operations on a half-yearly basis from September 2013 onwards and further, no Internal Audit Report was submitted to any of the Stock Exchanges where it had its Operations.

6.9.3 In view of the above, I find that the failure by Unickon Securities to have periodic Internal Audit conducted, was in violation of SEBI Circular No. MIRSD/DPSIII/Cir-26/08 dated August 22, 2008 and Circular No. MRD/DMS/Cir-29/2008 dated October 21, 2008.

6.10.1 *Whether the failure by Unickon Securities to obtain regulatory approval prior to change in management and control, was in violation of Section 12(1) of the SEBI Act; Regulations 9(b) and (c) of the Stock Brokers Regulations; Regulations 20(2)(b) and 20(2)(ca) of the Depository and Participants Regulations?*

6.10.2 From the material available on record, it is observed that –

- i. Unickon Securities was a SEBI registered intermediary i.e. Stock Broker and Depository Participant.
- ii. The Settlement Agreement (entered into between Shri Gajendra Nagpal and Shri Ram Mohan Gupta) and Share Purchase Agreement (entered into between Shri Gajendra Nagpal, Shri Ram Mohan Gupta and Unickon Securities) were executed on September 6, 2013. Subsequent to the

aforesaid Agreements, Shri Gajendra Nagpal ceased to be a Director in Unickon Securities i.e. w.e.f. September 6, 2013. From the aforesaid Settlement Agreement, it is observed that –

“4. Gajendra has tendered his resignation from the Board of Directors as a Director in the aforementioned companies (Unickon Financial Intermediaries, Unickon Securities, Unickon Commodities, Unickon Fincap, Unickon Media and Marketing, Unickon Capital Services, Unickon Asset Reconstruction Company, Unickon Finserve, Unickon Properties, Unickon Financial Consultants, Unickon Online Services, Univealth Insurance Brokers, Universal Insurance Consultants) and further, resigned from the post of Chief Executive Officer from Univealth Insurance Brokers Pvt. Ltd., Unicon Real Estates Pvt. Ltd., Vighnabarta and Tripace.”

- iii. On account of the abovementioned Settlement and Share Purchase Agreements, a resultant change was effected in the management and control of Unickon Securities–Stock Broking and Depository Participant, through the resignation of Shri Gajendra Nagpal. In this context, it is noted that as per the Stock Broker Regulations and Depository and Participant Regulations, ‘where the Stock Broker/Depository Participant proposed change in control, he shall obtain prior approval of the Board for continuing to act as such after the change’. Further, any non-compliance with the aforesaid Regulations i.e. non-compliance with the conditions of registration, will attract the provisions of Section 12(1) of the SEBI Act.

6.10.3 In view of the above, I find that Unickon Securities failed to obtain regulatory approval from SEBI, prior to change in management and control, and as a result, violated the provisions of Section 12(1) of the SEBI Act; Regulations 9(b) and (c) of the Stock Brokers Regulations; Regulations 20(2)(b) and 20(2)(ca) of the Depository and Participants Regulations.

6.11.1 *Whether the non-redressal of investor complaints by Unickon Securities was in violation of Regulations 9(b), (e) and (f) of the Stock Brokers Regulations; Regulations 20(2)(b), 20(2)(e) and 53B of the Depository and Participants Regulations and Clauses 1, 2(d), 3 and 5 of the Code of Conduct for Depository Participants under Regulation 20AA of the Depository and Participants Regulations?*

6.11.2 From the Confirmatory Order, it is observed –

“It has also been brought to my notice that Unickon Securities had neither cooperated in the proceedings before the Investor Grievance Redressal Panel (“IGRP”)/Investor Grievance Redressal Committee (“IGRC”) of the stock exchanges for redressal of the investor complaints/grievances nor paid the claims decided in favour of the clients at IGRP/IGRC which were held for resolution of the investor complaints. Pursuant to this, the stock exchanges, viz. NSE and BSE initiated disciplinary proceedings against Unickon Securities under their respective bye-laws. While NSE expelled Unickon Securities with effect

from September 05, 2014, BSE expelled it and also declared it as a defaulter with effect from September 10, 2014. These stock exchanges also issued public notices inviting the claims of the investors within specified days (NSE: 90 days and BSE: 120 days from the dates of the respective notices issued by them).”

6.11.3 Unickon Securities failed to redress investors’/clients’ complaints pertaining to ‘non–receipt of funds and securities’ within the stipulated period of 30 days from the date of receipt of such complaints. The aforesaid complaints, which pertained to the period prior to the Settlement Agreement and Share Purchase Agreement and subsequent to such Agreements, had resulted in substantially high value of claims.

6.11.4 In this context, as per information submitted by NSE vide e–mail dated March 2, 2016, it is observed that the details of claims received at that Stock Exchange against Unickon Securities, were as under –

DETAILS OF CLAIMS RECEIVED AT NSE AGAINST UNICKON SECURITIES	
NUMBER OF CLAIMS RECEIVED BY DEFAULTERS’ COMMITTEE	3819
VALUE OF CLAIMS RECEIVED BY DEFAULTERS’ COMMITTEE (APPROXIMATE)	₹64 Crores

6.11.5 Further, as per information submitted by BSE vide e–mails dated February 24, 2016 and March 8, 2016, it is observed that the details of claims received at that Stock Exchange against Unickon Securities, were as under –

DETAILS OF CLAIMS RECEIVED AT BSE AGAINST UNICKON SECURITIES	
NUMBER OF CLAIMS RECEIVED	522
VALUE OF CLAIMS RECEIVED	₹20.55 Crores

6.11.6 I note that redressal of investor grievances is one of the key components of SEBI’s efforts to protect the interests of investors in securities. Investors need to have their complaints sorted out promptly and satisfactorily. The importance of this basic requirement can never be underestimated. The time period taken from the registration of a grievance to its ultimate resolution is of great importance to an investor. It is, therefore, in this context that SEBI has stipulated a time line of one month for registered intermediaries to take adequate steps for redressal of investor grievances. A weak investor grievance redressal mechanism also undermines the integrity and efficiency of the securities market and investor confidence in them.

6.11.7 I note that the Hon’ble SAT in ***Link Intime India Private Limited vs. SEBI (Appeal No. 106 of 2012–Order dated June 19, 2013)*** inter alia observed: “15. ... We note that the Appellant has failed to redress the grievances of hundreds of complainants within the prescribed time limit. It is a matter of record that about 4981 such

grievances were not attended to by the Appellant within one month from the date of their receipts and were dealt with only after one to two months of delay, which in some cases went upto a much longer period of time. It is also seen from the records that several complaints were forwarded by the Respondent to the Appellant and these remained to be replied to as on the date of inspection by the former. The same were, however, redressed at a later stage by the Appellant on intervention by the Respondent. The Tribunal has, thus, no hesitation in upholding the impugned order ...”

6.11.8 I further note that the Hon’ble SAT in ***S. S. Forgings & Engineering Limited & Others vs. SEBI (Appeal No. 176 of 2014–Order dated August 28, 2014)*** *inter alia* observed: “2. ...Undoubtedly, an obligation is cast upon every listed company to redress investors’ grievances in a time bound manner as may be prescribed by SEBI from time to time ... 5. This Tribunal has consistently held that redressal of investors’ grievances is extremely important for the Regulator to regulate the capital market. If the grievances are not redressed within a time bound framework, it leads to frustration among the investors’ who may not be motivated to further invest in the capital market. Hence the importance of complaints redressal system initiated by SEBI in June, 2011 cannot be undermined and its sanctity has to be maintained by all the listed companies ...”

6.11.9 Similar observations upholding the principle laid down in the aforementioned Orders that investor grievances need to be redressed within the time bound framework as specified by SEBI, have also been made by the Hon’ble SAT in ***Kiev Finance Limited vs. SEBI (Appeal No. 351 of 2014–Order dated August 4, 2015)*** and ***M/s. Golden Proteins Limited vs. SEBI (Appeal No. 334 of 2015–Order dated August 4, 2015)***.

6.11.10 The aforementioned principle of timely redressal of investor grievances also applies to intermediaries registered with SEBI as is the case in the instant proceedings. An effective investor grievance redressal is a timely redressal. Against the said background, I find that the non-redressal of investor complaints by Unickon Securities was in violation of Regulations 9(b), (e) and (f) of the Stock Brokers Regulations; Regulations 20(2)(b), 20(2)(e) and 53B of the Depository and Participants Regulations and Clauses 1, 2(d), 3 and 5 of the Code of Conduct for Depository Participants under Regulation 20AA of the Depository and Participants Regulations.

6.12.1 ***Whether Shri Neeraj Grover was in violation of Regulation 18A(2) of the Stock Brokers Regulations and Regulation 58(B)(2) of the Depositories and Participants Regulations?***

6.12.2 In his submissions, Shri Neeraj Grover has reaffirmed the statements made by him before the Investigating Authority on December 8, 2014. He has *inter alia* submitted that he had no prior experience as a Compliance Officer and was merely an employee acting on the directions of Shri Ram Mohan Gupta and Shri Gajendra Nagpal.

6.12.3 From the material available on record, it is observed that –

- i. Shri Neeraj Grover was appointed as the Compliance Officer of Unickon Securities and Unickon Commodities in May 2010, subsequent to the resignation of the then Compliance Officer. Shri Neeraj Grover continued in that capacity till his resignation in February 2014.
- ii. In his submissions dated December 8, 2014, made before the Investigating Authority, Shri Neeraj Grover submitted that as the Compliance Officer, he was responsible for monitoring the Clients' Bank Accounts of Unickon Securities and also for handling all Depository Participant accounts. Further, Shri Neeraj Grover submitted that he was responsible for ensuring that all compliance aspects of Unickon Securities were fulfilled.
- iii. As noted from paragraphs 6.3.1–6.11.10, Unickon Securities had failed to ensure compliance with the regulatory provisions of the SEBI Act, SCR Rules, SEBI Circulars, Stock Brokers Regulations and the Depository and Participants Regulations. The provisions of Regulation 18A(2) of the Stock Brokers Regulations and Regulation 58(B)(2) of the Depositories and Participants Regulations mandates that *“the compliance officer shall immediately and independently report to the Board any non-compliance observed by him.”* As the Compliance Officer for Unickon Securities, Shri Neeraj Grover was aware of the aforesaid non-compliances by Unickon Securities, which continued till the time Unickon Securities was declared a defaulter and was expelled from NSE and BSE in September 2014. Therefore, Shri Neeraj Grover failed in discharging his duties in the following manner –
 - a. Shri Neeraj Grover failed to ensure redressal of investor/client complaints of Unickon Securities within the stipulated period of 30 days and where such complaints were addressed, the same was done with considerable delay.
 - b. Unickon Securities never obtained the requisite approval from any of the recognised Stock Exchanges where it had its operations, for extending Margin Trading Facility to its clients. In its Inspection Report dated May 20, 2014, BSE had observed that funding facility was provided to the clients' and Group Companies of Unickon Securities, by Unickon Fincap and that Unickon Securities had not obtained approval of that Exchange for offering Margin Trading Facility. Further, in its Inspection Reports for the period 2013–2014, NSE had observed that Unickon Securities was funding clients' transactions wherein it charged delayed payment charges from them and allowed further exposure despite debit balances. Despite being aware of the aforesaid activities of Unickon

Securities, Shri Neeraj Grover failed to ensure compliance with the relevant laws and also failed to report such activities to SEBI.

- c. Shri Neeraj Grover failed to ensure that clients' of Unickon Securities were provided with information related to their bank ledger and statement of accounts as mandated by the Stock Brokers Regulations and Depository and Participants Regulations.
- d. Earlier, when clients whose shares had been pledged, raised a demand for their shares, Unickon Securities used to arrange for funds for payment to the *Pledgee* for their release and subsequent to such release, would credit them in the client's demat account. However, subsequent to the cash crunch faced by Unickon Securities, securities belonging to clients were not credited to their demat accounts when requests were raised by them, on account of non-availability of sufficient funds for payment to the *Pledgee*. Therefore, Shri Neeraj Grover failed to ensure running account settlements on a quarterly basis.
- e. On account of the aforementioned Settlement and Share Purchase Agreements, a resultant change was effected in the management and control of Unickon Securities–Stock Broking and Depository Participant, through the resignation of Shri Gajendra Nagpal. In this context, it is noted that as per the Stock Broker Regulations and Depository and Participant Regulations, *'where the Stock Broker/ Depository Participant proposed change in control, he shall obtain prior approval of the Board for continuing to act as such after the change'*. Further, any non-compliance with the aforesaid Regulations i.e. non-compliance with the conditions of registration, will attract the provisions of Section 12(1) of the SEBI Act. Shri Neeraj Grover failed to ensure compliance by Unickon Securities with the aforesaid provisions.

6.12.4 In view of the above, I find that Shri Neeraj Grover was in violation of Regulation 18A(2) of the Stock Brokers Regulations and Regulation 58(B)(2) of the Depositories and Participants Regulations.

Conclusion –

7.2 From the preceding paragraphs, it is observed that –

- i. Unickon Securities is a subsidiary of Unickon Financial Intermediaries and is therefore, part of the Unickon Group. Unickon Securities fraudulently transferred clients' securities to the Group Entities of Unickon Financial Intermediaries. The aforesaid securities were subsequently pledged with various financiers. Further, funds raised by way of the aforesaid pledging and also funds lying in its clients' accounts, were transferred by Unickon Securities to the Group Entities/Associate Companies of Unickon Financial Intermediaries *inter alia* for meeting their working capital requirement and also for funding trades executed by I360 STS. Further, the Group Entities/Associate Companies to whom funds (raised by way of the aforesaid pledging and also funds lying in Unickon Securities clients' accounts) were transferred, had derived economic benefits in view of diversion of funds from Unickon Securities in connivance with Unickon Fincap.
- ii. Unickon Securities misutilised clients' funds and securities and diverted funds for utilization by itself and its Group Companies/Associate Companies.
- iii. Unickon Securities extended margin trading facility to its clients without obtaining requisite approval from any Recognised Stock Exchange(s). By extending such facility, Unickon Securities funded transactions of several of its clients (through utilization of funds of its other clients) without necessary approvals in place.
- iv. Unickon Securities failed to carry out actual periodic settlement of funds and securities of its clients and also failed in ensuring delivery of securities and making payment of amounts due to its clients. Unickon Securities also failed to provide statements of accounts in respect of funds of its clients. Unickon Securities also failed to provide periodic statement of transactions in securities and resultant shareholding to the beneficial owners of such securities.
- v. Unickon Securities failed to segregate its funds from those of its clients.
- vi. Unickon Securities failed to have periodic Internal Audit conducted of its Stock Broking and Depository Participant operations.
- vii. As a SEBI registered intermediary, Unickon Securities failed to obtain prior approval from SEBI for the change in management and control brought about on account of the execution of the Settlement Agreement and the Share Purchase Agreement.
- viii. Unickon Securities failed to redress investors'/clients' complaints pertaining to '*non-receipt of funds and securities*' within the stipulated period of 30 days from the date of receipt of such complaints. The aforesaid complaints, which pertained to the period prior to the aforementioned Settlement Agreement and Share Purchase Agreement and subsequent to such Agreements, had resulted in substantially high value of claims.

7.3 As detailed in the preceding paragraphs, the aforementioned activities of Unickon Securities and its Directors alongwith the Group Entities/Associate Companies including I360 STS and its Directors, had resulted in the violation and non-compliances of the SEBI Act, SCR Rules, SEBI Circulars, Stock Brokers Regulations and the Depository and Participants Regulations.

7.4 While dealing with a matter of this nature, it would be worthwhile to refer to the following observations made by the Hon'ble Securities Appellate Tribunal in the matter of *V. Natarajan vs. SEBI, SAT Appeal No.104 of 2011*, wherein it was held as follows –

"... We are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, were violated. These regulations, among others ... prohibit persons from engaging 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 that are listed on stock exchanges.

... A basic premise that underlies the integrity of securities market is that persons connected with securities market conform to standards of transparency, good governance and ethical behaviour prescribed in securities laws and do not resort to fraudulent activities."

7.5 Further, the Hon'ble Supreme Court in its judgment dated April 26, 2013, in *N. Narayanan v. Adjudicating Officer SEBI (Civil Appeal Nos.4112-4113 of 2013)*, had observed –

"Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the 'Rule of Law'. Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto."

7.6 The aforementioned activities of Unickon Securities and its Directors alongwith the Group Entities/Associate Companies of Unickon Financial Intermediaries, clearly exhibit the web of deceit and conspiracy hatched by them. The immediate and proximate facts and circumstances surrounding the aforementioned activities unmistakably indicate that they were deliberate acts done to further the underlying fraudulent object of defrauding investors in the securities market i.e. Unickon Securities' clients. This is clearly a case of total and deliberate misutilisation of clients' funds and securities in a most callous manner. Through the aforementioned activities, Unickon Securities and its Directors alongwith the Group Entities/Associate Companies, therefore, also acted in a manner highly detrimental to the interests of the securities market. In this context, the rulings of the Hon'ble Supreme Court and SAT (as discussed in paragraphs 7.3–7.4) are therefore, of high relevance to the instant

proceedings. The development of a strong, transparent and credible securities market is an important pre-requisite for the economic development of our country. The fraudulent activities such as what have been observed in the instant proceedings pose a real threat to the integrity of our securities market. The violations of law observed with respect to Unickon Securities and its Directors alongwith the Group Entities/Associate Companies, if not dealt with sternly, will result in a complete loss of confidence of investors in the registered intermediaries such as Stock Brokers, etc. who play a pivotal role in the secondary market.

- 7.7 As regards Shri Neeraj Grover, who was the Compliance Officer of Unickon Securities during the relevant period when non-compliances of the aforementioned regulatory provisions of the SEBI Act, SCR Rules, SEBI Circulars, Stock Brokers Regulations and the Depository and Participants Regulations, were detected by SEBI, failed in his duty as a Compliance Officer.
- 7.8 Given the vital functions of protecting investors and safeguarding the integrity of the securities market vested in SEBI and the commensurate powers given to it under the securities laws, it is necessary that SEBI exercise these powers firmly and effectively to insulate the market and its investors from the fraudulent actions of the participants in the securities market, thereby fulfilling its legal mandate. The development of a strong, transparent and credible securities market is an important pre-requisite for the economic development of our country. A basic premise that underlies the integrity of securities market is that persons connected with securities market conform to standards of transparency, good governance and ethical behaviour prescribed in securities laws and do not resort to fraudulent activities. The fraudulent activities such as what have been observed in the instant proceedings pose a real threat to the integrity of our securities market.

Order –

- 8.2 Having regard to the above discussion, I, in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act read with Sections 11(1), 11(4) And 11B of the SEBI Act read with Regulation 11 of the PFUTP Regulations and Section 19 of the Depositories Act, hereby direct as follows –
- i. The following entities are prohibited from accessing the securities market and further prohibited from buying, selling or dealing in securities, either directly or indirectly or being associated with the securities market in any manner whatsoever, for a period of **ten years** from the date of this Order, –
 - a. Unickon Securities Private Limited [PAN: AAPFS5325P].

- b. Shri Ram Mohan Gupta [PAN: AGDPG7175M].
- c. Shri Gajendra Nagpal [PAN: AADPN5511A].
- d. i360 Staffing and Training Solutions Private Limited [PAN: AAACI8851P].
- e. Smt Sonia Nagpal [PAN: AAGPN2936G].
- f. Smt Kaushal Kumari Nagpal.
- g. Unickon Fincap Private Limited [PAN: AAACU8424F].
- h. Unickon Commodities Private Limited [PAN: AAACU7909D].
- i. Unickon Media and Marketing Services Private Limited [PAN: AAACU8145K].
- j. Unickon Capital Services Private Limited [PAN: AABCU0157G].
- k. Uniwealth Insurance Brokers Private Limited [PAN: AAACU9456H].
- l. Unickon Finserve Private Limited [PAN: AABCU1083D].
- m. Unickon Asset Reconstruction Company Private Limited [PAN: AABCU1082C].
- n. Unickon Properties Com Private Limited [PAN: AABCU2503N].
- o. Unickon Financial Consultants Private Limited [PAN: AABCU5047P].
- p. Unickon Real Estate Private Limited [PAN: AAACU8837C].
- q. Unickon Financial Intermediaries Private Limited [PAN: AAACU6952E].
- r. Tripace Marketing Services Private Limited [PAN: AACET0039R].
- s. Vighnaharta Direct Insurance Broking Private Limited [PAN: AACCV0848E].

- ii. I note that vide the Interim Order dated May 26, 2014 (later confirmed through the Confirmatory Order on March 2, 2015), Unickon Securities and its Directors, viz. Shri Ram Mohan Gupta and Shri Gajendra Nagpal, were *restrained from accessing the securities market and further prohibited from buying, selling or dealing in securities market, either directly or indirectly or being associated with the securities market in any manner whatsoever, till further directions*. In this context, I note that Unickon Securities and its Directors, viz. Shri Ram Mohan Gupta and Shri Gajendra Nagpal, have already undergone the restraint for a period of approximately one year and ten months. In view of this factual situation, it is clarified that the restraint already undergone by Unickon Securities and its Directors, viz. Shri Ram Mohan Gupta and Shri Gajendra Nagpal, pursuant to the aforementioned SEBI Orders, shall be reduced while computing the period of restraint being imposed vide this Order.
- iii. Shri Neeraj Grover [PAN: AFDPG2918P] is prohibited from accessing the securities market and further prohibited from buying, selling or dealing in securities, either directly or indirectly or being associated with the securities market in any manner whatsoever, for a period of **two years** from the date of this Order.

- 8.3 This Order shall come into force with immediate effect.
- 8.4 This Order shall be served on all Recognized Stock Exchanges and Depositories to ensure necessary compliance.

Place: Mumbai
Date: March 15, 2016

S. RAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA