

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Sections 11B, 11(4) and 11(4A) read with Section 15HB and Section 15EB of the Securities and Exchange Board of India Act, 1992

In respect of

Mr. Krishnamurthy G.

(PAN: BSFPK6683P)

-
1. Securities and Exchange Board of India (“**SEBI**”) passed an Interim Order dated September 07, 2020 (hereinafter referred to as “**Interim Order**”) under Sections 11, 11(4), 11B(1) and 11D of the Securities and Exchange Board of India Act, 1992 (“**SEBI Act**”) against Krishnamurthy G. (“**Noticee**”) for *prima facie* holding himself out and acting as an investment adviser without a certificate of registration thereby violating Section 12(1) of the SEBI Act read with Regulation 3(1) of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as “**IA Regulations**”). Vide the said Interim Order, Noticee was *inter alia* directed to cease and desist from acting as an investment adviser, directly or indirectly. Further, *inter alia*, concerned Banks were directed not to allow debits/ withdrawals from and credits to the said accounts of the Noticee. Subsequently, SEBI vide an Order dated January 12, 2022 (“**Confirmatory Order**”) confirmed the directions issued against the Noticee in the Interim Order.

BACKGROUND

2. SEBI received a complaint on January 07, 2019 *inter alia* alleging the following:
 - (i) The complainant received phone calls from persons (mobile numbers 73*****47 and 86*****78) associated with a firm called NIFM Research, claiming to be registered with SEBI. They claimed to provide MCX Commodity Tips with 95% accuracy.

- (ii) The complainant received two free calls and was later asked to pay the registration fees into the bank accounts of Noticee.
 - (iii) Subsequently, the complainant transferred INR 2500 to Account No. 328100100002407 maintained with Punjab and Maharashtra Co-op Bank Ltd. (hereinafter referred to as “**PMC Bank Account**”) and INR 5000 to Account No. 0731053000000473 maintained with South Indian Bank Ltd. (hereinafter referred to as “**SIB Account**”).
 - (iv) The complainant alleged that he lost his money on acting upon the recommendations given by them and sought refund of the investment advisory fees paid by him.
3. In view of the complaint, SEBI carried out a preliminary examination in the matter to verify whether the Noticee had offered investment advisory services and collected money from various investors without registration from SEBI. Following was noted from the preliminary examination:
- (i) A webpage search was carried out wherein it was observed that bank account details mentioned by the complainant matched with the bank account details mentioned on a website, www.tragroups.com. It was also noted that the one of the mobile numbers mentioned by the complainant (7358****47) was also mentioned on the said website.
 - (ii) The website offered investment advisory services through several packages. The bank accounts viz. PMC Bank Account and SIB Account were mentioned on the website for clients who wish to subscribe to its advisory services.
 - (iii) As per the bank KYC documents, the PMC Bank Account and SIB Account were in the name of the Noticee.
 - (iv) Noticee was not registered with SEBI. Noticee provided tips for the stock and commodity markets through aforementioned website and was the sole beneficiary of the website.
4. During the course of examination, SEBI vide letter dated February 13, 2020 advised the Noticee to submit information relating to the unregistered investment advisory activities. The aforesaid letter was sent to the address of the Noticee as per the Bank

KYC documents. However, the letter dated February 13, 2020 returned undelivered. Thereafter, the scanned copy of the letter dated February 13, 2020 was sent to the e-mail ID of the Noticee as available in the bank KYC documents. The e-mail was delivered but no reply was received from the Noticee. Further, during the course of examination, calls were made to the mobile numbers of the Noticees as per the KYC documents, however, the same were not reachable. Even though e-mail was delivered to the Noticee, the Noticee failed to provide any information related to investment advisory activities such as number of clients, details of advice, fees collected, client details, bank account details, payment gateway details, etc.

5. On the basis of the aforesaid preliminary examination, it was observed that the Noticee was providing investment advice as defined under Regulation 2(1)(I) of IA Regulations and that the conduct of the Noticee in carrying out investment advisory activity without obtaining registration from SEBI was in violation of Regulation 3(1) of IA Regulations read with Section 12(1) of the SEBI Act.
6. Pursuant to preliminary examination, SEBI passed Interim Order dated September 07, 2020 against the Noticee. The Noticee was directed to file his objections, if any, to the Interim Order and avail an opportunity of personal hearing. The said Interim Order was sent to the Noticee vide letter dated September 21, 2020 and the same was delivered to the Noticee. However, no reply was received from the Noticee.
7. SEBI, vide e-mails dated February 16, 2021 and February 23, 2021 and letter dated July 06, 2021, advised the Noticee to indicate if he would like to avail an opportunity of personal hearing. Though the e-mails and letter were delivered to the Noticee, no reply was received from the Noticee.
8. Subsequently, an opportunity of personal hearing was granted to the Noticee on December 08, 2021 vide hearing Notice dated July 26, 2021. The said hearing notice was delivered to the Noticee vide e-mail as well as through SPAD. However, no reply was received from the Noticee and he also did not appear for the hearing scheduled on December 08, 2021.
9. Accordingly, SEBI passed the Confirmatory Order dated January 12, 2022 confirming the directions issued against the Noticee in the Interim Order. The said Confirmatory Order was sent to the Noticee vide letter dated January 28, 2022 and the same was delivered to the Noticee.

SHOW CAUSE NOTICE

10. Pursuant to passing of Orders, SEBI carried out an examination to ascertain whether the act(s) of the Noticee were in violation of the provisions of the SEBI Act and the IA Regulations during the period from August 01, 2018 (date of creation of website, www.tragroups.com – hereinafter also referred to as “**the website**”) to September 04, 2020 (date of last transaction in the bank accounts of Noticee). The said period is hereinafter referred to as “**Examination Period**”. Upon completion of Examination, it was observed that an amount of INR 57,388 credited to the bank accounts of Noticee could be attributed to investment advisory activities. Accordingly, SEBI issued a Show Cause Notice dated July 12, 2022 (hereinafter referred to as “**SCN**”) against the Noticee alleging violation of the provisions of Section 12(1) of the SEBI Act read with Regulation 3(1) of the IA Regulations. The SCN called upon the Noticee to show cause why suitable direction(s) under Sections 11B, 11B(1), 11B(2), 11(4), 11(4A) read with Sections 15HB and 15EB of SEBI Act should not be issued against him including refund of fees collected, debarment, non-association with listed entities/intermediaries and why penalty should not be imposed against him.
11. The SCN sent to the Noticee through SPAD returned undelivered with the comments - ‘Insufficient Address / Unclaimed’. A digitally signed copy of the SCN was served on the Noticee vide e-mail dated July 12, 2022. However, no reply to the SCN was received. Accordingly, vide e-mail dated August 24, 2022, the Noticee was again advised to file his replies and to inform if he wishes to avail of an opportunity of personal hearing. Subsequently, vide e-mail dated November 24, 2022, the Noticee acknowledged the receipt of SCN *inter alia* seeking annexures to the SCN and additional time to file reply to SCN. In view of the request of the Noticee, SEBI vide letter and e-mail dated December 08, 2022, provided the annexures to the SCN to the Noticee and advised the Noticee to provide his written submissions within a period of 21 days from receipt of the said letter. The said letter was delivered to the Noticee.
12. The Noticee replied to the SCN vide e-mail dated January 27, 2023. Thereafter, an opportunity of personal hearing was granted to the Noticee on April 05, 2023 through Zoom Platform. The Noticee appeared for the hearing along with his authorised representative, Mr. Chandrashekar Reddy, Advocate. During the hearing, the authorised representative reiterated the Noticee’s submissions that the Noticee accepts the allegations made in the SCN and agreed to refund the money collected.

Further, the authorised representative requested for defreezing the bank accounts of the Noticee and for taking a lenient view with respect to levy of penalty.

SUPPLEMENTARY SHOW CAUSE NOTICE

- 13.** After the hearing held on April 05, 2023, it was observed that the bank accounts of the Noticee had more than 200 individual credits and many such credits had narrations which matched the terms related to investment advisory services and/ or matched with the package amount specified for investment advisory services on the website (www.tragroups.com). Accordingly, SEBI issued a letter dated June 28, 2023 to the Noticee advising him to inform, by July 07, 2023, why all the credits received in the aforesaid bank accounts should not be considered as fees collected by the Noticee towards unregistered investment advisory services. Further, Noticee was advised to inform the source of credits along with supporting documents in case such credits were received for purposes other than for providing investment advisory services.
- 14.** As no reply was received from Noticee, a reminder was sent to Noticee vide e-mail dated July 10, 2023 to submit his reply by July 12, 2023. In response to the same, Noticee vide email dated July 14, 2023 informed that he is unable to get his bank account statements from the banks. Accordingly, copies of bank account statements of the aforesaid bank accounts were provided to the Noticee vide e-mail dated July 14, 2023 and Noticee was advised to file his reply by July 18, 2023. However, no reply was received from the Noticee and another reminder was sent to the Noticee vide e-mail dated August 03, 2023 advising Noticee to file his reply by August 11, 2023.
- 15.** Noticee vide his e-mail dated October 11, 2023 reconfirmed that INR 57,388 identified by SEBI in the *SCN dated July 12, 2022* was the only amount collected by him from clients as an advisory fee for trading. Further, the Noticee submitted that all other credits in his bank accounts was money given by his father and friends as loan for personal use and that Noticee has repaid the same in cash to everyone.
- 16.** An examination of credit transactions in the aforesaid bank accounts revealed that an additional amount of at least INR 6,94,500 (over and above INR 57,388 identified in *SCN dated July 12, 2022*) could also be regarded as fees collected by Noticee for providing unregistered investment advisory services.

17. In view of the above, SEBI observed that a total amount of INR 7,51,888 (i.e. INR 6,94,500 + INR 57,388) was identified as fees collected by the Noticee towards unregistered investment advisory activities. Accordingly, a Supplementary Show Cause Notice (“**SSCN**”) dated November 14, 2023 was issued to Noticee asking him to show cause why suitable directions including refund of fees collected, debarment, etc. should not be issued against the Noticee. Noticee was advised to file his reply within a period of 21 days from the date of receipt of SSCN.
18. SSCN was delivered to the Noticee through India Post on November 16, 2023 (as per the tracking status on India Post website) and also delivered to the Noticee vide e-mail dated November 14, 2023. As no reply was received from Noticee, a reminder e-mail dated December 14, 2023 was sent to the Noticee to file his reply to SSCN on or before December 22, 2023. However, no reply was received from the Noticee.
19. As service of SSCN on the Noticee was complete, an opportunity of personal hearing was granted to the Noticee on January 31, 2024 through Zoom platform. On the scheduled date of hearing, Noticee appeared before me and made the following submissions:
- (i) He did not operate the bank accounts used to receive funds for unregistered investment advisory.
 - (ii) One Mr. Saurav Kumar, who was his employer, had opened and operated the said bank accounts in his name.
 - (iii) He blindly provided his KYC document and signed the documents he was asked to sign.
20. During the course of hearing, Noticee was enquired about his earlier submission to SCN dated July 12, 2022 wherein he admitted all the allegations and agreed to refund the money. In response to the same, Noticee claimed that he had admitted to the alleged violations and agreed to refund the monies, since the alleged refund amount (as per the SCN) was lower than what was alleged in the SSCN.
21. Noticee was advised to submit his reply to the SSCN by February 15, 2024 and he agreed to the same. However, till date, no reply has been received from the Noticee despite multiple reminders from SEBI.

ISSUES FOR CONSIDERATION

22. I have considered the SCN and SSCN along with all the material available on record.
23. Considering the factual findings from the examination, the allegations levelled against the Noticee in the SCN based on such findings and the submissions made by the Noticee, I find that the following issue requires consideration:

Whether acts of the Noticee as alleged in the SCN and SSCN, have resulted in the violation of the provisions of SEBI Act, 1992 read with IA Regulations, 2013 and if so, what directions are required to be issued?

24. As per the SCN and SSCN, it is alleged that the Noticee held himself out as 'investment advisor' without obtaining registration from SEBI in violation of the provisions of Section 12(1) of the SEBI Act read with Regulation 3(1) of the IA Regulations. The aforementioned provisions of law read as under:

Provisions of the SEBI Act:

"Registration of stock brokers, sub-brokers, share transfer agents, etc.

12. (1) No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:"

Provisions of the IA Regulations:

"Application for grant of certificate.

3(1) On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations:"

Evidence of acting as Investment Adviser

25. From the material available on record, the following is observed:
- 25.1 The website (www.tragroups.com) was created on August 01, 2018 and as on the date of Confirmatory Order, the website was no longer active.
- 25.2 I have taken note of the following from the downloaded webpages of the aforesaid website:

25.2.1 *“TRA Groups is a leading Stocks and Commodity Advisory Company, having a strong hold in providing most accurate Equity Tips as well as Commodity Tips.*

25.2.2 *TRA Groups since its inception has grown in leaps and bounds providing quality services to Stock Brokers and Customers, Full time traders and HNI. We maintain well qualified analysts supported by dynamic team who are skilled and impeccable in their analysis.*

25.2.3 *TRA Groups is an Investment Advisory Company that produces and delivers tips and recommendations for.*

25.2.4 *We provide recommendations through SMS and Phone Call based on customer options. Our SMS facility is a very efficient system ensuring the instant delivery of Message without any loss of time with proper details. So, the clients get adequate time to enter into the trade and fetch the profit.*

25.2.5 *We assure you and take the responsibility of providing you with an immediate alternative, if in case you are stuck up in any position in market.*

25.2.6 *Address: Kirans Arcade, John Bosco School, Next to, 3rd floor, Shanthi Nagar West, Hosur, Tamilnadu – 635109.*

25.2.7 *Contact Details- 88*****60, 73*****47*

25.2.8 *Email: info@tragroups.com*

25.2.9 *The various advisory packages are provided below:*

Table-1

Sl. No.	Package	One Month Fee in Rs.	Three Months Fee in Rs.	Six Months Fee in Rs.	One Year Fee in Rs.
1	Stock Cash	10,000	20,000	40,000	65,000
2	Stock Future	12,000	24,000	40,000	70,000
3	Nifty Future	8,000	16,000	30,000	45,000
4	Combo Equity	30,000	60,000	95,000	1,30,000
5	Options	8,000	16,000	28,000	40,000

25.2.10 *Bank details: A/c 0731053000000473, IFSC SIBL0000731, Bank South Indian Bank, Name Krishnamurthy G*

25.2.11 *Bank details: A/c 328100100002407, IFSC PMCB 0000328, Bank PMC Bank, Name Krishnamurthy G”*

25.3 As per the downloaded pages of the website, various packages were offered for investment advisory services (*as mentioned at Table -1 above*) and the aforementioned two bank accounts were used to collect the fees for the investment advisory activities.

26. With respect to the bank accounts mentioned on the website, the following is observed from the KYC documents:

Table- 2

Bank Name	Bank A/c. No.	Account Name	Authorised Signatory	Address & contact details	Date of Opening Bank Account
SIB	0731053000000473	Krishnamurthy G (PAN-BSFPK6683P)	Krishnamurthy G	#64, Amurth Nagar, Ballur, Attibele, Anekal (T), Bangalore – 562107 Mob: 81*****69 Email – k*****55@gmail.com, k*****4@gmail.com	December 10, 2014
PMC	328100100002407			No. 64, Near Basaweshwara Temple, Ballur, Attibele, Bangalore - 562107	July 11, 2018

27. As per the information available with SEBI, the Noticee had opened trading accounts with four trading members and had linked his SIB Bank Account with the said trading accounts. On the basis of account opening forms, KYC documents and ledger statements, the following is observed:

Table - 3

Sl. No.	Broker Name	Account Name	Authorised Signatory	Address & contact details	Linked Bank Account details
1	Zerodha Broking Ltd	Krishnamurthy G (PAN-BSFPK6683P)	Krishnamurthy G	No 64 panchayat office road colony, Bangalore – 562107 Mobile No.: 81*****69 Email: k*****55@gmail.com	South Indian Bank – A/c. No. 0731053000000473
2	Tradejini Financial Services Pvt. Ltd.			No 64, Panchayat Officer Road Colony, Ballur, Attibele, Hoanekal Tq, Bengaluru – 562107 Mobile No.: 88*****60 Email: k*****4@gmail.com	
3	Astha Credit & Securities P Ltd			House No-64 Near Basaweshwara Temple Ballur Attibele Bangalore 15 85 562107 Mobile No. – 96*****10	

				Email: k*****4@gmail.com	
4	Zebu Share and Wealth Managements Pvt Ltd			No 64 Near Basaweshwara Temple Ballur Attibele Bangalore Bengaluru 562107 Mobile No.: 88*****60 Email: k*****4@gmail.com	

28. Upon perusal of the website as well as the Bank and Trading Account details along with contact details, I note that the accounts were in the name of the Noticee and he was the authorized signatory to access and operate the said bank and trading accounts. Further, on the website (www.tragroups.com), the Noticee's bank accounts are listed along with the information relating to various packages for availing investment advisory services.

29. The total credit entries received in the 2 bank accounts of the Noticee advertised on the website are summarized in the Table below:

Table – 4

S. No.	Bank Account	Transaction Period*	Total No. of Credit Transactions	Amount (in INR)
1	SIB A/c No. 073105300000473	August 01, 2018 – September 04, 2020	277	16,07,375
2	PMC A/c No. 328100100002407	August 01, 2018 – September 05, 2019	46	1,41,931
	Total		323	17,49,306
*From the date of creation of website (August 01, 2018) or date of account opening, whichever is later, till the last date of transaction as mentioned in the SCN				

Computation of fee collected

30. At the time of issuance of SCN dated July 12, 2022, it was observed from the narration in the SIB Bank Account of the Noticee that there were six credit transactions in the said bank account which had terms related to investment advice viz., 'tips fees', '3 months tr', 'TGA3MntSe', 'equity calls', 'stocks serv' and 'stock tips' indicating that the aforesaid bank account was used for receiving fees related to investment advisory activities. However, no credit transactions with narration related to investment advice

were observed in the PMC Bank account of the Noticee. After taking into consideration the two credit transactions of complainant and the aforementioned transactions in SIB account of Noticee having narration related to investment advice, the SCN dated July 12, 2022 concluded that the fee collected by Noticee through unregistered investment advisory activities amounted to INR 57,388, as detailed in the Table below:

Table- 5

Sl. No.	Transaction Date	Particulars	Amount Credited in Rs.
SIB Bank Account No. 0731053000000473			
1	17.12.2018	IMPS/SBIN/835109988068/Mrs ASHA SAM/MOBUA0121871	5,000.00
2	18.01.2019	UPI/HDFC/901820542094/GIREESH ADANUKOTA/Tips fees	5,000.00
3	25.01.2019	UPI/HDFC/902538493506/GIREESH ADANUKOTA/3months tr	11,888.00
4	13.03.2019	IMPS/HDFC/907218117668/YOUNUS PASHA SYED/TGA3MntSe	16,000.00
5	05.02.2020	IMPS/INDB/003611610008/RAJESH K V/equity calls	2,000.00
6	18.03.2020	UPI/ICIC/007811112916/GOPINADH ANASURI/Stocks serv	10,000.00
7	18.03.2020	UPI/ICIC/007813357957/GOPINADH ANASURI/Stock tips	5,000.00
PMC Bank Account No. 328100100002407			
8	03.12.2018	IMPS/P2A/833713654971/9745180002/9002/MOBUA011742	2,500.00
		Total	57,388.00

31. Subsequently, other credit transactions in the said bank accounts were examined to ascertain if the same were also related to unregistered investment advisory activities of Noticee. During the course of the said examination, it was observed that there were certain other credit entries in the said bank accounts which could also be construed as fee for IA services since these credit entries had narrations suggesting that the credits related to investment advisory services. Consequently, SEBI vide letter dated June 28, 2023 advised the Noticee to inform as to why all credits in the said bank accounts should not be considered as fees collected by the Noticee for unregistered investment advisory services. Further, vide SEBI email dated August 03, 2023, some sample instances of credit entries with similar narration and/ or where amounts similar to the packages offered on the website, were shared with Noticee seeking his comments on the same. However, Noticee failed to submit his reply to the letter dated June 28, 2023 and e-mail dated August 03, 2023.

32. Meanwhile, 10 credit entries in SIB bank account and 5 credit entries in PMC bank account of Noticee were randomly selected to ascertain if the amounts were indeed received as fee for providing unregistered investment advisory services. The counterparty details for such 15 transactions were sought from SIB and PMC banks. Vide letters/ e-mails, SEBI had written to the aforesaid 14 counterparties *inter alia*

requested them to inform SEBI about the purpose/ reason for the payments made to the Noticee and nature of services availed along with supporting documents. Replies received from 3 counterparties, are summarized in the Table below:

Table - 6

S. No.	Particulars of the Counterparty	Details of Payment	Reply from Counterparty
1.	UPI/CR/908710561488/PA*	INR 8000 on March 28, 2019 to PMC Bank Account of Noticee	He is not personally aware of the Noticee. He only had telephonic conversation about trading activities and made the payment of INR 8000 once for the advice given about trading. However, he does not have any documentary proof as amount was paid on the basis of telephonic conversation.
2.	UPI/CR/831811180805/PE*	INR 5000 on November 14, 2018 to PMC Bank Account of Noticee	As the payment was made more than 5 years ago, he does not remember why the payment was made.
3.	UPI/CR/902110780977/NI*	INR 5000 on January 21, 2019 to PMC Bank Account of Noticee	He had made the payment for advisory service.

* Name of the Counter Party withheld.

From the responses at S. Nos. 1 & 3 in the Table above, it is reasonable to infer, unless rebutted by Noticee with evidence, that amounts credited to the bank accounts of Noticee matching with the packages offered by Noticee were received for providing unregistered investment advisory services. It may be recalled that the complainant had also stated that he had paid INR 5000 and INR 2500 for the investment advisory services offered by Noticee.

33. Thus, in order to ascertain which amounts credited to the 2 bank accounts related to unregistered investment advisory services, the following three criteria/ tests were adopted by SEBI:

- (i) ***Amounts similar to the packages offered on the website*** – There were a total of 36 transactions in the bank accounts (32 in SIB A/c and 4 in PMC A/c) amounting to INR 5,15,000 during the period mentioned in Table – 4 above.

- (ii) **Amounts of INR 5000 or INR 2500 – similar to those paid by the Complainant** – Apart from the two credit transactions of the complainant, there were a total of 34 transactions in the bank accounts (27 in SIB A/c and 7 in PMC A/c) amounting to INR 1,55,000 during the period mentioned in Table – 4 above.
- (iii) **Credits with narration related to unregistered investment advisory activities** – Apart from the six credit transactions referred to in the SCN for an amount of INR 49,888 which had narration related to investment advice, the following three credit transactions in the SIB A/c of the Noticee had similar narrations:

Table - 7

Date	Particulars	Amount Credited (in INR)
March 06, 2019	IMPS/ICIC/906516449657/MUTHUMANI P JT1/For a month	21,000
July 25, 2019	UPI/SBIN/920612854280/TILAK KUMAR NAMA/for demat.	3000
November 28, 2019	IMPS/INDB/933209978025/RAJESH K V/Trading consulta	500
	Total	24,500

34. The amounts credited, satisfying the aforementioned 3 criteria/ tests, are recorded in the Table below:

Table - 8

Bank account	Transaction period	Amount (in INR) for Credits matching with the package amount specified for investment advisory services (A)	Amount (in INR) for Credits having narration with respect to investment advisory services (B)	Amount (in INR) for Credits matching with the amounts paid by the complainant for availing investment advisory services (C)	Total amount (in INR) for credits identified as received towards investment advisory services (A+B+C)
SIB A/c no. 0731053000000473	07.08.2018 to 31.08.2020	4,59,000	24,500	1,22,500	6,06,000

PMC Bank a/c no. 328100100002407	14.08.2018 to 20.08.2019	56,000	0	32,500	88,500
<u>TOTAL</u>		5,15,000	24,500	1,55,000	6,94,500

35. I note that though (*as mentioned at table – 4 above*) the total amount credited in the SIB and PMC bank accounts was INR 17,49,306 during the relevant period, certain credit transactions in the said bank accounts cannot be considered as fee received for investment advisory services for the following reasons:

- (i) Credits amounting to INR 3,39,610 relate to payments received from Stock Broker which cannot be considered as fees.
- (ii) Credits amounting to INR 6,57,808 do not fall within any of the criteria mentioned at para 33 above and there is no information/ reason available on record for the said credits. In the absence of any decipherable connection of the credits to the investment advisory services of Noticees, the said credits cannot be considered as fees paid for unregistered investment advisory services.

36. Taking all of the above into consideration, the SSCN issued to the Noticee alleged that the Noticee had collected an amount of **INR 7,51,888** (i.e. INR 57,388 from SCN + INR 6,94,500 as per Table 8 above) as fees for unregistered investment advisory services.

37. Earlier, vide his e-mail dated January 27, 2023 in reply to the SCN, the Noticee had accepted the allegation of offering unregistered investment advisory services and agreed to refund the amount collected. This was also confirmed by the Authorised Representative of the Noticee during the hearing held on April 05, 2023.

38. However, in his submissions dated October 11, 2023, Noticee claimed that all other money reflected in his bank accounts (apart from the amount mentioned in the SCN dated July 12, 2022) was given by his father and friends as loan for his personal use and the same was repaid in cash by him to everyone. I note that apart from this bald assertion, Noticee has not provided any evidence to corroborate his claims. During the hearing held on January 31, 2024, Noticee claimed that one Mr. Saurav Kumar,

purported to be his employer, had opened and operated the said bank accounts in his name and that while he had provided his KYC documents for opening the same, he did not operate the said accounts. The Noticee was granted time to provide evidence to substantiate his submissions. However, till date he has not submitted any document evidencing his employment with Saurav Kumar, nature of his employment, etc.

39. In view of the contradictory statements of Noticee and lack of any evidence by Noticee to corroborate such statements, I am of the view that Noticee appears to be making such statements as an afterthought to shield himself from any liability for providing unregistered investment advisory services. Therefore, the submissions of Noticee with respect to loans availed or relating to his employment with Saurav Kumar cannot be accepted.

40. I note that Noticee has not provided any evidence to dispute the conclusions and allegations made in the SSCN with respect to the amount collected by Noticee as fee for providing unregistered investment advisory services.

41. However, I have examined the said transactions considered in the SSCN and I am of the view that certain transactions may need to be excluded while computing the fee collected by the Noticee. There are four such transactions in the bank accounts of Noticee having particulars of 'CWRR'. These particulars are for reversal of cash withdrawal transactions and therefore, the same cannot be considered towards fees collected for investment advisory service. The details of the said 4 transactions are provided in the Table below:

Table – 9

Date	Tran ID	Particulars	Amount Credited (in INR)
SIB A/c No. 0731053000000473			
12-09-2018	S7117445	CWRR/000000841805/12-09-2018 11:32:18/CMN	8000
16-10-2018	S26720753	CWRR/000000851521/16-10-2018 10:03:52/CMN	2500
26-02-2020	S94157047	CWRR/000000002862/26-02-2020 19:03:52/CMN	10000
PMC A/c No.			
14/08/2018	-	CWRR/0000000475913/14-0	5000
Total			25,500

42. Therefore, I find that an amount of INR 25,500 must be excluded from the alleged amount collected as fees for unregistered IA activity.
43. In view of the discussion at para 41 above, I note that the total amount of fees collected by Noticee from unregistered investment advisory services is INR 7,26,388 (Rupees Seven Lakh Twenty Six Thousand Three Hundred and Eighty Eight). The details of the credit entries as fee from unregistered investment advisory services (as extracted from Bank account statements provided by SIB and PMC to SEBI) are provided at **Annexure** to this Order.

CONCLUSION

44. Regulation 2(1)(m) of the IA Regulations defines the term 'Investment Adviser' as *"any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called"*. Further, Regulation 2(1)(l) of the IA Regulations defines 'Investment Advice' as *"advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning."* The messages disseminated on the website, discussed in previous paragraphs of this Order, make it amply clear that the investment advice was being disseminated in return for fee. Also, the narrations in the credit entries in the bank accounts of the Noticee (*which was also advertised on the website*) read along with the similarity in the amounts mentioned for the packages on the website makes it clear that Noticee was engaged in the business of providing investment advice for consideration from investors /clients.
45. Section 12(1) of the SEBI Act inter alia provides that no investment adviser shall buy, sell or deal in securities except under and in accordance with the conditions of a Certificate of Registration obtained from the Board. Further, Regulation 3(1) of the IA Regulations provides that no person shall act as an investment adviser or hold himself out as an investment adviser unless he has obtained a Certificate of Registration from the Board. The Noticee was never registered with SEBI, in any

capacity, as an intermediary. No evidence to the contrary has been placed on record before me. By operating as an 'Investment Adviser' as defined under Regulation 2(1)(m) of the IA Regulations without obtaining registration from SEBI, I find that the Noticee has violated Section 12(1) of the SEBI Act read with Regulation 3(1) of the IA Regulations.

46. I note that registration of intermediaries provides a reasonable assurance of adherence to high standards of governance and responsibility towards clients/ investors. Their actions are subject to securities law and supervision by SEBI which *inter alia* monitors their compliance with the law. Registration of such investment advisers is also subject to satisfaction of 'fit and proper' norms. The IA Regulations, first and foremost, seek to protect the interest of investors in the securities market. Allowing unregistered and unregulated investment advisory services to perpetuate without deterrent or remedial actions may adversely impact the orderly development of securities market apart from hurting the interests of investors in the securities market.

47. In the instant proceedings, as concluded in prior paragraphs, I find that the amount of fee / consideration collected by the Noticee as a result of providing unregistered 'Investment Advice' to clients / investors, amounts to INR 7,26,388 (Rupees Seven Lakh Twenty Six Thousand Three Hundred and Eighty Eight Only). I am of the considered view that the Noticee is liable to refund, along with interest thereon, the aforementioned amount collected as fee for providing unregistered 'Investment Advice' to investors. I note that the Noticee continues to be debarred from the securities market from the date of interim order.

48. The SCN read with SSCN had also called upon the Noticee to show cause as to why penalty under Section 11B, 11(4), 11(4A) read with Section 15HB and Section 15EB of the SEBI Act should not be imposed. The aforesaid provisions are reproduced below:

"Functions of Board

11(4A) Without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

Power to issue directions and levy penalty

11B(2) Without prejudice to the provisions contained in sub-section (1), sub-section (4A) of section 11 and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

¹[Penalty for default in case of investment adviser and research analyst.

15EB. Where an investment adviser or a research analyst fails to comply with the regulations made by the Board or directions issued by the Board, such investment adviser or research analyst shall be liable to penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.]

Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.”

49. For the imposition of penalty under the provisions of the SEBI Act, Section 15J of the SEBI Act provides as follows:

“Factors to be taken into account while adjudging quantum of penalty

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:—

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

Explanation.—For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

I note that Noticee has collected an amount of INR 7,26,388 as fees from unregistered investment advisory which he was not authorized to do and thereby, Noticee has made an unlawful gain of INR 7,26,388.

ORDER

50. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Sections 11(4), 11(4A), 11B, 11B(1) and 11B(2) read with Sections 15HB, 15EB and

¹ Inserted by the Finance Act, 2018 w.e.f. March 08, 2019. Applicable for amount collected after March 08, 2019.

Section 19 of the SEBI Act and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, hereby issue the following directions:

- 50.1 Noticee, Krishnamurthy G. (PAN - BSFPK6683P), shall within a period of 3 (three) months from the date of coming into force of this Order, refund the monies (recorded in para 43 above read along with Annexure) received from Complainant/ investors/ clients, as fees / consideration, in respect of his unregistered investment advisory activities, along with interest at the rate of 12% p.a. from the date of receipt of the said fees / consideration till the date of refund.
- 50.2 The repayments to the Complainant / investors / clients shall be effected only through Bank Demand Draft or Pay Order or electronic fund transfer or through any other appropriate banking channel, which ensures audit trail to identify the beneficiaries of repayments.
- 50.3 If attempts to refund the amount as directed in para 50.1 above fail, the remaining balance amount shall be kept in an escrow account with lien in favour of SEBI, for a period of one year for distribution to clients / investors who were availing the investment advisory services from the Noticee. Thereafter, the remaining amount, if any, shall be deposited in the Investors Protection and Education Fund, maintained by SEBI.
- 50.4 After completing the refund or depositing the amount in escrow account in accordance with directions at paragraph 50.1 and / or paragraph 50.3 as the case may be, the Noticee shall file a report detailing the same, which should be addressed to the "Deputy General Manager, SEBI-Southern Regional Office, Overseas Towers, 7th Floor, 756-L, Anna Salai, Chennai-600002". The above-mentioned report should be duly certified by an independent Chartered Accountant and should indicate the amount of refund, mode of payment by bank transactions, name of the parties, communication address, mobile / telephone numbers, amount deposited in the escrow account (as the case may be), etc.
- 50.5 The Noticee is restrained from selling or creating third party interest over his assets, movable or immovable, including securities except for the sole purpose of making the refunds to investors, as directed above. Further, the

banks are directed to allow debits only for the purpose of making refunds to the Complainant/ investors/ clients who were availing the unregistered investment advisory services from the Noticee, as directed in this Order, from the bank accounts of the Noticee. This direction shall cease to operate within 15 days after submission of the report on the completion of refund.

50.6 The Noticee shall, with immediate effect be restrained/ prohibited from –

- (i) accessing the securities market, directly or indirectly;
- (ii) buying, selling or otherwise dealing in the securities market, directly or indirectly; or
- (iii) associating with any company whose securities are listed on a recognized stock exchange and any company which intends to raise money from the public or any intermediary registered with SEBI.

The period of restraint shall continue till the completion of 6 months from the date of completion of refunds and submission of report, as directed at paragraph 50.4 above.

50.7 A penalty of INR 1,00,000 (Rupees One Lakh Only) is hereby imposed on the Noticee under Section 15HB read with Section 15EB of the SEBI Act. The Noticee is directed to pay the penalty within a period of forty-five (45) days from the date of receipt of this Order.

50.7.1 The Noticee shall remit / pay the said amount of penalty through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of Chairman/ Members -> PAY NOW. In case of any difficulties in online payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

50.8 The above direction for refund / repayment and / or depositing the balance amount (as the case may be) as directed above, does not preclude such complainant / investors / clients from pursuing legal remedies available to them under any other law against the Noticee for refund of money or deficiency in service.

50.9 This Order shall come into force with immediate effect.

50.10 A copy of this Order shall be served upon the Noticee. A copy of this Order shall also be forwarded to the recognized Stock Exchanges, Depositories, Banks and Registrar and Transfer Agents for necessary compliance with the above directions.

DATE: MARCH 11, 2024

ANANTH NARAYAN G.

PLACE: MUMBAI

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA

Annexure

Credits in South Indian Bank A/c No. 0731053000000473

Date	Tran ID	Particulars	Amount Credited (in INR)
07-08-2018	S89682181	UPI/SIBL/821957958303/NAGAREDDY/Payment from Phone	2500
09-08-2018	S90648409	M-Pay/822117561286/IMPISA/SIBL/fund 17:34:26	5000
11-09-2018	S6862015	M-Pay/825419913377/IMPISA/SIBL/comments 19:04:01	5000
12-09-2018	S7281540	M-Pay/825515862837/IMPISA/SIBL/	5000
17-09-2018	S10195739	M-Pay/826011523317/IMPISA/SIBL/	8000
24-10-2018	S30543008	UPI/KVBL/829727323149/AKSHAY M REDDY/Payment from	10000
24-10-2018	S30595680	UPI/KVBL/829733896021/AKSHAY M REDDY/Payment from	30000
24-10-2018	S30597318	UPI/KVBL/829711124256/AKSHAY M REDDY/Payment from	10000
24-10-2018	S30598439	UPI/KVBL/829744213613/AKSHAY M REDDY/Payment from	10000
24-10-2018	S30603590	UPI/KVBL/829733631272/AKSHAY M REDDY/Payment from	30000
24-10-2018	S30603838	UPI/KVBL/829711555520/AKSHAY M REDDY/Payment from	30000
24-10-2018	S30604589	UPI/KVBL/829744271193/AKSHAY M REDDY/Payment from	10000
17-12-2018	S62209908	IMPS/SBIN/835109988068/Mrs ASHA SAM/MOBUA0121871	5000
20-12-2018	DC165632	BY CASH BR:BALLUR	5000
27-12-2018	S68087724	IMPS/PYTM/836118354664/NILAMADHABA PATRO/	2500
13-01-2019	S78892359	UPI/SIBL/901360623815/SHRINATHA N/Payment from Pho	20000
18-01-2019	S81530122	UPI/HDFC/901820542094/GIREESH ADANUKOTA/Tips fees	5000
25-01-2019	S85961617	UPI/HDFC/902538493506/GIREESH ADANUKOTA/3months tr	11888
11-02-2019	DC70556	BY CASH BR:BALLUR	10000
06-03-2019	S10543785	IMPS/ICIC/906516449657/MUTHUMANI P JT1/For a month	21000
12-03-2019	S14803678	UPI/SIBL/907122813699/NAGAREDDY/Payment from Phone	5000
13-03-2019	S15326220	IMPS/HDFC/907218117668/YOUNUS PASHA SYED/TGA3MntSe	16000
20-05-2019	DC29092	BY CASH BR:BALLUR	45000
22-07-2019	DC11068	BY CASH BR:BALLUR	10000
25-07-2019	S4695451	UPI/SBIN/920612854280/TILAK KUMAR NAMA/for demat.	3000
30-07-2019	S7662116	UPI/SIBL/921132169636/SHRINATHA N/Payment from Pho	10000
13-08-2019	S18511233	UPI/SIBL/922536539591/SHRINATHA N/Payment from Pho	12000
13-10-2019	S69679091	UPI/SBIN/928663648425/SAMIR KUMAR PARIDA/Payment f	20000
08-11-2019	S91314491	IMPS/PUNB/931210251208/ASHISH HUKUMCHAND KE/	2500
23-11-2019	S3756498	UPI/SBIN/932719694303/NAGAMMA LAXMIKANTH/UIP	10000
23-11-2019	S3757686	UPI/SBIN/932719703023/NAGAMMA LAXMIKANTH/UIP	10000
23-11-2019	S3759221	UPI/SBIN/932719717346/NAGAMMA LAXMIKANTH/UIP	10000
23-11-2019	S3759710	UPI/SBIN/932719719274/NAGAMMA LAXMIKANTH/UIP	10000
23-11-2019	S3762749	UPI/SBIN/932719752168/NAGAMMA LAXMIKANTH/UIP	10000
23-11-2019	S3763124	UPI/SBIN/932719747762/NAGAMMA LAXMIKANTH/UIP	10000
28-11-2019	S7152281	IMPS/INDB/933209978025/RAJESH K V/Trading consulta	500
03-12-2019	S11896522	IMPS/KVBL/933714677016/Customer/n	5000
04-12-2019	S12868654	IMPS/IBKL/933814499838/SARAVANAN R/INSANTEVE	16000
04-12-2019	S12922295	IMPS/KVBL/933815739834/Customer/g	5000
27-01-2020	DC4571	BY CASH BR:BALLUR	10000

05-02-2020	S74389059	IMPS/INDB/003611610008/RAJESH K V/equity calls	2000
12-02-2020	S81354337	UPI/TMBL/004310172020/KAVITHA PONNUSAMY/UPI	10000
14-02-2020	S83603616	UPI/SBIN/004515747022/NANDAKUMAR T/UPI	5000
24-02-2020	S91973772	UPI/SBIN/005515027253/LAKSHMANAN A/NO REMARKS	5000
02-03-2020	S98840883	UPI/SBIN/006216877892/LAKSHMANAN A/NO REMARKS	5000
12-03-2020	S9053482	IMPS/SBIN/007212740345/RAKESH KUMAR VIJAY/INETIMPS	10000
13-03-2020	S10118621	IMPS/SBIN/007313742790/RAKESH KUMAR VIJAY/INETIMPS	5000
18-03-2020	S14224237	UPI/ICIC/007811112916/GOPINADH ANASURI/Stocks serv	10000
18-03-2020	S14362135	UPI/ICIC/007813357957/GOPINADH ANASURI/Stock tips	5000
23-03-2020	S18328271	IMPS/UTIB/008315308985/RAJANGAM SADAIYAPPA/	5000
24-03-2020	S19095124	UPI/CNRB/008409302209/SENTHIL KUMAR S/Rt	20000
01-04-2020	S23073892	UPI/CNRB/009210271730/KARTHIK M/Hi	20000
09-04-2020	S27358314	UPI/KKBK/010015186256/T NANDA KUMAR/UPI	5000
04-06-2020	S61080930	UPI/KVBL/015609027630/SHESHADRI TYRES AND/UPI	2500
09-06-2020	S65311485	IMPS/SBIN/016112865772/Mr SUBASH AUGUSTINE/MOBUA0	5000
10-06-2020	S66152352	UPI/UTIB/016212839265/LEO ANTHONY RAJ A/UPI	5000
16-06-2020	S71065778	UPI/UTIB/016816042302/LEO ANTHONY RAJ A/UPI	5000
14-07-2020	S99799482	UPI/SBIN/019618825958/LINGSTON DURAISINGH/UPI	5000
16-07-2020	S1299166	UPI/SIBL/019813841621/C SAGAR GOWDA/UPI	5000
23-07-2020	S7219130	UPI/SBIN/020519093994/NANDISH KUMAR L S/UPI	10000
06-08-2020	S18953248	UPI/ICIC/021915041975/RAMACHANDRAN BALAKRISHNAN/Sh	5000
07-08-2020	S20292937	UPI/SBIN/022019115345/LINGSTON DURAISINGH/UPI	5000
11-08-2020	S23263831	UPI/SBIN/022448975171/PRASHANT S GAONKAR/Payment	5000
17-08-2020	S28751252	UPI/UTIB/023016773417/PADMANABHAN P/UPI	5000
18-08-2020	S29470628	NEFT:VENKATESH REDDY	10000
31-08-2020	S41721424	UPI/SBIN/024416872136/CHINTHA VEERANJANEYULU/UPI	10000
Total			6,40,388

Credits in Punjab and Maharashtra Co-Op Bank Ltd. A/c No. 328100100002407

DATE	PARTICULARS	Amount Credited (in INR)
07/09/2018	IMPS/P2A/825021548640/	5000
14/11/2018	UPI/CR/831811180805/PE	5000
15/11/2018	IMPS/P2A/831909976013/	5000
03/12/2018	IMPS/P2A/833713654971/	2500
21/01/2019	UPI/CR/902110780977/NI	5000
15/03/2019	UPI/CR/907416773142/GU	2500
28/03/2019	UPI/CR/908710561488/PA	8000
28/03/2019	UPI/CR/908718131970/PA	8000
08/04/2019	UPI/CR/909817213887/NA	5000
01/05/2019	UPI/CR/912116933994/VI	10000
20/08/2019	CRTR*2801/000000154163	30000
Total		86,000