

**SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER**

UNDER SECTION 12(3) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND REGULATION 27 AND 35 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008 AND REGULATION 28 OF THE SEBI (INVESTMENT ADVISERS) REGULATIONS, 2013.

In respect of:

M/s Alliance Research¹ (Proprietor: Mudassir Hasan) SEBI Registration Number: INA000002934- PAN: AGDPH7770D.

Prologue.

1. The instant case is peculiar and unique, in that, it is based on an inspection in the affairs of a registered Investment Adviser (IA). While inspection was on going, an *interim order* dated January 6, 2021 was passed against the IA by the Securities and Exchange Board of India (“SEBI”). After issuing the *interim order*, based on an internal decision after completion of the inspection, instead of passing confirmatory order or final order under section 11 and 11B of the SEBI Act, two parallel proceedings; one, under section 12(3) of the SEBI Act read with SEBI (Intermediaries) Regulations, 2008 (“*the Intermediaries Regulations*”) and the other Adjudication Proceedings under section 15I of the SEBI Act, against the Noticee were initiated. The Adjudication Proceeding is still pending against the Noticee.
2. The confirmatory order came to be passed on July 29, 2022 during the pendency of above proceedings under section 12(3) and before commencing of the Adjudication Proceedings under section 15I of the SEBI Act. The confirmatory order confirmed the directions issued vide the *interim order* dated January 6, 2021, however, provided in its para 21 that the findings therein are *prima facie* findings and pending proceedings under section 12(3) may bring out “*additional roles of omission or commission, of the Noticee, if any, in detail.*”

¹ Hereinafter referred to as ‘the Noticee’ or as its Proprietary name

3. When the Designated Authority (“DA”) appointed for conducting enquiry during the proceedings under section 12(3) submitted her Report dated October 17, 2023 (“**the Report**”) recommending the suspension of certificate of registration of the Noticee for a period of six months, concerned Department was clueless as to how to conclude the proceedings commenced by the *interim order*, the proceedings under section 12(3) and also the proceedings under section 15I of the SEBI Act.
4. Finally, the deadlock got cleared in March 2025 and decision has been taken to continue with all the three proceedings independently by the concerned authorities of SEBI. It is only the proceedings under Section 12(3) that has been referred to the author of this order for disposal.
5. When the matter was referred to me in March 2025, it was noted from record that the Noticee had filed for settlement of the instant Proceedings as well as the Adjudication Proceedings in terms of the SEBI (Settlement Proceedings) Regulations, 2018 on November 01, 2023 (Settlement Regulations) which was also pending for disposal.

Background:

6. M/s Alliance Research (“**Noticee**”) is a proprietary firm of proprietor Mr. Mudassir Hasan. It is registered with the Securities and Exchange Board of India as an Investment Advisor (Registration Number - INA000002934) under the SEBI (Investment Advisers) Regulations, 2013 with effect from April 16, 2015.

Interim Order:

7. Based on the preliminary observations during inspection in relation to the affairs of M/s Alliance Research - proprietor Mr. Mudassir Hasan for the period from April 1, 2018 to February 15, 2020 vide, the *interim order* dated January 6, 2021, following directions were issued under Sections 11(1), 11(4), 11B(1) and 11D read with Section 19 of the SEBI Act and Regulation 35 of the Intermediaries Regulations, against the Noticee and its proprietor Mr. Mudassir Hasan:
 - a. *Not to access the securities market and buy, sell or otherwise deal in securities or associates themselves with securities market, directly or indirectly, in any manner whatsoever or on behalf of any of its clients through their accounts;*
 - b. *To cease and desist from acting as an investment advisor including the activity of acting and representing through any media (physical or digital) as an investment advisor, directly or indirectly, and cease to solicit or undertake such activity or any*

other activities in the securities market, directly or indirectly, in any matter whatsoever;

- c. Not to divert any funds raised from investors, kept in bank account(s) and/or in their custody;*
- d. To provide a full inventory of all assets held in their name, whether movable or immovable, or any interest or investment or charge on any of such assets, including details of all bank accounts, demat accounts and mutual fund investments, immediately but not later than 5 working days from the date of receipt of this order;*
- e. Not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge on any of such assets held in their name, including money lying in bank accounts except with the prior permission of SEBI;*
- f. To immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, communications etc., in digital mode or otherwise, in relation to its investment advisory activity or any other activity in the securities market;*
- g. To remove all contents from website immediately and display only the content in its website that SEBI has passed Interim Order dated January 6, 2021 reproducing the directions mentioned in the Interim Order and submit copy of the relevant web page to SEBI within five working days from the date of the receipt of this order.*
- h. If Alliance Research or its proprietor Mr. Mudassir Hasan have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out/ square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. Alliance Research or its proprietor Mr. Mudassir Hasan are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.*
- i. The Depositories are directed to ensure, that they neither permit any debits nor any credits in the demat accounts held by Mr. Mudassir Hasan either individually or jointly.*
- j. The Registrar and Transfer Agents are directed to ensure, that they neither permit any transfer nor redemption of the securities, including Mutual Funds units, held by (a) Alliance Research and (b) Mr. Mudassir Hasan either individually or jointly.*

The basis of the interim order.

8. The interim order was passed *inter alia*, based on the following observations:

- a. That the Noticee did not have any documented policy of suitability assessment for the advice provided to its clients, which was observed to be in non-compliance with the regulatory requirements relating to the suitability policy as Noticee was not providing the investment advice as per the risk suitability of clients;
- b. That the Noticee had not done KYC, Risk Profiling and Suitability Assessment for its 14 clients (on sample basis);
- c. That for 32 clients, Noticee did not send the risk profile and risk assessment form to the client;
- d. That for 32 clients, Noticee had sold products/services which had 'High Risk' features to 'Medium Risk' and 'Low Risk' profile clients;
- e. That for 46 clients, Noticee had received advisory fees from its clients even prior to assessing and communicating the risk profiling to the clients; and
- f. That the Noticee had collected unreasonable / unfair fee by charging fees disproportionate to the annual income of the clients and disproportionate to the proposed investment disclosed by clients in their risk profiling form, by charging advance fee from them for sale of products and also by charging arbitrary and unreasonable amounts of fees from the same clients for the same services rendered to them.

The Report of the DA

9. After duly completing the enquiry under the Intermediaries Regulations read with Section 12(3) of the SEBI Act, the **DA** submitted the Report dated October 17, 2023 recommending that the certificate of registration of the Noticee as an Investment Advisor may be suspended for a period of six months, in terms of Regulation 26(1)(iii) of the Intermediaries Regulations.
10. In the Report, the DA , however, clarified that the Show Cause Notice dated July 24, 2023 issued by the erstwhile DA in terms of Regulation 25(1) of the Intermediaries Regulations inadvertently mentioned allegations which were not part of the reference to her. Therefore, the Report only deals with the alleged violations for which the DA has been appointed.

Impending Settlement Regulations

11. When the matter was referred to me in March 2025, it was noted from record that the Noticee filed for settlement of the instant Proceedings as well as the Adjudication Proceedings in terms of the SEBI (Settlement Proceedings) Regulations, 2018 on November 01, 2023.

12. When clarification was sought, Settlement Division of SEBI on April 09, 2025 informed that the Show Cause Notice (SCN) based on the Report of the DA can be issued during the pendency of the Settlement Application of the Noticee filed during November 2023.

Post-Enquiry Proceedings: SCN, Reply and Hearing:

13. On consideration of the Report it is noted that the DA has elaborated that, in view of the above clarification as mentioned at Para 10., the following allegations are not part of the Report –

- a. Improper KYC, Risk Profiling and Suitability Assessment;
- b. Products meant for high risk bearing clients sold to medium risk bearing clients;
- c. Non-communication of risk profile to clients;
- d. Advisory Services sold prior to Risk Profiling;
- e. Unfair amount of fees charged from clients;
- f. Products sold for the future period;
- g. IA doesn't have PMLA Policy and failed to intimate FIU regarding "Appointment of Principal Officer"; and
- h. Violation of Clause 2 of SEBI Circular number MIRSD/Cir-26/2011 dated December 23, 2011 read with SEBI Circular MIRSD/Cir-23/2011 dated December 2, 2011 for allegation relating to "Risk Profiling-Non availability of supporting documents for risk profiling".

14. In view of the above, in terms of regulation 27(1) of the Intermediaries Regulations, the findings in this Order are based only on the observations made with respect to the allegations dealt with in the Report.

Show Cause Notice post submission of the Report

15. After consideration of the Report of the DA along with clarifications and limitations as pointed out by her as above, the SCN dated April 15, 2025 was issued to the Noticee in terms of regulation 27 of the Intermediaries Regulations enclosing therewith a copy of the Report dated October 17, 2023, and calling upon him to show cause as to why actions as recommended by the DA or any other action should not be taken against the Noticee in terms of the Intermediaries Regulations.

16. In the meantime, the Settlement Division of SEBI informed me on August 08, 2025 that Noticee's settlement proposal was rejected and was communicated to it by SEBI vide letter dated July 11, 2025.

Hearing and written submissions.

17. The Noticee did not file its reply to the SCN, however, when additional opportunity of 'being heard' was offered to him he availed the opportunity and its Authorised Representative ("AR") Mr. Abhishek Mishra appeared on its behalf on August 28, 2025 and made oral submissions. The AR undertook to file a written submission within 7 days from the date of the hearing based on his oral submissions and records of the Noticee. The AR fairly conceded that no further opportunity of personal hearing shall be sought after filing of the written submissions. Vide letter dated September 10, 2025, the Noticee *inter alia* made the following additional submissions in writing:

- a. The direction passed in the *interim order* dated January 6, 2021 is still in operation. No other directions may be imposed as the Noticee has already been served with an interim ex-parte order dated January 06, 2021, which was confirmed on July 29, 2022 and since the year 2021 he has been debarred from the securities market and thus can not act as Investment Adviser since then.
- b. The Noticee had duly resolved all the complaints in a timely manner. Complaint of one Mr. Shivalal Dhakad which is subject matter of the proceedings was also resolved in a timely as evident from the Exhibit-B and the complainant himself had sent an email to the SEBI to close the complaint. However, thereafter the said complainant had again filed the complaint on the same grounds which is evident from the Exhibit C and the Noticee has duly stated in the resolution that the said complaint is already resolved. Hence, there has been no delay from the Noticee's end, it was a repetitive complaint filed by Shivalal Dhakad which can be seen from the contents of the complaint itself. To demonstrate that the complaints of Mr. Shivalal Dhakad at Sr. No. 3 and 5 were identical in nature, the Noticee in its submission has enclosed the action history of complaint of Mr. Shivalal Dhakad at Sr. No. 3 and 5 from the SCORES platform.
- c. Noticee had applied for the registration with the SEBI as an Investment Adviser and was in misconception that after applying for the registration, he can start the practice just like in the case of Trademark. Moreover, if the Noticee had any deliberate intention of carrying out unregistered advisory activities, then he would have not applied for the registration with the SEBI. Hence, this is an unintentional mistake made by the Noticee in his naivety.

- d. Noticee had duly informed the SEBI Indore office regarding the address change in the month of January, 2016 as at that point of time there was no any online portal for submitting the request. Thereafter in 2020, when the Noticee had again changed the office address, he again visited the SEBI Indore office to submit the documents, however, the concerned officer demanded the registered rent agreement, which the Noticee was not having and hence the address could not get updated in SEBI record. Hence, the allegation that the Noticee has not informed the SEBI regarding the address change is unfounded.
- e. Mr. Ravi was prohibited from the securities market for a period of 4 years from June 04, 2015 till June 03, 2019 and the Noticee had appointed Mr. Ravi from June 01, 2019. However, he began his activities with the Noticee only after June 03, 2019. Moreover, a period of 2 days shall not be major concern as Mr. Ravi started working with the Noticee only after June 03, 2019.
- f. Non-updating of the content of the website has not affected any of the investors or clients of the Noticee. Moreover, the Noticee had also not made any undue gain/advantage from it. Further, the said rating was not marketed by the Noticee, it was displayed at the foot end of the website and was also not highlighted/emphasized by the Noticee any manner. Also, neither of the clients were attracted through it. Hence, it shall not be construed as a fraudulent act and moreover, there is no evidence on record that this act of the Noticee had affected/attracted any client/investor.

Consideration of Issues:

- 18. I have carefully considered the Report of the DA, submissions of the Noticee and material available on record. It is again reemphasised that this order is limited to the extent of the Report of the DA and does not affect any of the additional *prima facie* findings of the *interim order* or the confirmatory order that has to be decided in the pending proceedings under Section 11 and 11B. I proceed accordingly.

Non-Redressal of Investor Grievance

- 19. The first observation in the Report is that Noticee failed to resolve investor grievance promptly and also failed to submit Action Taken Report (ATR) on SCORES in a time bound manner. Thus, it violated SEBI Circular CIR/OIAE/2014 dated December 18, 2014 read with regulation 21(1) read with 28(f) of IA Regulations. The relevant provisions of the IA Regulations and the SEBI Circular are as following:

IA Regulations:

“Redressal of client grievances.

21.(1)The Investment Adviser shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance and in such manner as may be specified by the Board.”

“Liability for action in case of default.

28.An investment adviser who –

(f) fails to resolve the complaints of investors or fails to give a satisfactory reply to the Board in this behalf, shall be dealt with in the manner provided under the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.”

SEBI Circular:

SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014

“13. Failure by listed companies and SEBI registered intermediaries to file ATR under SCORES within thirty days of date of receipt of the grievance shall not only be treated as failure to furnish information to SEBI but shall also be deemed to constitute non-redressal of investor grievance.”

20. From the data in SCORES as on December 27, 2022, it is noted that for 11 complaints that were allegedly pending against the Noticee, the status was provided as following:

Sr. No.	Registration No	Complainant Name/ Complaint Lodged by	Complaint Status	Date of Receipt	Date of Forwarding to IA	Date of Final ATR filed by IA
1	SEBIE/MP21 /0001196/1	Nurudin	Pending	28-10-2021	11-05-2022	14-05-2022
2	SEBIE/MP21 /0000243/1	Neetubala	Pending	07-01-2021	09-02-2021	02-03-2021
3	SEBIE/MP21/0000242/1	Shivlal Dhakad	Pending	07-01-2021	09-02-2021	02-03-2021
4	SEBIE/MP21 /0000085/1	Muhammed Siyad	Pending	11-01-2021	13-01-2021	23-01-2021
5	SEBIE/MP21/0000071/1	Shivlal Dhakad	Pending	07-01-2021	22-02-2021	06-05-2022

Sr. No.	Registration No	Complainant Name/ Complaint Lodged by	Complaint Status	Date of Receipt	Date of Forwarding to IA	Date of Final ATR filed by IA
6	SEBIE/MP20 /0002033/1	Vikas Solanki	Pending	06-10-2020	25-11-2020	07-12-2020
7	SEBIE/MP20 /0001349/1	Rohit Chandra	Pending	25-07-2020	08-09-2020	15-09-2020
8	SEBIE/MP20 /0000326/1	Pankaj Sheshrao Dagde /SELF	Pending	26-12-2019	29-02-2020	05-03-2020
9	SEBIE/MP20 /0000664/1	Amit Kumar Dighekar	Pending	06-02-2020	13-08-2020	17-08-2020
10	SEBIE/MP20 /0000866/1	Suryapal Patel	Pending	06-03-2020	29-04-2020	06-05-2020
11	SEBIP/MP20 /0000071/1	Priya Kumari	Pending	25-07-2020	08-09-2020	15-09-2020

21. The allegation is that the Noticee has failed to resolve the complaint of Mr. Shivilal Dhakad (at serial no. 5) within the stipulated time limit as prescribed in the aforementioned Circular. On perusal of the action history in SCORES, I note that the “complaint details” of the two complaints of Mr. Shivilal Dhakad read us under –

Complaint details of Sr. No. 2 bearing registration no. SEBIE/MP21/0000242/1:

“My name is shivilal dhakad and I have been working with alliance research since 7 months. They have cheated me I have given him 63500 rupees for 4 months of service. After a month of complete service they are saying that our company has just closed right now they are not giving me any service and are refusing for refund. They are not giving any response on the phone and the company website has been closed. I have a mail from their service that I am submitting. I request you give me a refund from alliance research Jabalpur. My profile registered with alliance two names because they told me sebi rules they cant give service more than 1.5 lac they told me give doc for two person I give my documents and my sister documents but they don't give service now or any refund so I request you give me refund of 3 months service from alliance research Shivilal Dhakad and Neetubala Dhakad profile are same Neetubala Dhakad is my sister.”

Complaint details of Sr. No. 5 bearing registration no. SEBIE/MP21/0000071/1:

“I have been working with alliance research since 7 months. They have cheated me I have given him 63500 rupees for 4 months of service After a month of complete service, they are saying that our company has just closed right now they are not giving me any service and are also refusing for refund. They are not giving any response on the phone and the company website has been closed I have a mail from their service that I am submitting I request you give me refund from alliance research Jabalpur My profile registered with alliance My name Shivlal Dhakad and Neetubala Dhakad registered number in alliance ...”

22. It is clear that both the complaints pertained to *refund of Rs. 63,000/- given by the complainant for 4 months of service*. Further, the said two complaints were registered on the same date in SCORES. In view of the complainant being the same person, concerning identical subject matter and registered on the same date, I am of the opinion that the complaints at Sr. No. 3 and 5 were identical and by redressing one of the complaint (at Sr. No. 3), the complaint at Sr. No. 5 also stood redressed. I further find from the action history of complaint of Sr. No. 5 that the Noticee had informed SEBI that the complainant has sent an email to SEBI to close its complaint at Sr. No. 5. I am of the firm view that such non application of mind causes irreparable harassment by making allegations and issuing repeated SCNs. In light of the documents submitted by the Noticee demonstrating that it had duly resolved the complaint, I am not in agreement with the DA and do not find the Noticee in violation of SEBI Circular CIR/OIAE/2014 dated December 18, 2014 and Regulation 21(1) read with Regulation 28(f) of the IA Regulations.
23. On perusal of the other 9 complaints in the table above, it is noted that the complaints at Sr. No. 1 to 5 were received and forwarded to the Noticee after the directions in the *interim order to cease and desist from acting as an investment advisor*. It is further noted that the Noticee had filed the ATR within the stipulated timeframe upon receipt of the grievance from SEBI as prescribed in the Circular except in the case of Sr. No. 5 (whose identical complaint at Sr. No. 3 was duly redressed by the Noticee). It is observed that a considerable time has been taken in forwarding the complaints (except for one complaint at Sr. No. 4) to the Noticee which is evident from the table. For instance, in case of complaint at Sr. No. 1, the date of receipt of complaint was October 28, 2021 and SEBI had forwarded the complaint to the Noticee on May 11, 2022 after a delay of 195 days. At Sr. No. 9, the date of receipt of complaint was February 6, 2020, SEBI had forwarded the complaint to the

Noticee on August 13, 2020 after a delay of 188 days. Similarly, Sr. No. 8 SEBI had forwarded the complaint after a delay of 65 days from the date of receipt of the complaint. Except for one complaint at Sr. No. 4, the delay by SEBI in forwarding all the complaints to the Noticee is beyond the 30 days' limit as prescribed in the Circular for registered intermediaries. Delay in forwarding the complaints timely to registered intermediaries affects the timely resolution to the complainant. This allegation falls short of fairness and proportionality concern. Be that as it may, The Noticee has filed ATR within stipulated time after the complaints were forwarded to it by SEBI and charge in this regard is without any basis.

Unregistered investment advisory activities:

24. The other charge in the Report is that the Noticee acted as an investment advisor prior to obtaining registration from SEBI in violation of Section 12 (1) of the SEBI Act read with Regulation 3 (1) of the IA Regulations and Clause 1 of the Code of Conduct for Investment Advisers as specified in Schedule III read with Regulation 15(9) of IA Regulations. Further, while applying for certificate of registration Noticee hid the fact that it was already providing investment advisory activity and accepting advisory fee from its clients which is in violation of regulation 13 (b) of the IA Regulations. Further, providing false declaration to SEBI while applying for registration as an IA falls under the definition of '*fraud*' under Regulation 2(1)(c) of PFUTP Regulations and is in violation of Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act. Moreover, by providing false declaration, Noticee has not maintained adequate integrity, reputation and character which was required for an intermediary registered with SEBI which is in violation of regulations 6(f) and 13(a) and 28(a) of the IA Regulations. The relevant provisions of the SEBI Act and regulations are reproduced as following:

SEBI Act:

Section 12: Registration of stock brokers, sub-brokers, share transfer agents, etc.

(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.

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

12A. No person shall directly or indirectly –

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;”*

IA regulations:

Consideration of application and eligibility criteria.

6. For the purpose of the grant of certificate the Board shall take into account all matters which are relevant to the grant of certificate of registration and in particular the following, namely, —

- (f) whether the applicant, its partners, principal officer and persons associated with investment advice, if any, are fit and proper persons based on the criteria as specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;*

Conditions of certificate.

13. The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:-

(a) the investment advise shall abide by the provisions of the Act and these regulations;

Liability for action in case of default.

28. An investment adviser who –

(a) contravenes any of the provisions of the Act or any regulations or circulars issued thereunder;

SCHEDULE II
SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES)
REGULATIONS, 2008

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(3) For the purpose of determining as to whether any person is a 'fit and proper person', the Board may take into account any criteria as it deems fit, including but not limited to the following:

(a) integrity, honesty, ethical behaviour, reputation, fairness and character of the person;

....

25. It is an admitted position that while the Noticee had applied for the registration with the SEBI as an Investment Adviser, the Noticee was operating as an unregistered advisory firm and accepting advisory fees from clients from January 16, 2015 to April 16, 2015, prior to getting registration to act as an Investment Adviser. Accordingly, I concur with the findings of the DA that acting as Investment Adviser before obtaining registration as such the Noticee had violated the provisions of Section 12 (1) of SEBI Act read with Regulation 3 (1) of the IA Regulations and Clause 1 of the Code of Conduct for Investment Advisers as specified in Schedule III read with Regulation 15(9) of IA Regulations.

26. As regards the allegation of 'fraud', Regulation 2(1)(c) of the PFUTP Regulations defines "fraud" to "...include any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss,...". Further, as per regulation 2(1)(b) of the PFUTP Regulations, "dealing in securities" includes "such acts which may be knowingly designed to influence the decision of investors in securities". I note that regulation 3(a) of the PFUTP Regulations prohibits buying, selling or otherwise

dealing in securities in a fraudulent manner, directly or indirectly. Section 12A (a) and (b) of the SEBI Act and regulation 3(b) and (c) of the PFUTP Regulations prohibit employment of any ‘*device*’, ‘*scheme*’ or ‘*artifice*’ to defraud ‘*in connection with dealing in securities*’; and engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person ‘*in connection with dealing in securities*’. Section 12A(c) of the SEBI Act and regulation 3(d) of the PFUTP Regulations prohibit engaging 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 in contravention of the provisions of this Act or the rules or the regulations made thereunder.

27. In this case, there is no allegation that the Noticee employed any scheme or device or artifice which operates as *fraud* or deceit on investors to influence the investment decisions of the investors so as to cover the unregistered investment advisory activities of the Noticee within the prohibitions of section 12A (a), (b) and (c) of the SEBI Act and regulation 3(b) (c) and (d) of the PFUTP Regulations. Neither the inspection nor the Report brings out any instance of fraud, malpractices, deceit, etc. to justify the invocation of PFUTP Regulations. The allegation is merely making false declaration while making application for registration. Such an allegation could be within the scope of adjudication under section 15A of the SEBI Act but certainly not an activity under the provisions of section 12A of the SEBI Act and regulation 3 of the PFUTP Regulations.

28. Another aspect of this allegation is that the Noticee is not a *fit and proper* person as per criteria under Schedule II of Intermediaries Regulations read with regulations 6(f) and 13(a) and 28(a) of the IA Regulations. Clause 3 of Schedule II of the Intermediaries Regulation lays down the purpose for determining as to whether the person is “*fit and proper person*” to be granted or hold a registration with SEBI; which includes the following:

(a) integrity, honesty, ethical behaviour, reputation, fairness and character of the person;
and

(b) person incurring disqualifications by way of criminal complaint under section 154 of the Code of Criminal Procedure, 1973, charge sheet filed by any enforcement agency, order of restraint, prohibition or debarment passed against such person by the Board, etc.

29. In the matter of ***U. P. Stock Exchange Brokers vs. SEBI (Civil Writ Petition 45893 of 2012)***, the Hon’ble Allahabad High Court, vide its order sated 23rd May, 2014, observed

that: *“Financial integrity, reputation, character and honesty are matters which have a serious bearing on the objective, transparent and fair functioning of the securities market.”*

30. Hon’ble Securities Appellate Tribunal, vide its order dated 6th September, 2006 in the matter of *Sterling Securities Pvt. Ltd. v. SEBI*, examined the amplitude of “fit and proper person” as under:

“Good reputation and character of the applicant is a very material consideration which must necessarily weigh in the mind of the Board (SEBI) in this regard. Reputation is what others perceive of you. In other words, it is the subjective opinion or impression of others about a person and that, according to the Regulations, has to be good. This impression or opinion is generally formed on the basis of the association he has with others and/or on the basis of his past conduct. A person is known by the company he keeps. In the very nature of things, there cannot be any direct evidence in regard to the reputation of a person whether he be an individual or a body corporate. In the case of a body corporate or a firm, the reputation of its whole time director(s) or managing partner(s) would come into focus. The Board as a regulator has been assigned a statutory duty to protect the integrity of the securities market and also interest of investors in securities apart from promoting the development of and regulating the market by such measures as it may think fit. It is in the discharge of this statutory obligation that the Board has framed the Regulations with a view to keep the market place safe for the investors to invest by keeping the undesirable elements out. The Regulations apply across to all sets of regulations and all intermediaries of the securities market including those who associate themselves with the market and they all have to satisfy the criteria of “fit and proper person” before they could be registered under any of the relevant regulations and this criterion they must continue to satisfy throughout the period of validity of their registration and throughout the period they associate with the market. The purpose of the Regulations is to achieve the aforesaid objects and make the securities market a safe place to invest. One bad element can, not only pollute the market but can play havoc with it which could be detrimental to the interests of the innocent investors. In this background, the Board may, in a given case, be justified in keeping a doubtful character or an undesirable element out from the market rather than running the risk of allowing the market to be polluted.”

31. Briefly stated, following cardinal principles are settled for determining the “fit and proper criteria:

- (a) The test for whether a person is "*fit and proper*" must be viewed from the perspective of a "*reasonable and prudent man concerned with the securities market*".
- (b) SEBI could look into "*fit and proper*" concerns even if legal proceedings are pending. It is not necessary for there to be a final conviction; before SEBI determines that an entity is not fit and proper to operate in the securities market.
- (c) SEBI can take a broad view of the requirements for being a "*fit and proper person*". This allows the regulator to consider serious allegations against an intermediary as a relevant factor, even if the proceedings have not yet concluded.
- (d) SEBI must show the material on the basis of which it concluded that the entity lacked a "*good reputation in the securities market*".
- (e) A certain degree of subjective judgment by SEBI is acceptable in applying the "*fit and proper*" test.

32. Admittedly, the Noticee had applied for registration with SEBI as an Investment Adviser while acting as an unregistered Investment Adviser. Not only this act, he also gave false declaration while making application to SEBI. The "*fit and proper*" criteria involve considerations of reputation, ethical behaviour, and integrity. The non-disclosure that the Noticee was providing investment advisory activity at the time of registration is a serious factor impacting his eligibility for grant of certificate of registration. It is useful to understand the purpose of this criteria in the context of services offered by an Investment Adviser. The activity entails a relation of trust with clients and truth is benchmark for any such fiduciary duty. These responsibilities require the highest level of integrity, reputation and character. In sync with the responsibilities, the Regulations require the Board to take into account integrity, reputation and character of an individual for determining if an applicant is a fit and proper person. In the peculiar facts and circumstances of this case, it is noted that when SEBI granted registration to the Noticee it had made false declaration with regard to its unregistered investment advisory activity. However, SEBI was aware of this fact while passing the *interim order* and the instant proceedings have been initiated belatedly.

33. In my view, in this case, also the Noticee's conduct was not commensurate with desired level of reputation and integrity and he was not a fit and proper person when the certificate of registration was granted to him. Truth is heart and brain for maintaining desired level of trust with clients and Regulator. I, therefore, find that while seeking registration, the Noticee violated Schedule II of Intermediaries Regulations read with regulations 6(f) and 13(a) and 28(a) of the IA Regulations.

Noticee, its representatives/employees did not meet requisite eligibility criteria:

34. It has been alleged that the employees of the Noticee did not have requisite experience and the qualification and certification in violation of regulation 7 read with regulation 15(13) of IA Regulations and clauses 1, 2, 3 and 8 of Code of Conduct for Investment Adviser provided in Third Schedule read with Regulation 15(9) of IA Regulations. The relevant provisions are reproduced as under:

IA Regulations:

Qualification and certification requirement.

7(1) An individual registered as an investment adviser under these regulations and partners and representatives of an investment adviser registered under these regulations offering investment advice shall have the following minimum qualifications, at all times:

(a) A professional qualification or post-graduate degree or post graduate diploma in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognized by the central government or any state government or a recognised foreign university or institution or association; or

(b) A graduate in any discipline with an experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management.

(2) An individual registered as an investment adviser and partners and representatives of investment advisers registered under these regulations offering investment advice shall have, at all times, a certification on financial planning or fund or asset or portfolio management or investment advisory services:

(a) from NISM; or

(b) from any other organization or institution including Financial Planning Standards Board India or any recognized stock exchange in India provided that such certification is accredited by NISM.:

Provided that the existing investment advisers seeking registration under these regulations shall ensure that their partners and representatives obtain such certification within two years from the date of commencement of these regulations:

Provided further that fresh certification must be obtained before expiry of the validity of the existing certification to ensure continuity in compliance with certification requirements.]

General responsibility.

15

(9) An investment adviser shall abide by Code of Conduct as specified in Third Schedule.

...

(13) It shall be the responsibility of the Investment Adviser to ensure that its representatives and partners, as applicable, comply with the certification and qualification requirements under Regulation 7 at all times.

THIRD SCHEDULE

CODE OF CONDUCT FOR INVESTMENT ADVISER

1.Honesty and fairness

An investment adviser shall act honestly, fairly and in the best interests of its clients and in the integrity of the market.

2.Diligence

An investment adviser shall act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives.

3.Capabilities

An investment adviser shall have and employ effectively appropriate resources and procedures which are needed for the efficient performance of its business activities.

...

8.Compliance

An investment adviser including its representatives shall comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.

35. As per the Report, out of the total 228 employees, only 3 employees (including the Proprietor Mr. Mudassir Hasan) had the NISM Certifications. The level of qualifications of employees of the 228 employees, is given below:

Sr. No	Particulars	No. of employees
1	Pursuing Graduation	6
2	Graduates	185
3	Post Graduates	37
	Total Employees	228

36. The Noticee has claimed that investment advice was provided only by the Noticee which was rendered through SMS service to the clients, procured by the Sales Team. The Noticee

did not have a partner or a representative. The Noticee has further contended that the employees were only assisting and working in back end research activities, customer relationship department, sales department, compliance department, quality department and HR department and thus, there was no need for them to acquire certification as mandated under IA Regulations.

37. As per regulation 7(1) of IA Regulations, the partners and the representatives of an IA are required to fulfil the eligibility criteria of a registered investment adviser while rendering investment advice services. Noticee is a proprietary concern of Mr. Mudassir Hasan ,who admittedly, had the relevant NISM Certifications in compliance of said regulation 7. The Report does not bring out as to who else other than said proprietor was rendering investment advisory service so as to insists NISM certification by him/her. There is nothing on record to suggest that the all 228 employees were doing investment advisory service. I, therefore, concur with the findings of the DA and do not hold the Noticee liable for violation of Regulation 7 read with Regulation 15(13) of IA Regulations and clauses 1, 2, 3 and 8 of Code of Conduct for Investment Adviser as provided in Third Schedule read with Regulation 15(9) of IA Regulations.

Risk Profiling - Non availability of supporting documents for risk profiling:

38. It has been alleged that the Noticee did not maintain records pertaining to risk profiling and risk assessment of its clients and also did not carry out the KYC procedure as specified in the IA Regulations thereby violating the provisions of regulation 19(1), 19(2) and 15(8) of the IA Regulations.

IA Regulations:

General responsibility.

15. ...

(8) An investment advisor shall follow Know Your Client procedure as specified by the Board from time to time.

Maintenance of records.

19.(1) An investment adviser shall maintain the following records,-

- (a) Know Your Client records of the client;*
- (b) Risk profiling and risk assessment of the client;*
- (c) Suitability assessment of the advice being provided;*
- (d) Copies of agreements with clients, incorporating the terms and conditions as may be specified by the Board;*

- (e) Investment advice provided, whether written or oral;*
- (f) Rationale for arriving at investment advice, duly signed and dated;*
- (g) A register or record containing list of the clients along with PAN, the date of advice, nature of the advice, the details of products/securities in which advice was rendered and fee/consideration, if any charged/received for such advice;*
- (h) Records of communication including emails, call recordings etc. with all clients including prospective clients, as may be specified.*
- (2) All records shall be maintained either in physical or electronic form and preserved for a minimum period of five years:*
- Provided that where records are required to be duly signed and are maintained in electronic form, such records shall be digitally signed.*

39. The Noticee has submitted that there is no mandatory requirement that an Investment Advisor is required to obtain supporting documents in support of the answers filed to the risk profiling questionnaire by its clients. I note that regulations 16 and 17 of the IA Regulations provide illustrative measures towards ensuring systemic risk profiling and suitability of advice rendered. Clause 2 of the Third Schedule to the IA Regulations provide that an Investment Adviser shall act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives. Clause 4 mandate investment adviser to seek from its clients, information about their financial situation, investment experience and investment objectives relevant to the services to be provided and maintain confidentiality of such information. I note from the inspection report that the Noticee sought response from clients telephonically and in some cases a format was made available on website of the Noticee where client filled the details to complete the risk profiling. I find that this automated process of filling of questionnaire on the website for the purpose of risk assessment of a client obviating the interaction with the risk management team is not sufficient to meet the level of assessment contemplated in the Regulations. The risk assessment must be based on a proper appraisal/assessment of the investors ability to absorb risks and appreciate market processes. From the regulatory perspective, itemised mandate in the regulations is contemplated for strict adherence by registered investment advisers to ensure that the process of assessment of risk and suitability is meticulous. Any lapse in this regard, howsoever minor, is a serious infraction and cuts at the root of the premise on the basis of which the regulation of investment advisory activity has been anchored. Inspection has observed that based on the response of the clients, assigned scores were given and risk appetite of the clients were assessed by the Noticee. Depending on the score, the clients were categorized into the categories of low, medium and high risk categories. I find that

not obtain any supporting documents/evidence from clients while doing risk profiling of client and completing risk profiling on telephonic conversation with client indicates lackadaisical attitude on the part of the Noticee. It indicates Noticee's rudimentary approach without taking into account the asset and liability profile of the customer his income/expenditure pattern and his overall financial ability to bear losses. Such poor risk analysis leads to unsuitable investment advice resulting in loss to the investors. Further, while the Noticee has stated that it carried out KYC procedure, it failed to submit any evidence to substantiate its claim. I concur with the findings of the DA that the Noticee was not maintaining records pertaining to risk profiling and risk assessment of its clients in violation of provisions of regulation 19(1), 19(2) and 15(8) of the IA Regulations. The Noticee has failed to give any cogent explanations with regard to findings of the DA that Noticee did not maintain KYC records of its clients as it could show KYC records of only 3 out of its 46 clients. I, therefore, agree with the findings of the DA that the Noticee has violated the provisions of regulation 15(8) of the IA Regulations.

Promise of assured/guaranteed returns:

40. The other charge is that the Noticee promised assured returns and failed in its responsibility to act in fiduciary capacity to its client which is entrusted upon them under Regulation 15 (1) of IA Regulations and failed to abide by Clauses 1 (honesty and fairness) and 2 (diligence) of the Code of Conduct as specified in the Third Schedule read with Regulation 15(9) of the IA Regulations. Second charge is that such act of the Noticee fall under the definition of 'fraud' as mentioned in Regulation 2(1)(c) of PFUTP Regulations in violation of regulations 3(a), (b), (c) and (d) of the PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act. These provisions are reproduced as follows:

SEBI Act:

12A. No person shall directly or indirectly –

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognised stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;”

PFUTP Regulations:

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

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

IA Regulations

15.(9) An investment adviser shall abide by Code of Conduct as specified in Third Schedule.

THIRD SCHEDULE

CODE OF CONDUCT FOR INVESTMENT ADVISER

1. Honesty and Fairness

An investment adviser shall act honestly, fairly and in the best interests of its clients and in the integrity of the market.

2. Diligence

An investment adviser shall act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives.

41. Inspection has referred to a complaint by one Mr. Ramesh Rathod wherein, the Noticee was observed to be promising assured returns. In this case, as per the call recordings dated June 28, 2019, it was noted that one representative of the Noticee stated the following during calls made to the complainant:

“10000 me sir aapko jo return nikalega na daily ka vo return minimum 1500 se 2000.”

“Humare rehte hain service charges. Service charges me kya rehta hain ki, 10000 ka bhi monthly plan rehta hai jisme aapko daily ka 1000 se 1500 profit hai, 25000 ki bhi service hain daily ka profit agar leke chale to 4000 se 5000 hain, 70000 ki bhi service hain jo 3 months ki rahegi usme ye return based service rehti hain usme minimum profit 5000 se leke chalet hain.”

42. From the above promises, I note that a representative of the Noticee promised assured returns to the client specially when seen in light of the statements such as *“daily ka vo return minimum 1500 se 2000”*, *“10000 ka bhi monthly plan rehta hai jisme aapko daily ka 1000 se 1500 profit hai”*, *“25000 ki bhi service hain daily ka profit agar leke chale to 4000 se 5000 hain”* and *“70000 ki bhi service hain jo 3 months ki rahegi usme ye return based service rehti hain usme minimum profit 5000 se leke chalet hain.”* These statements were made despite knowing (being an IA/a person associated with investment advice) that all the investments in securities markets are subject to market risk and that such returns cannot be assured.
43. I find that the statements pertaining to assured high returns to the client constituted misrepresentation. The statements were made with the objective to induce the client to deal in securities to earn advisory fees and, therefore, were an act of fraud. Additionally, promising assured profits to the Noticee and not creating awareness in its client that their investments in the securities market are subject to market risk where there is possibility of loss of capital, shows that the Noticee was dishonest and did not take due care in its dealings with the clients.
44. I find that the DA has given a benefit of doubt to the Noticee for allegations related to promising assured/guaranteed returns in light of the general disclosures made on its website as under:

"Security Market Investments are always Subject To Market Risk And Past Performance Is Not a Guarantee Of Future Performance, before taking free trial & any services of Alliance Research clients should read, Disclaimer, Disclosure, Term of use & Privacy policy of the Firm."

"Investment in stock or commodity markets is subject to market risk, though best attempts are made for predicting markets, but no surety of return or accuracy of any kind is guaranteed, while the performance sheet of various products is available but should not be considered as a guarantee for future performance of the products/services."

"Investment/Trading in securities Market is subject to market risk, past performance is not a guarantee of future performance."

45. I find that while the Noticee has provided various cautionary statements on its website, the same is not sufficient to absolve the Noticee as its act and conduct is contrary to disclosures made on its website. In this regard, I find it relevant to cite the order of Hon'ble Securities Appellate Tribunal in 24 ***Carat Financial Services vs. SEBI***, Appeal no. 59 of 2023, decided on January 18, 2023, wherein it was held that:

"7. Insofar as the violation of Regulation 3 and 4 of the PFUTP Regulations is concerned we find that on the basis of analysis of the call records of the employees of the appellant it was found that the employees of the appellant were promising guaranteed returns to the prospective clients on investment of certain amounts. Further guaranteed returns were promised quoting profit percentage or certain amount either monthly or on a daily basis. The action of promising guaranteed returns is patently against the principles of the securities market and not only manipulative but also fraudulent and violative of Regulations 3 and 4 of the PFUTP Regulations. There is no denial of the transcript of the employees of the appellant and consequently we do not find any error in the finding of the AO regarding violation of the Regulation 3 and 4 of the PFUTP Regulations." (emphasis supplied)

46. Therefore, I find that the Noticee has violated the provisions of Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with Section 12A(a), (b) and (c) of the SEBI Act. The acts of the Noticee discussed above in detail are also contrary to the mandate to act honestly and in good faith as laid down in Clauses 1 (honesty and fairness) and 2 (diligence) of the Code of Conduct under the IA Regulations. Thus, the Noticee also violated Clauses 1 and 2 of the Code of Conduct as specified in the Third Schedule read with Regulation 15(9) of the IA Regulations.

Non-disclosure of material change of information:

47. It is alleged that the Noticee failed to update/furnish documents pertaining to change in registered office address in violation of regulation 13(b) of the IA Regulations, the provision of which are as follows:

IA Regulations:

Conditions of certificate.

13. The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:

(a)

(b) the investment adviser shall forthwith inform the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted;

48. The Noticee has submitted that he had duly informed the local office of SEBI at Indore regarding the address change in the month of January, 2016 as at that point of time there was no any online portal for submitting the request. Thereafter in 2020, when the Noticee had again changed the office address, he again visited the local office to submit the documents, however, the concerned officer demanded the registered rent agreement, which the Noticee did not possess and hence the address could not get updated in SEBI record.

49. As per regulation 13(b) of the IA Regulations, one of the conditions for granting a registration certificate is that an IA is required to forthwith inform SEBI in *writing*, if there is any material change in the information already submitted. In the instant case, the Noticee has contended that it had duly informed SEBI but has not submitted any record/copy of letters evidencing the same even though the change of material information is required to be submitted to SEBI in writing. I find that any change in address of the IA must be reported to SEBI as it amounts to a material change. A change in address has the potential to disrupt the flow of critical information (such as legal notices etc). Therefore, a change in address must necessarily be communicated to SEBI to ensure that all stakeholders remain informed. I concur with the decision of the DA and hold the Noticee liable for violation of regulation 13(b) of the IA Regulations.

No internal audit and statutory audit of investment advisory activities carried out:

50. It is alleged that the Noticee failed to conduct the yearly audit which is in violation of regulation 19(3) of the IA Regulations. It is an admitted position that Noticee did not conduct any compliance audit as per regulation 19(3) of the IA Regulations.

51. The Noticee has however contended that the said regulation does not specify the time period in which the said compliance audit is to be carried out. It is noted that as per

regulation 19(3) of IA Regulations, *an investment adviser shall conduct **yearly** audit in respect of compliance with these regulations from a member of Institute of Chartered Accountants of India or Institute of Company Secretaries of India.* I, therefore, am unable to accept this contention of the Noticee as regulation 19(3) itself stipulates Investment Advisors to conduct the audits yearly. When regulations provide a specific requirement, these requirements are designed to ensure proper compliances and accountability. The Noticee being a registered intermediary cannot be oblivious of the regulations. In this context, the Noticee's contention does not hold any ground in light of the clear violation of the regulatory requirement. Hence, I agree with the findings of the DA and find the Noticee in violation of regulation 19(3) of the IA Regulations.

Research team did not have the requisite NISM certification:

52. It has been alleged that the Noticee employed two employees namely, Mr. Akhil Rai and Mr. Aditya Thakur as Research Analyst in 2017 who did not have the requisite NISM certification as Research Analyst at the time of their appointment. The two employees subsequently acquired NISM certification on 2018 and 2020, respectively. It is alleged that the Noticee, thus, violated regulation 13(a) of the IA Regulations read with regulation 7(2) of the Securities and Exchange Board of India (Research Analysts) Regulations, 2014 ("**RA Regulations**"). The relevant provisions are provided as under:

IA Regulations:

Conditions of certificate.

13. The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:-

(a) the investment adviser shall abide by the provisions of the Act and these regulations;

...

RA Regulations:

Qualification and certification requirement.

7. (1) ...

(2) Persons associated with research services shall, at all times, have minimum qualification of a graduate degree in any discipline from a university or institution recognized by the Central Government or any State Government or a recognized foreign university or institution.

53. I note that as per regulation 2(u) of the RA Regulations, a 'research analyst' is defined as a person who is primarily responsible for – i) preparation or publication of the content of the research report; ii) providing research report; iii) making 'buy/sell/hold' recommendation; iv) giving price target; v) offering an opinion concerning public offer, with respect to securities that are listed or to be listed in a stock exchange, whether or not any such person has the job title of 'research analyst' and includes any other entities engaged in issuance of research report or research analysis. Pursuant to SEBI (Research Analysts) (Third Amendment) Regulations, 2024, w.e.f. December 16, 2024, the aforesaid definition of 'research analyst' was further amended to *mean a person who, for consideration, is engaged in the business of providing research services and includes a part-time research analyst.*

54. The Noticee has submitted that he was the sole person who was involved in rendering investment services and the employees employed by the Noticee were simply assisting the Noticee and were not involved in full-fledged research work. On perusal of the materials before me, there is nothing on record which demonstrates that the employees were undertaking research based activities in the nature of preparation or publication of the content of the research report, making 'buy/sell/hold' recommendation, giving price target, offering an opinion concerning public offer, etc. Further, there is no evidence/appointment letter to support that the employees were appointed as Research Analyst by the Noticee. Considering the above circumstances, I am in agreement with the DA and give benefit of doubt to the Noticee and do not find him in violation of regulation 13(a) of the IA Regulations read with regulation 7(2) of the RA Regulations.

Fees received through payment gateway:

55. It is alleged from the Noticee's transaction statement that advisory fees amounting to Rs. 77,360/- were received post January 1, 2020 through CC avenue platform which is in contravention of SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019. The relevant portion of SEBI Circular is as under:

....

(iii)Receiving fees though banking channel only

It is observed that investment advisers are receiving advisory fee in the form of cash deposit in their bank accounts or through payment gateways which does not provide proper audit trail of fees received from the clients. To bring transparency in dealing with the clients, IAs shall accept fees strictly by account payee crossed cheques / demand draft or

by way of direct credit into their bank account through NEFT/ RTGS/IMPS/UPI. It is clarified that, IAs shall not accept cash deposits.

56. I find from the transaction statement that one single transaction amounting to Rs. 77,360/- is dated January 1, 2020 i.e, the date on which the measure as stated on the Circular was to come into effect from. The Noticee has contended that it has discontinued the practice of receiving payment through payment gateway and the payment which is shown as received from payment gateway on January 1, 2020 is with respect to the transactions which were done prior to the implementation of the said Circular. However, the Noticee has not produced any documents/receipts supporting that the transactions were done prior to January 1, 2020. For the instant violation, the DA has granted the Noticee a benefit of doubt, as the transaction was carried on the date the Circular was supposed to come effect to. I however do not agree with the findings of the DA. I note that the Circular is dated December 27, 2019 and came into existence several days before the transaction. The Circular issued to strengthen the conduct of IAs and to bring about transparency in dealing with the clients and aims to provide proper audit trails of fees received from the clients. The Noticee being a registered intermediary ought to have taken due care and complied with the measures referred to in the Circular. Thus, I am not inclined to give the benefit of doubt and find the Noticee in violation of SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019.

Noticee employed Mr. Ravi Chouksey against whom SEBI direction was in force:

57. Inspection observed that one Mr. Ravi Chauksey against whom SEBI had passed directions vide Order dated June 04, 2015, for conducting unregistered investment advisory activity through its proprietorship firm i.e., Gravita Research Company, was employed by the Noticee as the CEO. Inspection has observed that as per the Order dated June 04, 2015, SEBI has debarred Mr. Ravi Chauskey from buying, selling or otherwise dealing in the securities market, either directly or indirectly, in any manner whatsoever, for a period of 4 years, which was to end on June 04, 2019, however, Mr. Ravi Chauksey was appointed as CEO on June 1, 2019. In view thereof, it is alleged that the Noticee failed to abide by Clauses 8 (Compliance) and 9 (Responsibility of Senior Management) of Code of Conduct for Investment Advisers as mentioned in Third Schedule of IA Regulations read with Regulation 15 (9) of IA Regulations.

58. I note from the Curriculum Vitae (CV) of Mr. Ravi Chauksey submitted to the Noticee that Mr. Ravi had not provided any disclosure with respect to SEBI debarment direction nor any details regarding the proprietorship concern (Gravita Research Company) under his

work experience. I note that the appointment letter of Mr. Ravi is dated and signed on June 1, 2019, i.e, three days before his debarment was to end. The Noticee has submitted that Mr. Ravi resumed activities with the Noticee only after June 3, 2019 i.e, after his debarment period. Here, I find that while Noticee is required to take due care and ensure proper due diligence in appointing members especially in senior management, the other party i.e Mr. Ravi Chauksey also share equal responsibility to act in good faith and honesty. It is not clear whether any proceeding is initiated against Mr. Ravi Chauksey. Be that as it may, I am conscious that debarment and restraint have substantial career and business consequences. I note that Mr. Ravi Chauksey had only a couple of days left to complete his four yearlong debarment period. Prudence dictates that the transgression of few days may not be intentional. If the Noticee or Mr. Ravi Chauksey intended to breach SEBI debarment directions, the Noticee could have issued a post-dated appointment letter which is not the case in the instant matter. In view thereof, I defer from the findings of DA and am inclined to give a benefit of doubt to the Noticee and absolve the Noticee from violation of Clauses 8 and 9 of Code of Conduct for Investment Advisers as mentioned in Third Schedule of IA Regulations read with Regulation 15 (9) of the IA Regulations.

No complaint register maintained for handing investor complaints and details of compliance officer not displayed:

59. Inspection observed that the Noticee did not have complaint register for handling investor complaints and had also not displayed the name and contact details of the compliance officer in violation of regulation 12(3) of Chapter III of the Intermediaries Regulations and clause 3 of the Code of Conduct under the Third Schedule of the IA Regulations.

Intermediaries Regulations:

***CHAPTER III
GENERAL OBLIGATIONS OF INTERMEDIARIES***

General obligations.

12.

(3) The intermediary shall also prominently display the name and contact details of the compliance officer to whom complaint may be made in the event of any investor grievance.

IA Regulations:

THIRD SCHEDULE

CODE OF CONDUCT FOR INVESTMENT ADVISER

....

3. Capabilities

An investment adviser shall have and employ effectively appropriate resources and procedures which are needed for the efficient performance of its business activities.

60. With respect to the allegation of non-maintenance of complaint register for handling investor complaints and for not displaying the name and contact details of the compliance officer, the violations of regulation 12(3) of Chapter III of Intermediaries Regulations has been invoked against the Noticee which is yet to be notified. Thus, the same is unenforceable against the Noticee. As regards the violation of Code of Conduct for IA, I find that the same is general in nature and do not specifically mandate maintaining a complaint register and displaying the name and contact details of the compliance officer. Besides, SCORES is a centralised web based complaint redressal facilitation platform launched in 2011 to provide a facilitative platform for the benefit of the aggrieved investors. I concur with the findings of DA is not established against the Noticee.

The Brickwork rating advertisement hosted on Noticee's website had expired:

61. Noticee was awarded "*BWR credit and performance rating of SME-4 indicating moderate degree of credit worthiness in relation to other SMEs*" by Brickwork vide its rating dated January 19, 2018. The said rating had expired on January 18, 2019. However, inspection observed that the Noticee continued to disclose the rating on its website even after the said rating had expired. In view thereof, it is alleged that Noticee failed to abide by Clause 1 (Honesty and Fairness), 2 (Diligence) and 5 (Information to its clients) of Code of Conduct for IA as provided in Third Schedule read with regulation 15 (9) of IA Regulations.

62. It is further alleged that the above conduct of the Noticee falls under the definition of 'fraud' as mentioned in Regulation 2(1)(c) of PFUTP Regulations. Accordingly, it is alleged that the Noticee has violated Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act. I find that the Brickwork performance rating of "SME-4" signifies an above average credit worthiness for a Micro, Small or Medium Enterprise (SME). Inspection has *inter alia* observed that alleged false disclosure on the website fall under the definition of "fraud" and violation of the provisions of PFUTP Regulations. Regulation 2(1)(c) of the PFUTP Regulations defines "fraud" to "...include any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether

or not there is any wrongful gain or avoidance of any loss,...”. Further, as per regulation 2(1)(b) of the PFUTP Regulations, “dealing in securities” includes “*such acts which may be knowingly designed to influence the decision of investors in securities*”. The Inspection Report has not demonstrated how the Brickwork performance rating *induced* investors to *deal* in securities. The details of the number of clients on boarded when the expired rating was available on the website is not available on record. I, therefore, find that the charge of violation of PFUTP Regulations are not made out as it is only an attempt of probablising and not proved on the desired level of probability.

63. I find that while the regulations do not explicitly prohibit displaying of expired ratings, however, the Noticee as an IA has the responsibility to act fairly and to the best interest of its clients. Timely updation of website ensures that only current and relevant information is displayed on the website and display of performance rating should be based on current performance data as the investors may not be aware of outdated/old rankings. While I find that the Noticee ought to have taken due care to update his website and ensure that expired ratings are not displayed on his website but I do not find that the Noticee acted recklessly and that the same constitutes ‘*fraud*’ under the PFUTP Regulations. I am inclined to give Noticee a benefit of doubt and do not concur with the findings of DA.

Conclusion

64. The question that now arise for consideration is the nature of direction that can be imposed against the Noticee. I note that the instant proceeding was initiated pursuant to the inspection in the affairs of the Noticee. Based on the findings of the preliminary inspection, SEBI passed an interim *ex parte* order dated January 6, 2021 which was subsequently confirmed on July 29, 2022. The Confirmatory order was passed with a caveat that the findings therein are *prima facie* findings and pending proceedings under section 12(3) may bring out “*additional roles of omission or commission, of the Noticee, if any, in detail.*” However, DA has not gone into any enquiry to find out additional details with regards to *prima facie* findings in *interim order* and the confirmatory order. In fact, DA has clarified that she has not included and not examined those *prima facie* findings. Hence, the allegation with regard to those *prima facie* findings are not subject matter of instant proceedings and could be appropriately dealt with in the pending proceedings under section 11 and 11B.

65. In the instant matter the majority of the allegations are procedural in nature. I find it relevant to refer to the order of the Hon’ble Securities Appellate Tribunal dated June 16, 2011, in the matter of *Religare Securities Limited vs. SEBI* (Appeal No. 23 of 2011), wherein, it was

held that - “5. *It must be remembered that the purpose of carrying out inspection is not punitive and the object is to make the intermediary comply with the procedural requirements in regard to the maintenance of records. We also cannot lose sight of the fact that every minor discrepancy/irregularity found during the course of inspection is not culpable and the object of the inspection could well be achieved by pointing out the irregularities/ deficiencies to the intermediary at the time of inspection and making it compliant. This will, of course, depend on the nature of the irregularity noticed and we hasten to add a caveat that it is not being suggested that if any serious lapse is found during the course of the inspection, the Board should not proceed against the delinquent. For the reasons recorded above, the appeal is allowed and the impugned order set aside with no order as to costs.*”

66. But for the charge of making false declaration and violating *fit and proper* criteria, not maintaining records pertaining to risk profiling and KYC and assuring returns to one of its client which amount to fraudulent activity, no complete allowance can be given. I also note that while the ‘*fit and proper*’ criteria technically goes to the basic root of validity of certificate of registration as it is condition precedent for grant of and continuance of registration, SEBI does not cancel registrations in all such cases where an entity has been rendered not “*fit and proper*” person. For example, in *Sterling Securities Pvt. Ltd. (Supra)*, SEBI concluded that the brokers' conduct demonstrated a lack of integrity and, therefore, they no longer satisfied the “*fit and proper person*” criteria. But SEBI did not cancel the registration of brokers and suspended their registration certificates.

67. I also note that the debarment inflicted by the *interim order* and the confirmatory order is still continuing and the Noticee is essentially suspended from acting as Investment Advisor pursuant to said orders till date (i.e. for more than 4 years) and the debarment is still continuing. Although the instant proceedings give additional cause of action, had the instant proceedings commenced within reasonable time, suspension of the certificate of the Noticee as recommended by the DA as additional penalty would have been over by now.

Order

68. Considering the above mitigating factors and totality of facts and circumstances, I, in exercise of the powers conferred upon me under Section 12(3) read with Section 19 of the SEBI Act, 1992 read with Regulation 27 and 26 of the SEBI (Intermediaries) Regulations, 2008 hereby suspend the certificate of registration of M/s Alliance Research (Proprietor: Mudassir Hasan) SEBI Registration Number: INA000002934 for period of two months. It

is hereby clarified that the said suspension of registration certificate shall run concurrently with the directions of *interim order* dated January 06, 2021 as confirmed by the confirmatory order dated July 29, 2022 and expire on expiry the said period of two months.

69. This Order shall come into force with immediate effect.

70. A copy of this Order shall be served upon the Noticee.

Date: October 07, 2025

Place: Mumbai

Santosh Shukla
Quasi-Judicial Authority
Securities and Exchange Board of India