



**भारतीय प्रतिभूति
और विनिमय बोर्ड**
Securities and Exchange
Board of India

DEPUTY GENERAL MANAGER
INDORE LOCAL OFFICE

THROUGH SPAD/Email

WRO/IMD/IA/SCN/ 26853 /1

June 30, 2022

Noticee no.	Name of the Entity	Registration No./PAN
1.	M/s. Flanking Research and Investment Advisor Proprietor-Mr. Tarun Chandani	Reg No.- INA000010195 PAN- BBDPC8554N
	Address- 601, Pearl Palm, Scheme No.136, Niranjanpur, Indore Madhya Pradesh - 452010	

Show Cause Notice under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of SEBI Act, 1992 and read with Rule 4 (1) of SEBI (Procedure for Holding Inquiry and imposing Penalties) Rules, 1995.

1. Flanking Research and Investment Advisor (Proprietor-Mr. Tarun Chandani) (hereinafter referred to as "Flanking Research/Noticee") is registered as an Investment Adviser (hereinafter referred to as "IA") under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (hereinafter referred to as 'IA Regulations') with effect from April 02, 2018 having SEBI Registration no. INA000010195 and PAN: BBDPC8554N. Flanking Research is a proprietorship concern whose proprietor is Mr. Tarun Chandani. It has its registered office at Office No. 208-209, 2nd Floor, Apollo Premier, Plot No. 1, Scheme No. 54, PU-4, Vijay Nagar, Indore, Madhya Pradesh - 452010. It's website address is <https://www.flankingresearch.com>. Contact details of Flanking Research are 9977431313/ 9009746226/ 9111931313/ 9111654999 and email ids are tarunchandani1304@gmail.com, chandani.disha@gmail.com and info@flankingresearch.com.
2. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had conducted inspection of Flanking Research, which was ordered, vide order no. HO/07/2021-2021 dated September 17, 2020 (Annexure-1). The focus of the inspection was to look into the compliance

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of regulatory requirements stipulated under Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act'), IA Regulations, and other circulars and guidelines framed thereunder. The period of inspection was from April 1, 2019 to till the date of inspection.

3. Since Flanking Research did not provide complete documents and information to SEBI, for the purpose of inspection, information such as RPF, KYC, invoices, emails, audio call recordings, agreements, etc. were sought from the complainants and the Inspection Report was prepared, based on the information received from complainants, who have lodged complaints on SCORES. The details of the complaints examined are provided in the Table below and the relevant observations / findings of the inspection are mentioned in subsequent paragraphs.

Sl. No.	Name of Complainant	SCORES Regn. No
1.	Subhransu Dash	SEBIE/MP20/0002020/1
2.	Anirudha Gade	SEBIE/MP20/0001578/1
3.	NV Subba rao	SEBIE/MP20/0001120/1
4.	Sandhan Sahani	SEBIE/MP20/0001986/1
5.	Rajiya Kathat	SEBIE/MP20/0000523/1
6.	Namdev R Gawde	SEBIE/MP20/0000598/1
7.	Gurdas singh	SEBIE/MP20/0000284/1
8.	Anil Kumar Singh	SEBIE/MP19/0002252/1

Non-compliance of SEBI directions with respect to Inspection

4. SEBI, vide letter no. WRO/PLO/IMD/Insp/15746/2020 dated September 22, 2020 informed Flanking Research that an inspection of its books of accounts/ records and other documents pertaining to its registration as an Investment Adviser for the period from April 01, 2019 till date would be carried out by SEBI, under Regulation 23 of IA Regulations. Accordingly, Flanking Research was advised to send its reply to the pre-inspection questionnaire by October 06, 2020. The aforesaid letter and pre-inspection questionnaire was also sent to Flanking Research vide email dated September 22, 2020 (i.e. enclosed as Annexure-2).
5. In reply, Flanking Research vide email dated October 06, 2020 has, *inter-alia*, informed as under:

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- a. *"I am furnishing information and documents that are currently available and am unable to provide all information as stated in the inspection letter since the office is sealed and documents were seized due to raid held on July 25, 2020.*
- b. *Once the department releases seizure of documents, will furnish the remaining documents.*
- c. *Please let us know of any other information to be provided to complete the investigation. "*

6. Upon perusal of the documents submitted, it was observed that, *inter-alia*, the Noticee did not submit the client master data which includes the list of clients, the services provided to them, the duration of service, the fees collected, the KYC and Risk Profiling Forms (RPFs), etc. Further, the Noticee also did not submit details of client fee collected year wise and scheme/product wise. Since important information was not submitted by the Noticee, vide email dated November 17, 2020, the Noticee was once again advised to submit the aforesaid information by November 23, 2020. However, the Noticee did not submit any reply in this regard. Copy of aforesaid reply of Flanking Research and SEBI's reminder email are placed at **Annexure-3**.
7. Further, a site visit has also been conducted at the Registered Office Address (last available address in our record) of the Noticee on March 3, 2021 to ascertain whether the Investment Adviser is active and also to hand deliver the Inspection Report to the Noticee for its comments. The office of the Noticee was found to be closed and hence the Inspection Report could not be delivered. The copy of the letter dated March 03, 2021 enclosing the Inspection report and the copies of the photographs taken during the site-visit are enclosed as **Annexure-4** and **Annexure-5** respectively.
8. In view thereof, it is alleged that Flanking Research has contravened the provisions of IA Regulations by failing to furnish complete and important information relating to its activity as an Investment Adviser during inspection as required by the Board, and therefore, Flanking Research has violated Regulations 13 (a), 15 (12), 25 (1) and (2) read with Regulation 24 (3), Clause 8 of Code of Conduct for IA specified under Third Schedule read with Regulation 15 (9) of SEBI (Investment Advisers) Regulations, 2013.



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Failure to inform SEBI about FIR registered by Police and actions taken by Police

9. SEBI has obtained a copy of FIR No. 0626 dated July 25, 2020 (Annexure-6), filed by Crime Branch, Indore, wherein it is observed that FIR has been filed against Flanking Research and others viz., Mr. Alok Kumar, under sections 418 (Cheating a person whose interest the offender was bound, either by law or by legal contract, to protect), 419 (Punishment for cheating by personation), 420 (Cheating and dishonestly inducing delivery of property), 406 (Punishment for criminal breach of trust), 120B (Punishment of criminal conspiracy), 34 (Acts done by several persons in furtherance of common intention) of IPC and under section 6 (1) of Madhya Pradesh Nikshepakon Ke Hiton Ka Sanrakshan Adhiniyam, 2000. The said FIR, *inter-alia*, alleges that:
- a) Around 114 employees are providing share market tips to clients without having necessary qualifications, adequate knowledge and proper guidance.
 - b) On the basis of advice given by the employees, the clients are sending money into bank accounts of Flanking Research.
 - c) Employees are assuming different names while speaking to clients as per instruction of their employer.
 - d) By promising unrealistic returns, the employees are cheating clients.
10. Regulation 13 of IA Regulations on 'Conditions of Certificate' states that-
- "13. The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:-*
- (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;"*
11. As mentioned above, an FIR has been filed against Flanking Research on July 25, 2020 and the same has not been informed to SEBI by proprietor of Noticee, Mr. Tarun Chandani. Since the office premises were sealed by Police authorities, the investment advisory activities of Flanking Research would have been temporarily discontinued. Further, from the bank account statements, it is seen that there are no credit transactions in lieu of advisory services in the account of the Noticee, subsequent to the police raid. The website of Flanking Research also states that the office is closed. The above were important and fundamental information that

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needed to have been informed to SEBI by the Noticee. SEBI has been corresponding with the Noticee through SCORES portal but the Noticee did not reveal the fact that the office premises have been raided and sealed by the Crime Branch of Indore Police. Flanking Research has failed to inform about material change regarding its ongoing business activities to SEBI.

12. In view of the above, it is alleged that Flanking Research has failed to inform material information about its ongoing business activities and therefore Flanking Research has violated Regulation 13(b) of IA Regulations.

Non redressal of SCORES complaints

13. Regulation 21 of IA Regulations provides that an IA shall redress client grievances promptly and shall have adequate procedure for expeditious grievance redressal.
14. As on November 30, 2020, it is noted that 13 unique complaints were pending against Flanking Research at SCORES portal for more than 30 days. Flanking Research has not complied with the timeline to resolve the complaints, which is 30 days, as prescribed under SEBI Circular No. CIR/OIAE/1/2014 dated December 18, 2014. Details of the pending complaints are tabulated as under:

Sl. No.	SCORES Complaint No.	Name of Complainant	Date of receipt of complaint	Date of forwarding complaint to IA (X)	Date of Reminders	Date of Final ATR (Y)	Excessive time above 30 days
1)	SEBIE/MP20/001986/1	Sandhan Sahani	October 27, 2020	Nov 02, 2020	-	-	14
2)	SEBIE/MP20/001981/1	Jogendra Yadav	October 26, 2020	Nov 02, 2020	-	-	16
3)	SEBIP/MP20/000180/1	Shyam Sunder Prasad	October 22, 2020	Nov 02, 2020	-	-	20
4)	SEBIE/MP20/001828/1	Ranjith S	Sep 26, 2020	Sep 30, 2020	-	-	30
5)	SEBIE/MP20/001578/1	Anirudha Gade	Sep 03, 2020	Sep 30, 2020	Nov 09, 2020	-	30
6)	SEBIE/MP20/001468/1	Tejas Mody	August 18, 2020	August 19, 2020	August 20, 2020 Sep 15, 2020 Nov 18, 2020	-	111

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Sl. No.	SCORES Complaint No.	Name of Complainant	Date of receipt of complaint	Date of forwarding complaint to IA (X)	Date of Reminders	Date of Final ATR (Y)	Excessive time above 30 days
7)	SEBIE/MP20/001360/1	Kailash Chand Bairwa	July 27, 2020	July 29, 2020	Sep 18, 2020 Sep 30, 2020	Sep 24, 2020	113
8)	SEBIE/MP20/000284/1	Gurdas Singh	Jan 30, 2020	Feb 14, 2020	Jul 28, 2020 Aug 14, 2020 Sep 15, 2020		260
9)	SEBIE/MP20/000523/1	Rajiya Kathat	Feb 21, 2020	Jun 24, 2020	Jul 28, 2020 Aug 17, 2020 Sep 15, 2020	Jul 29, 2020	94
10)	SEBIE/MP20/000598/1	Namdev R Gawde	Feb 28, 2020	Mar 16, 2020	Jul 27, 2020 Aug 14, 2020 Sep 24, 2020	-	229
11)	SEBIE/MP20/001120/1	Nanduri Venkata Subba Rao	Jun 10, 2020	Jun 24, 2020	Aug 14, 2020 Sep 15, 2020	-	129
12)	SEBIE/MP20/001136/1	Jitendra Verma	Jun 13, 2020	Jun 24, 2020	Sep 15, 2020	-	129
13)	SEBIE/MP20/001342/1	Brojo gopal Banerjee	Jul 22, 2020	Jul 24, 2020	Aug 14, 2020 Sep 15, 2020		99

15. Since the Noticee has not submitted the ATR in a time bound manner as prescribed by SEBI and has also not resolved investor grievances, it is alleged that Flanking Research has not complied with SEBI Circular no. CIR/OIAE/1/2014 dated December 18, 2014. Further, Flanking Research is also alleged to have violated regulation 21(1) read with regulation 28(f) of IA Regulations.

Displaying on its website inaccurate status of pending SCORES complaints

16. As per circular SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019 (w.e.f. January 01, 2020), the IA is required to display on the homepage (without scrolling) of their website/mobile app information regarding complaints received on monthly basis (within 7 days of end of the previous month).

17. It was informed that as on November 30, 2020, the total number of pending complaints against Flanking Research was 14 complaints. However, Flanking Research as on December 15, 2020 has displayed the following information on its website:-

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No. of complaints				
At the Beginning of the month	Received during the month	Resolved during the month	Pending at the end of the month	Reasons for pendency
10	00	01	09	In communication with client

18. In view of the above, it is seen that Flanking Research has displayed incorrect and misleading information on the number of pending SCORES complaints on its website. A copy of the homepage of the website of Flanking Research is placed at **Annexure-7**.

19. In view of the above, it is alleged that the Noticee has not complied with clause 1(iv) of SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019. It is also observed that Flanking Research has also disseminated wrong information on its website to mislead the clients about the number of pending complaints. It appears that the above act has been done to influence the decision of the clients. In view of the above, it is alleged that Flanking Research has violated regulations 4(2)(k) and 4(2)(s) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations, 2003').

Providing fixed returns to clients

20. Upon perusal of the Axis Bank Ltd., account statement of Flanking Research, it was observed that fixed amounts are being transferred every month to Mr. Sandhan Sahani, who has also lodged a complaint having SCORES Regn. No. SEBIE/MP20/0001986/1 against Flanking Research on SCORES portal, *inter-alia*, alleging that the Noticee has not returned his money. Relevant portions of Axis Bank account statement are placed at **Annexure-8**.

21. Mr. Sandhan Sahani, vide his SCORES complaint (placed at **Annexure-9**), has informed the following:

- The man posing as Tarun Chandani on phone no. 9926904215 had taken fees from Mr. Sandhan Sahani on behalf of Flanking Research but no service was provided and to cover losses, complainant had to use credit card.



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b. Tarun Chandani was not willing to return him his money. The complainant alleged that he has not received any service from the Noticee till date.

22. Further, vide emails dated November 25, 2020, November 26, 2020 and November 30, 2020 (placed at **Annexure-10**) and through oral communication, Mr. Sandhan Sahani has alleged the following:

a. Mr. Sahani was asked to pay as investment amount, say Rs.10 lakhs from credit card, from which the Noticee would pay profits along with reversal and after certain days the Noticee kept on increasing the amounts. Thus, the Noticee would take huge sums as subscription fees, then ask for more and more money from people without being transparent about things and run away at the end with people's hard earned money.

b. All payments made by Mr. Sahani to Flanking Research were made from PayU Money link..

c. The email id of the aforesaid person, who claimed to be representative of Flanking Research and who had communicated with Mr. Sahani, as seen from the email communication sent to Mr. Sahani is priyank.sharma8269@gmail.com.

23. Transactions between Mr. Sahani and Flanking Research observed from Axis Bank account statement and PayU money wallet are tabulated below:

TRAN DATE	PARTICULARS Axis Bank	Debit	Credit
2019-02-07 11:00:38.0	SANDHAN SAHANI	500000	
2019-02-08 13:44:14.0	SANDHAN SAHANI	500000	
2019-02-13 08:09:55.0	SANDHAN SAHANI	500000	
2019-02-25 22:37:19.0	SANDHAN SAHANI	700000	
2019-03-14 11:40:59.0	SANDHAN SAHANI	500000	
2019-03-14 17:51:07.0	SANDHAN SAHANI	400000	
2019-03-14 21:26:23.0	SANDHAN SAHANI	600000	
2019-03-14 21:28:39.0	SANDHAN SAHANI	16000	
2019-03-14 21:30:45.0	SANDHAN SAHANI	200000	
2019-04-04 09:54:49.0	SANDHAN SAHANI	200000	

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TRAN DATE	PARTICULARS Axis Bank	Debit	Credit
2019-04-16 14:26:44.0	SANDHAN SAHANI	800000	
2019-04-16 14:31:03.0	SANDHAN SAHANI	500000	
26/04/2019	NEFT/MB/AXMB191160547298/Sandhan		1060000
2019-04-28 11:57:17.0	SANDHAN SAHANI	500000	
2019-04-28 12:04:21.0	SANDHAN SAHANI	1000000	
2019-04-28 12:06:57.0	SANDHAN SAHANI	200000	
2019-04-28 12:41:31.0	SANDHAN SAHANI	200000	
29/05/2019	NEFT/MB/AXMB191491885883/Sandhan		970000
2019-05-30 21:40:02.0	SANDHAN SAHANI	200000	
2019-05-30 21:42:20.0	SANDHAN SAHANI	300000	
2019-05-30 21:45:35.0	SANDHAN SAHANI	50000	
2019-05-30 21:48:17.0	SANDHAN SAHANI	200000	
2019-05-30 21:51:14.0	SANDHAN SAHANI	200000	
01/07/2019	NEFT/MB/AXMB191822524410/Sandhan		464000
2019-07-02 12:51:12.0	SANDHAN SAHANI	500000	
2019-07-02 12:54:39.0	SANDHAN SAHANI	100000	
2019-07-02 12:58:38.0	SANDHAN SAHANI	200000	
01/08/2019	IMPS/P2A/921312334687/Sandha/HDFCBAN/X531223/		200017.7
01/08/2019	IMPS/P2A/921312335085/Sandha/HDFCBAN/X531223/		150017.7
01/08/2019	NEFT/MB/AXMB192133395364/Sandhan		1000000
01/08/2019	IMPS/P2A/921317518140/Sandha/HDFCBAN/X531223/		200017.7
2019-08-02 23:34:59.0	SANDHAN SAHANI	200000	
2019-08-02 23:39:50.0	SANDHAN SAHANI	160000	
2019-08-02 23:44:35.0	SANDHAN SAHANI	500000	
2019-08-02 23:54:12.0	SANDHAN SAHANI	400000	
2019-08-02 23:56:11.0	SANDHAN SAHANI	100000	

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TRAN DATE	PARTICULARS Axis Bank	Debit	Credit
2019-08-03 00:04:45.0	SANDHAN SAHANI	164000	
26/08/2019	IMPS/P2A/923815216001/Sandha/HDFCBAN/X531223/		200017.7
26/08/2019	IMPS/P2A/923815216128/Sandha/HDFCBAN/X531223/		200017.7
26/08/2019	IMPS/P2A/923815216214/Sandha/HDFCBAN/X531223/		200017.7
26/08/2019	IMPS/P2A/923815216337/Sandha/HDFCBAN/X531223/		80005.9
31/08/2019	IMPS/P2A/924317433538/Sandha/HDFCBAN/X531223/		150017.7
04/09/2019	IMPS/P2A/924719347901/Sandha/HDFCBAN/X531223/		200017.7
04/09/2019	IMPS/P2A/924719349090/Sandha/HDFCBAN/X531223/		200017.7
04/09/2019	IMPS/P2A/924719349406/Sandha/HDFCBAN/X531223/		200017.7
04/09/2019	IMPS/P2A/924719349748/Sandha/HDFCBAN/X531223/		200017.7
04/09/2019	IMPS/P2A/924719349983/Sandha/HDFCBAN/X531223/		200017.7
2019-09-04 12:15:59.0	SANDHAN SAHANI	200000	
2019-09-04 12:20:21.0	SANDHAN SAHANI	160000	
2019-09-04 12:28:08.0	SANDHAN SAHANI	200000	
2019-09-04 12:30:13.0	SANDHAN SAHANI	300000	
2019-09-09 12:01:07.0	SANDHAN SAHANI	400000	
2019-10-02 22:46:41.0	SANDHAN SAHANI	500000	
2019-10-02 22:49:31.0	SANDHAN SAHANI	87000	
2019-10-02 22:51:30.0	SANDHAN SAHANI	103600	
03/10/2019	NEFT/MB/AXMB192764992582/Sandhan		500000
03/10/2019	IMPS/P2A/927623116441/Sandha/HDFCBAN/X531223/		200017.7
05/10/2019	IMPS/P2A/927810929043/Sandha/HDFCBAN/X531223/		200017.7
05/10/2019	IMPS/P2A/927810929255/Sandha/HDFCBAN/X531223/		200017.7
05/10/2019	IMPS/P2A/927810929422/Sandha/HDFCBAN/X531223/		200017.7
20/10/2019	IMPS/P2A/929321683370/Sandha/HDFCBAN/X531223/		50005.9
2019-10-20 21:49:54.0	SANDHAN SAHANI	200000	
01/11/2019	IMPS/P2A/930518331453/Sandha/HDFCBAN/X531223/		200017.7
01/11/2019	IMPS/P2A/930518331900/Sandha/HDFCBAN/X531223/		200017.7
01/11/2019	IMPS/P2A/930518332171/Sandha/HDFCBAN/X531223/		200017.7
01/11/2019	IMPS/P2A/930518332580/Sandha/HDFCBAN/X531223/		200017.7
01/11/2019	IMPS/P2A/930518332773/Sandha/HDFCBAN/X531223/		200017.7
04/11/2019	IMPS/P2A/930820728693/Sandha/HDFCBAN/X531223/		200017.7
04/11/2019	IMPS/P2A/930820728884/Sandha/HDFCBAN/X531223/		200017.7

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TRAN DATE	PARTICULARS Axis Bank	Debit	Credit
04/11/2019	IMPS/P2A/930820729072/Sandha/HDFCBAN/X531223/		200017.7
04/11/2019	IMPS/P2A/930820729191/Sandha/HDFCBAN/X531223/		200017.7
04/11/2019	IMPS/P2A/930820729372/Sandha/HDFCBAN/X531223/		200017.7
2019-11-04 10:16:43.0	SANDHAN SAHANI	400000	
2019-11-04 10:21:32.0	SANDHAN SAHANI	200000	
05/11/2019	IMPS/P2A/930919507655/Sandha/HDFCBAN/X531223/		200017.7
05/11/2019	IMPS/P2A/930919507788/Sandha/HDFCBAN/X531223/		16005.9
2019-11-05 09:02:30.0	SANDHAN SAHANI	400000	
2019-11-05 09:04:50.0	SANDHAN SAHANI	100000	
2019-11-06 16:22:54.0	SANDHAN SAHANI	100000	
2019-11-07 11:42:26.0	SANDHAN SAHANI	42646	
20/11/2019	IMPS/P2A/932409575337/Sandha/HDFCBAN/X531223/		200017.7
20/11/2019	IMPS/P2A/932409575782/Sandha/HDFCBAN/X531223/		200017.7
01/12/2019	IMPS/P2A/933518999682/Sandha/HDFCBAN/X531223/		200017.7
01/12/2019	IMPS/P2A/933518000115/Sandha/HDFCBAN/X531223/		200017.7
01/12/2019	IMPS/P2A/933518000668/Sandha/HDFCBAN/X531223/		100005.9
04/12/2019	IMPS/P2A/933816125765/Sandha/HDFCBAN/X531223/		200017.7
04/12/2019	IMPS/P2A/933816126150/Sandha/HDFCBAN/X531223/		200017.7
04/12/2019	IMPS/P2A/933816126742/Sandha/HDFCBAN/X531223/		200017.7
04/12/2019	IMPS/P2A/933816127365/Sandha/HDFCBAN/X531223/		200017.7
04/12/2019	IMPS/P2A/933817216392/Sandha/HDFCBAN/X531223/		200017.7
05/12/2019	IMPS/P2A/933918700151/Sandha/HDFCBAN/X531223/		200017.7
05/12/2019	IMPS/P2A/933918700525/Sandha/HDFCBAN/X531223/		200017.7
05/12/2019	IMPS/P2A/933918700646/Sandha/HDFCBAN/X531223/		200017.7
05/12/2019	IMPS/P2A/933918700757/Sandha/HDFCBAN/X531223/		200017.7
05/12/2019	IMPS/P2A/933919779657/Sandha/HDFCBAN/X531223/		200017.7
2019-12-05 13:10:09.0	SANDHAN SAHANI	90000	
2019-12-05 13:18:13.0	SANDHAN SAHANI	416382	
2019-12-05 13:46:16.0	SANDHAN SAHANI	203236	
06/12/2019	IMPS/P2A/934011331911/Sandha/HDFCBAN/X531223/		200017.7
2019-12-06 14:35:52.0	SANDHAN SAHANI	49000	
01/01/2020	IMPS/P2A/000116816558/Sandha/HDFCBAN/X531223/		200017.7
01/01/2020	IMPS/P2A/000116817036/Sandha/HDFCBAN/X531223/		200017.7

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TRAN DATE	PARTICULARS Axis Bank	Debit	Credit
01/01/2020	IMPS/P2A/000116817579/Sandha/HDFCBAN/X531223/		200017.7
01/01/2020	IMPS/P2A/000116818476/Sandha/HDFCBAN/X531223/		200017.7
01/01/2020	IMPS/P2A/000116819572/Sandha/HDFCBAN/X531223/		200017.7
02/01/2020	IMPS/P2A/000219113222/Sandha/HDFCBAN/X531223/		200017.7
02/01/2020	IMPS/P2A/000219114055/Sandha/HDFCBAN/X531223/		200017.7
02/01/2020	IMPS/P2A/000219114344/Sandha/HDFCBAN/X531223/		200017.7
02/01/2020	IMPS/P2A/000219114656/Sandha/HDFCBAN/X531223/		200017.7
02/01/2020	IMPS/P2A/000219114883/Sandha/HDFCBAN/X531223/		200017.7
2020-01-03 23:28:53.0	SANDHAN SAHANI	3000	
2020-01-03 23:33:15.0	SANDHAN SAHANI	4000	
06/01/2020	IMPS/P2A/000620690592/Sandha/HDFCBAN/X531223/		200017.7
06/01/2020	IMPS/P2A/000620691402/Sandha/HDFCBAN/X531223/		200017.7
06/01/2020	IMPS/P2A/000620692066/Sandha/HDFCBAN/X531223/		200017.7
06/01/2020	IMPS/P2A/000620693971/Sandha/HDFCBAN/X531223/		200017.7
06/01/2020	IMPS/P2A/000620695233/Sandha/HDFCBAN/X531223/		200017.7
2020-01-08 12:43:21.0	SANDHAN SAHANI	8000	
13/01/2020	IMPS/P2A/001318769952/Sandha/HDFCBAN/X531223/		200017.7
13/01/2020	IMPS/P2A/001318770884/Sandha/HDFCBAN/X531223/		200017.7
13/01/2020	IMPS/P2A/001318771590/Sandha/HDFCBAN/X531223/		100005.9
30/01/2020	IMPS/P2A/003010572621/Sandha/HDFCBAN/X531223/		200017.7
30/01/2020	IMPS/P2A/003010572970/Sandha/HDFCBAN/X531223/		200017.7
30/01/2020	IMPS/P2A/003010573963/Sandha/HDFCBAN/X531223/		200017.7
30/01/2020	IMPS/P2A/003011611916/Sandha/HDFCBAN/X531223/		200017.7
30/01/2020	IMPS/P2A/003011612496/Sandha/HDFCBAN/X531223/		200017.7
	Total	14756864	17046768.2

24. From the above table, it is observed that Mr.Sahani has made payments at regular intervals to Flanking Research through PayU Money. Flanking Research, is making payment of fixed amount every month at regular intervals through its Axis bank account to Mr. Sahani.

25. From the fund transactions between Flanking Research and Mr. Sahani, it appears that funds were collected from client for investments in securities market and fixed/regular payments were being provided on monthly basis to the client. From the WhatsApp conversations provided by Mr. Sahani to SEBI, it is seen that the person on behalf of Flanking Research has confirmed return of the money along with profit to client, which indicates that Flanking Research is



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assuring profit commitment to clients. Copy of whatsapp communication between Mr. Sahani and Flanking Research is enclosed as **Annexure-11.**

26. A further analysis of the Axis Bank Ltd., account statements of Flanking Research shows that similar fixed payments, were being made to other persons by Flanking Research. A few such transactions are given below:

Tran Date	Chq. no.	Particulars	Dr. (in Rs.)
29/08/2019	-	IMPS/P2A/924119525283/Incusp/YESBANK/X001133/	50,005.90
30/08/2019	-	IMPS/P2A/924215844072/Incusp/YESBANK/X001133/	2,00,017.70
30/08/2019	-	IMPS/P2A/924215844315/Incusp/YESBANK/X001133/	2,00,017.70
30/08/2019	-	IMPS/P2A/924215844591/Incusp/YESBANK/X001133/	1,00,005.90
30/08/2019	-	IMPS/P2A/924215846545/Incusp/YESBANK/X001133/	26,775.90
17/09/2019	195869	BRN-CLG-CHQ PAID TO INCUSPAZE SOLUT/YES BANK LTD	9,09,583.00
11/10/2019	-	IMPS/P2A/928420560574/Incusp/YESBANK/X001133/	2,00,017.70
11/10/2019	-	IMPS/P2A/928420560804/Incusp/YESBANK/X001133/	2,00,017.70
11/10/2019	-	IMPS/P2A/928420561227/Incusp/YESBANK/X001133/	2,00,017.70
11/10/2019	-	IMPS/P2A/928420561395/Incusp/YESBANK/X001133/	2,00,017.70
11/10/2019	-	IMPS/P2A/928420561915/Incusp/YESBANK/X001133/	2,00,017.70
21/10/2019	-	IMPS/P2A/929414010657/Incusp/YESBANK/X001133/	92,005.90
10/12/2019	-	NEFT/MB/AXMB193448659036/Incusp	10,00,000.00
13/12/2019	-	IMPS/P2A/934715631770/Incusp/YESBANK/X001133/	91,005.90
13/12/2019	-	IMPS/P2A/934715636027/Incusp/YESBANK/X001133/	502.95
26/12/2019	-	IMPS/P2A/936020185290/Incusp/YESBANK/X001133/	2,00,017.70
26/12/2019	-	IMPS/P2A/936020185542/Incusp/YESBANK/X001133/	2,00,017.70
26/12/2019	-	IMPS/P2A/936020186702/Incusp/YESBANK/X001133/	1,00,005.90
17/01/2020	-	IMPS/P2A/001719729389/Incusp/YESBANK/X001133/	1,00,005.90
21/01/2020	-	IMPS/P2A/002120763917/Incusp/YESBANK/X001133/	1,00,005.90
22/01/2020	-	IMPS/P2A/002219436409/Incusp/YESBANK/X001133/	1,00,005.90
23/01/2020	-	IMPS/P2A/002316843354/Incusp/YESBANK/X001133/	1,00,005.90
23/01/2020	-	IMPS/P2A/002320300463/Incusp/YESBANK/X001133/	1,00,005.90
28/01/2020	-	IMPS/P2A/002809604096/Incusp/YESBANK/X001133/	3.95
13/02/2020	-	IMPS/P2A/004416377213/Incusp/YESBANK/X001133/	2,00,017.70
14/02/2020	-	IMPS/P2A/004516764531/Incusp/YESBANK/X001133/	1,00,005.90
15/02/2020	-	IMPS/P2A/004615204219/Incusp/YESBANK/X001133/	1,50,017.70
18/02/2020	-	IMPS/P2A/004915461672/Incusp/YESBANK/X001133/	1,50,017.70
18/02/2020	-	IMPS/P2A/004918698530/Incusp/YESBANK/X001133/	50,005.90
19/02/2020	-	IMPS/P2A/005012587559/Incusp/YESBANK/X001133/	1,00,005.90

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Tran Date	Chq. no.	Particulars	Dr. (in Rs.)
19/02/2020	-	IMPS/P2A/005018124729/Incusp/YESBANK/X001133/	1,00,005.90
20/02/2020	-	IMPS/P2A/005119071616/Incusp/YESBANK/X001133/	1,00,005.90
23/03/2020	-	IMPS/P2A/008312075995/Incusp/YESBANK/X001133/	2,00,000.00
23/03/2020	-	IMPS/P2A/008312076310/Incusp/YESBANK/X001133/	1,00,000.00
23/03/2020	-	IMPS/P2A/008312077560/Incusp/YESBANK/X001133/	1,50,000.00
18/06/2020	-	IMPS/P2A/017018579891/Incusp/YESBANK/X001133/	50,005.90
30/06/2020	-	IMPS/P2A/018215580498/Incusp/YESBANK/X001133/	50,005.90
01/07/2020	-	IMPS/P2A/018312158446/Incusp/YESBANK/X001133/	40,005.90
06/07/2020	-	IMPS/P2A/018817869773/Incusp/YESBANK/X001133/	2,00,017.70
08/07/2020	-	IMPS/P2A/019018155791/Incusp/YESBANK/X001133/	50,005.90
16/07/2020	-	IMPS/P2A/019810545682/Incusp/YESBANK/X001133/	50,005.90
17/07/2020	-	IMPS/P2A/019910133463/Incusp/YESBANK/X001133/	1,00,005.90
21/07/2020	-	IMPS/P2A/020311354714/Incusp/YESBANK/X001133/	50,005.90
22/07/2020	-	IMPS/P2A/020415031683/Incusp/YESBANK/X001133/	50,005.90
22/07/2020	-	IMPS/P2A/020415046358/Incusp/YESBANK/X001133/	50,005.90
TOTAL			67,60,237.50

27. From the above transactions, it appears that Flanking Research has collected funds from the client for investments in securities market and fixed/regular returns have been guaranteed on monthly basis to the clients. It may be noted that performance/ return on investments in securities cannot be predicted and is subject to market risk. This act of providing fixed guaranteed returns from securities market is, *prima facie*, fraudulent and appears to have been done with the intention to bring in more customers and thereby increasing the income of the Investment Adviser.
28. An investment adviser is required to comply with SEBI Act and other applicable Regulations. An IA cannot make a false statement without reasonable ground for believing it to be true as mandated in PFUTP Regulations, 2003. Flanking Research was falsely assuring returns to investors knowing fully well that all investments in stocks, derivatives, commodity derivatives, etc. in respect of which it was offering investment advice are subject to market risk. Thus, Flanking Research has, *prima facie*, violated the provisions of regulation 3 (a), (b), (c), (d) of the PFUTP Regulations, 2003 read with section 12A(a),(b) and (c) of SEBI Act.
29. The above conduct shows that Flanking Research acted in a dishonest manner and did not act in the best interest of the clients. In view of the above, Flanking Research has, *prima facie*,

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failed in its responsibility to act in fiduciary capacity to its clients which is entrusted upon it under regulation 15 (1) of IA Regulations. Further, it is alleged that Flanking Research has violated clauses 1 (Honesty and fairness), 2 (Diligence) and 8 (Compliance) of Code of Conduct for IA as specified in Third Schedule read with regulation 15 (9) of IA Regulations.

30. Further, as per regulation 15(3) of IA Regulations, *the investment adviser shall maintain arms-length relationship between its activities as investment adviser and distribution or execution services*. Also, as per regulation 15(4) of IA Regulations, *an investment adviser which is also engaged in activities other than investment advisory services shall ensure that its investment advisory services are clearly segregated from all its other activities*. The bank transactions of Flanking Research indicate that it has engaged in activities other than providing investment advice, and thereby has violated regulation 15 (3) and 15 (4) of IA Regulations.

Irregularities Regarding Risk Profiling and Suitability Assessment

31. Regulation 16 of the IA Regulations, *inter alia*, provides that IA shall carry out risk profiling of the client for ascertaining client's risk tolerance based on client's income, age, existing assets/ liabilities, borrowings, capacity of absorbing loss, unwillingness to accept the risk of loss of capital, etc. Further, it is also provided that the risk profiling should be communicated to the client so that the client too can assess his risk profile before agreeing to accept the advice.
32. Regulation 17 of the IA Regulations, *inter alia*, states that the IA shall ensure that all investments on which investment advice is provided is appropriate to the risk profile of the client. It should be, *inter-alia*, based on client's investment objectives and his financial situation. Further, the investment advice should be such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance.
33. The Question of 'investment goal' in the risk profile formulated by Flanking Research features 03 answer options, 1) Capital Appreciation, 2) Regular Income and 3) Capital Appreciation and Regular Income. The weights assigned to such answers are 10, 30 and 20, respectively. It may be noted that regular income is generally associated with debt products. Any risk averse investor would choose regular income, as it is generally associated with debt products. However, as per the risk profiling methodology of Flanking Research, if a particular investor opts for 'regular



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income', he would be assigned 30 points. Assigning higher points to an investor would enable Flanking Research to categorize a client in 'High Risk' category. Further, as per the product list for high risk clients, Flanking Research can sell advices in all products including Futures & Options segments. This implies that the Flanking Research has misrepresented to clients that products in the Futures & Options segments give regular income. Copy of Risk Profile Form (hereinafter referred to as Risk Profile Form/'RPF') is placed at **Annexure- 12**.

34. From the analysis of services offered to various categories of client's vis-à-vis their risk profile, it is observed that the Noticee has offered 'high risk' services to clients who have been rated as 'medium risk'. It is also observed that the Noticee has recorded responses of clients in the RPF which are contradictory. Accordingly, Noticee has failed to carry out the due diligence expected from him while doing risk profiling and suitability assessment. Some of the examples are mentioned below:

35. The risk classification score range as per RPF is as under:-

Sl. No.	Risk Score Range	Risk Status
1	0 – 159	Low Risk
2	160 – 320	Medium Risk
3	320+ above	High Risk

Client Name: Mr. Subhransu Sekhar Dash

36. Flanking Research has done risk profiling of Mr. Sekhar Dash on February 3, 2020. As per RPF, he obtained a score of 240 and was rated as 'medium risk' client. The details regarding payments made by Mr. Sekhar Dash for the services offered by the Noticee, from invoices (Risk Profile Form, suitability report and invoices placed at **Annexure-13**) provided by the client, are given below:

Invoice No.	Invoice date	Package	Service duration Opted	Service Charge	Amount paid (incl. taxes) (in Rs.)
3447	Feb 03, 2020	Intraday cash	Quarterly	20,000	2,000
3459	Feb 04, 2020	Intraday cash	Quarterly	20,000	18,000
3500	Feb 06, 2020	Signature Cash	Half Yearly	75,000	27,000



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Invoice No.	Invoice date	Package	Service duration Opted	Service Charge	Amount paid (incl. taxes) (in Rs.)
3625	Feb 15, 2020	Intraday Future	Quarterly	40,000	40,000
3630	Feb 15, 2020	Nifty Option	Quarterly	15,000	10,000
3687	Feb 19, 2020	Nifty Option	Half Yearly	25,000	20,000
3689	Feb 19, 2020	Future premium	Quarterly	70,000	45,000
3733	Feb 19, 2020	Cash premium	Half Yearly	45,000	40,000
3724	Feb 20, 2020	HNI Option	Quarterly	40,000	10,000
3884	Feb 29, 2020	Cash premium	Half Yearly	45,000	38,700
TOTAL					2,50,700

37. It is observed from the table above that within the first month of joining the services of Noticee,

the client was sold 7 different services and has been charged a total of Rs. 2,50,700/-. As per the RPF submitted by client to SEBI, the annual income of the client is less than Rs. 1 lakh and the proposed investment amount is also less than Rs.1 lakh. Irrespective of the responses in the RPF, the Noticee has charged the client Rs. 2,50,700/- by selling various products, which is more than the proposed investment amount itself. Further, it is observed from the RPF that the client is of 'medium risk' category (score of 240), and as per the suitability report issued to the client, Intraday Cash product is suitable as per his risk profile. However, the Noticee has offered various products such as Intraday Future, Future Premium that fall into 'high risk' category without proper suitability report. By offering 'high risk' products to a medium risk client without taking into consideration the RPF, it appears that the Noticee has not been honest and fair in its dealings with its clients and has been acting in a manner so as to maximize its service fees.

38. On analysis of the above invoices provided by Mr. Sekhar Dash to SEBI, it is seen that for the service Cash Premium, the 'Half Yearly' fee is Rs.45,000/-, whereas the client has been charged Rs.78,700/-, i.e., Rs.33,700/- more than the fee structure. It is also seen from the invoices above that there is no rationale for the quantum of fee arrived at by the Noticee while charging the customer. For instance, in the case of Nifty Option, the 'Quarterly' fee is Rs.15,000/-, but client has been charged Rs.10,000/- and the duration is not mentioned. After four days, the client is again offered the same product for 'Half Yearly' period and charged Rs.20,000/-, with no period specified. In the absence of 'begin' and 'end' date in the invoices or in any communication of



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the Noticee to the client, the customer is not aware whether his services have started and the duration of the service. The client has no means to know whether the Noticee is providing services for the entire duration, indicating ambiguity and vagueness in the dealings of Noticee with clients.

39. As per clause 5 (information to its clients) of the Code of Conduct for IA as specified in Third Schedule of the IA Regulations, an IA is required to make adequate disclosures of relevant material information while dealing with its clients. It can be seen from the above table that Flanking Research has not mentioned the duration of service period (i.e. when the service is starting or ending) in any of its invoices for which the services were sold to the client. As such, Flanking Research is not giving adequate information to its clients about service period for which the amount is taken from client.

Client Name: Mr. Anirudh Gade

40. It is observed from the RPF of Mr. Anirudh Gade that he has been assessed as 'medium risk' client (RPF, suitability report and invoices placed at **Annexure-14**). The details regarding payments made by Mr. Gade for the service offered by the Noticee, from invoices provided by the client, are given below:

Invoice No.	Invoice date	Package	Service duration Opted	Service Charge	Amount paid (incl. taxes) (in Rs.)
3167	Jan 21, 2020	Cash premium	Monthly	12,000	9,000
3335	Jan 28, 2020	Cash premium	Half yearly	45,000	15,500
3401	Jan 31, 2020	Future premium	Quarterly	70,000	15,500
3697	Feb 20, 2020	HNI Future	Quarterly	2,80,000	20,000
TOTAL					59,000

41. As per the suitability assessment report of Mr. Gade, the service "Cash Premium" is the most appropriate service. As such, Flanking Research initially offered Mr. Gade 'Cash Premium' service only since he was categorized as 'medium risk' client. However, within 10 days of joining the services he was sold 'high risk' services viz. Future Premium and HNI Future which were not suitable to him as per his risk profile and the Noticee charged him fees of Rs. 35,500/-



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for the said services. It is well known fact that products in Futures & Options segment are highly leveraged products and generally not meant for investors having 'medium risk' appetite.

42. It can also be seen from the above table that new services have been sold before completion of the earlier services i.e. the service 'Cash Premium' having duration of one month was sold on January 21, 2020 and again on January 28, 2020, for a duration of six months. Further, Flanking Research has sold multiple services over the same period (i.e. the period of services are overlapping). For instance, services 'Future Premium' and 'HNI Futures', which appear to be services of similar nature, were active for the client at the same time.
43. In the RPF of Mr. Gade, in response to a question regarding "What is your experience with Equity, Commodity, Forex investment" it is stated that the client has an extensive experience. On the contrary, in another question the investment experience of the client is being stated as less than 3 years. The Noticee has not examined this contradiction and has not carried out any due diligence to correctly ascertain risk profile of the client.

Client Name: Mr. N.V. Subba Rao

44. Flanking Research has done risk profiling of the client, Mr. N.V. Subba Rao on November 27, 2019. As per RPF (RPF, suitability report and invoices placed at **Annexure-15**), he obtained a score of 200 and was rated as 'medium risk'. As per suitability report dated November 27, 2019, 'Intraday cash' services was suitable to the client. The details regarding payments made by Mr. Subba Rao for the service offered by the Noticee, from invoices provided by the client, are given below:

Invoice No.	Invoice date	Package	Service duration Opted	Service Charge	Amount paid (incl. taxes) (in Rs.)
2270	Nov 27, 2019	Intraday Cash	Quarterly	20,000	3,000
2294	Nov 28, 2019	Intraday Cash	Quarterly	20,000	17,000
2316	Nov 29, 2019	HNI Option	Half Yearly	70,000	74,100
2425	Dec 06, 2019	Customized Equity Future	Half Yearly	5,70,000	2,95,900
3262	Jan 25, 2020	Future Premium	Half Yearly	1,30,000	1,22,000

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Invoice No.	Invoice date	Package	Service duration Opted	Service Charge	Amount paid (incl. taxes) (in Rs.)
TOTAL					5,12,000

45. As per suitability assessment, Mr. Subba Rao was sold 'Intraday cash' service initially. However, within 2 days the client was again sold an 'HNI Option' service, a 'high risk' product which was not suitable to him as per his risk profile. The Noticee charged him fees of Rs. 74,100/- for the said services.
46. Further, from the RPF of the client, it is observed that the client falls within the age bracket of 55 – 60 years, has 4+ dependents to financially support, more than 50% of monthly income is allocated to pay off debt and has proposed investment amount between Rs. 1 – 2 lakhs. In spite of the above, Flanking Research sold Mr. Subba Rao 'high risk' products and charged fees of Rs. 5,12,000/- within two months.
47. From the above, it is seen that the advisory fees itself is more than the proposed investment amount, and hence, the client would not earn any returns on his investment. Such acts of Flanking Research are in complete disregard to the responsibility entrusted on it under the provisions of IA Regulations to act in fiduciary capacity and in the best interest of its clients. Flanking Research has not sold products to clients as per the risk category and tolerance level of the clients. Even though risk category of the client is medium, product from high risk categories have been sold to clients. Flanking Research has not considered clients' experience and knowledge while selecting products for the clients. Further, the service charge is multiple times to the proposed investment amount and therefore the clients' investment objectives have been impaired. Therefore, by paying such high advisory fees, which are multiple times to the proposed investment amount, clients may not be able to generate any profit or accomplish their financial objectives. As such, Flanking Research has not done 'Suitability' assessment as mentioned in regulation 17 of IA Regulations and has charged unreasonable fees from its clients.

Client Name: Mr. Sandhan Sahani

48. The details regarding payments made by Mr. Sandhan Sahani for the services offered by the Noticee, from invoices provided by the client (**placed at Annexure-16**), are given below:

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Invoice No.	Invoice date	Package	Service duration Opted	Service Charge	Amount paid (incl. taxes) (in Rs.)
513	Feb 08, 2019	Intraday Future	Monthly	15,000	4,000
518	Feb 13, 2019	Intraday Future	Monthly	15,000	3,000
551	Feb 26, 2019	HNI Future	Yearly	1,00,000	49,000
558	Mar 14, 2019	HNI Future	Yearly	1,00,000	8,52,264
566	Mar 18, 2019	Customized Equity Future	Yearly	11,20,000	1,83,354
TOTAL					10,91,618

49. It is observed from the table above that within the first month of joining the services of Noticee, the client has been offered various packages and has been charged a total of Rs.10.91 lakhs towards advisory fees.

50. From the invoices submitted by the client, it is seen that the Noticee charged the client Rs.852,264/- for HNI future, the yearly service for which is only Rs.1 lakh as per the fee structure of the Noticee. Further, the invoices issued by the Noticee do not have the service begin date and service end date.

Client Name- Mr. Rajiya Kathat:

51. The details (i.e. copies of invoices are placed at **Annexure-17**) regarding payments made by complainant, Mr. Rajiya Kathat, submitted by him to SEBI, for the service offered by the Noticee are given below:

Invoice No.	Invoice date	Package	Service duration Opted	Service Charge	Amount paid (incl. taxes) (in Rs.)
3043	Jan 15, 2020	Intraday cash	Quarterly	20,000	5,011
3063	Jan 16, 2020	Signature Cash	Half Yearly	75,000	3,000
3084	Jan 17, 2020	Signature Cash	Half Yearly	75,000	10,000
3099	Jan 18, 2020	Signature Cash	Half Yearly	75,000	8,700
3129	Jan 20, 2020	Signature Cash	Half Yearly	75,000	22,222
3186	Jan 22, 2020	Basic Commodity	Half Yearly	1,00,000	18,500
3233	Jan 24, 2020	HNI Cash	Quarterly	2,80,000	15,000
3239	Jan 24, 2020	HNI Cash	Quarterly	2,80,000	27,500
3266	Jan 25, 2020	HNI Cash	Quarterly	2,80,000	52,400

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Invoice No.	Invoice date	Package	Service duration Opted	Service Charge	Amount paid (incl. taxes) (in Rs.)
3359	Jan 29, 2020	HNI Future	Quarterly	2,80,000	1,14,800
TOTAL					2,77,133

52. From the above table, it is observed that the client has paid Half Yearly charge for Signature Cash on January 16, 2020. Subsequently on the next three days, the client has been charged again for the same product for the same duration. It appears that complete disclosure of product charges and duration is not mentioned to client, and client is being forced to make payments repeatedly. Further, invoice does not mention when the services would begin and end.

Client name - Mr. Namdev Gawde:

53. The details (i.e. copies of invoices are placed at **Annexure-18**) regarding payments made by complainant, Mr. Namdev, submitted by him to SEBI, for the service offered by the Noticee are given below:

Invoice No.	Invoice date	Package	Service duration Opted	Service Charge	Amount paid (incl. taxes) (in Rs.)
2843	Jan 03, 2020	Cash premium	Monthly	12,000	12,000
2880	Jan 06, 2020	Cash premium	Quarterly	30,000	23,400
TOTAL					35,400

54. From the above table, it is observed that the client has paid monthly charge for Cash premium on January 03, 2020. Subsequently within three days, the client has been charged again for the same product on quarterly basis. Further, the invoices does not mention when the monthly services would begin and when the quarterly services would begin.

Client name- Mr. Gurdas Singh:

55. The details (i.e. copies of invoices are placed at **Annexure-19**) regarding payments made by complainant, Mr. Gurdas Singh, submitted by him to SEBI, for the service offered by the Noticee are given below:



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Invoice No.	Invoice date	Package	Service duration Opted	Service Charge	Amount paid (incl. taxes) (in Rs.)
1744	Oct 22, 2019	Intraday cash	Quarterly	20,000	2,000
1774	Oct 23, 2019	Intraday cash	Yearly	60,000	41,200
1817	Oct 30, 2019	Customized Equity cash	Monthly	1,30,000	5,000
1915	Nov 06, 2019	Customized Equity cash	Quarterly	3,10,000	40,000
1919	Nov 06, 2019	Customized Equity cash	Quarterly	3,10,000	28,800
TOTAL					1,17,000

56. In the above table, it is seen that the Noticee has charged service fee from the client for the same product twice and there is no mention of the service 'begin' and 'end' date.

Client name – Anil Kumar Singh:

57. The details (i.e. placed at **Annexure-20**) regarding payments made by Mr. Anil Kumar Singh for the service offered by the Noticee, from receipts provided by the client, are given below:

Invoice No.	Invoice date	Package	Service duration opted	Service Charge	Amount paid (in Rs.)
962	Jul 22, 2019	Signature Cash	Yearly	1,00,000	18,750
975	Jul 25, 2019	Signature Cash	Yearly	1,00,000	20,582
985	Jul 27, 2019	Signature Cash	Yearly	1,00,000	5,500
1013	Aug 01, 2019	Signature Cash	Yearly	1,00,000	5,000
1105	Aug 21, 2019	Signature Cash	Yearly	1,00,000	2,000
1116	Aug 23, 2019	Signature Cash	Yearly	1,00,000	11,111
1138	Aug 27, 2019	Signature Cash	Yearly	1,00,000	11,876
1153	Aug 28, 2019	Signature Cash	Yearly	1,00,000	3,333
TOTAL					78,152

58. It is observed from the table above that the Noticee appears to not have disclosed complete charges prior to offering the service to the client. The client has made payments in 8 instalments



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for the same product, and the duration of when the service would begin or end, is not mentioned on the invoice.

59. The charges for the products (copy of webpages taken from the website of Noticee are placed at **Annexure-21**) mentioned in the aforesaid invoices as per the website is tabulated below:

Product	Monthly	Quarterly	Half yearly
Signature cash	20,000	50,000	75,000
Intraday cash	NA	20,000	35,000
HNI cash/future	110,000	280,000	510,000
Basic Commodity	20,000	55,000	100,000
Future premium	25,000	70,000	130,000
Cash premium	12,000	30,000	45,000
Customized equity future	160,000	390,000	680,000

60. Flanking Research has not been fair and transparent in its dealing with clients regarding the fees charged to the clients. It is observed that, *prima facie*, Flanking Research has adopted unethical business practices to deceive clients into buying/ subscribing multiple packages. Flanking Research appears to have acted in the above manner, with the sole objective to maximize its fees and keeping its own interest ahead of its clients. It can be seen that Flanking Research has sold multiple services within short period of time and also has sold newer services to its clients even though the subscription period for services earlier sold is not over yet, so as to receive more fees from the clients. It is also seen that the amount of advisory fees charged is more than the proposed amount of investment by the clients. If advisory fees itself is more than the proposed investment amount, the client would not earn any returns on his investments.
61. Flanking Research has not sold services to clients as per the risk category and tolerance levels of the clients. Even though risk category is medium, services from 'high risk' categories have been sold to the clients. Further, it is also observed that Flanking Research by not disclosing the service period in the invoices has not made adequate disclosure of relevant material information while dealing with its clients. These acts are in complete disregard to the responsibility entrusted on him under the provisions of IA Regulations to act in fiduciary capacity and in the best interest of its clients.



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62. From the information available in the website of Flanking Research i.e. www.flankingresearch.com, it is observed that the Noticee has bank accounts with Axis Bank Ltd., HDFC Bank Ltd., Bank of India Ltd. and State Bank of India Ltd. From the bank account statements obtained from the aforesaid banks, details such as total amounts credited in the bank accounts, and period of bank account statement are tabulated as under: -

Sl. No.	Bank Name & A/c No.	Period	Last Entry date	Total Credits (Rs.)
1.	Axis Bank 918020042121125	May 05, 2018 to August 26, 2020	August 26, 2020	8,87,00,000
2.	HDFC Bank 50200032060721	June 30, 2018 to July 25, 2020	July 25, 2020	1,80,00,000
3.	Bank of India 885320110000377	May 10, 2018 to July 24, 2020	July 24, 2020	4,41,183
4.	State Bank of India 38011522560	October 12, 2018 to July 26, 2020	July 25, 2020	2,75,00,000
TOTAL AMOUNT				13,46,41,183

Therefore, the Noticee has received total 13,46,41,183 in its aforementioned bank accounts as an Investment Advisor during the period May 05, 2018 to August 26, 2020.

63. In view of the above, it is observed that Flanking Research has (a) failed in its responsibility to act in fiduciary capacity to its client which is entrusted upon him under regulation 15 (1) of IA Regulations and (b) failed to comply with regulations 17(a), (c) and (d) of IA Regulations and (c) failed to abide by Clauses 1 (honesty and fairness), 2 (diligence), 5 (information to its clients), 6 (fair and reasonable charges) and 8 (compliance) of the Code of Conduct for IA as specified in Third Schedule of IA Regulations read with regulation 15 (9) of IA Regulations. Further, the above act of Noticee was done with the purpose of enhancing the income of Noticee by defrauding its clients. Such act of Noticee is, *prima facie*, fraudulent and is covered within the definition of 'fraud' as defined in Reg. 2(1)(c) of PFUTP Regulations, 2003. Accordingly, Flanking Research is alleged to have violated Reg. 3 (a), (b), (c), (d) of PFUTP Regulations, 2003 read with section 12A (a),(b) and(c) of SEBI Act, 1992.

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64. Extracts of the aforesaid provisions of IA Regulations, PFUTP Regulations 2003, and SEBI Act, 1992 which are alleged to have been violated by the Noticee are reproduced below and same are enclosed as **Annexure-22**.
65. In light of the above, Flanking Research and Investment Advisor (Proprietor: Tarun Chandani), are hereby called upon to show cause as to (i) why suitable directions for debarment from accessing the securities market and prohibition on buying, selling or dealing in securities and suitable directions for refund of fees collected as a consideration for the investment advice rendered under Sections 11(1), 11(4) and 11B (1) of SEBI Act, 1992 should not be issued against it and (ii) why suitable directions for imposing penalty under sections 11B(2) and 11(4A) read with sections 15HA, 15HB (for violations prior to March 08, 2019) and 15EB (for violations subsequent to March 08, 2019) of SEBI Act should not be issued against it for the aforesaid alleged violations.
66. The written submissions of the Noticee, if any, along with documentary evidences that the Noticee chooses to rely upon in support of its submissions, should reach the undersigned, at the address given below and also in softcopy (in MSWORD format) by e-mail at email-ids **rohanv@sebi.gov.in** and **nirmalm@sebi.gov.in**, within 21 days from the date of receipt of this notice, failing which it shall be construed that Noticee has no reply to submit and the matter shall be proceeded on the basis of the material available on record.
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67. The Noticee may also indicate in its reply whether it is desirous of a personal hearing before the Whole Time Member, SEBI, in the matter. The Noticee is advised to keep SEBI informed about the change in its correspondence address, if any, till the proceedings in the extant matter are complete.

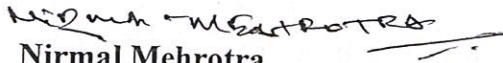


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68. Further, the Noticee is hereby advised to keep SEBI informed of all type of bank accounts (savings, deposits, recurring, current, etc.) mentioning the account no, name and address of the bank/branch held by it, details of all demat accounts / mutual fund units held by it and list of all the movable/immovable assets owned by it.

69. The Noticee may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulation, 2018. If the Noticee wishes to opt for the settlement process, it may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned. Further, the Noticee may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.

The documents relied upon this Show Cause Notice have been annexed as per the list of enclosures.


Nirmal Mehrotra
Deputy General Manager

Enclosures: Annexures-1 to 22

List of documents enclosed	
Documents	Annexure
Copy of SEBI Inspection order no. HO/07/2021-2021 dated September 17, 2020	1.
Copy of SEBI letter no. WRO/PLO/IMD/Insp/15746/2020 dated September 22, 2020 and email dated September 22, 2020 sent to Noticee for providing pre-inspection questionnaire	2.



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Letter dated October 06, 2020 from Noticee to SEBI and SEBI's reminder email dated November 17, 2020 from SEBI to Noticee	3.
Copy of the letter dated March 03, 2021 communicating the Inspection report to Noticee along with copy of inspection report	4.
Copies of the photographs of address of Noticee taken during the site-visit	5.
Copy of FIR No. 0626 dated July 25, 2020 filed by Crime Branch Police, Indore against Noticee	6.
Copy of the homepage of the website of Flanking Research	7.
Copy of relevant portion of Axis Bank account statement of Flanking Research	8.
Copy of SCORES complaint Regn. No. SEBIE/MP20/0001986/1 filed by complainant Mr. Sandhan Sahani	9.
Emails dated November 25, 2020, November 26, 2020 and November 30, 2020 received from complainant Mr. Sandhan Sahani	10.
Copy of screenshots of whatsapp chat provided by complainant Mr. Sandhan Sahani to SEBI	11.
Copy of Risk Profile Form	12.
Copy of Risk Profile Form, suitability report and invoices provided by Noticee to complainant Mr. Subhransu Sekhar Dash	13.
Copy of Risk Profile Form, suitability report and invoices provided by Noticee to complainant Mr. Anirudh Gade	14.
Copy of Risk Profile Form, suitability report and invoices provided by Noticee to complainant Mr. N.V. Subba Rao	15.
Copy of invoices provided by Noticee to complainant Mr. Sandhan Sahani	16.
Copy of invoices provided by Noticee to complainant Ms. Rajiya Kathat	17.
Copy of invoices provided by Noticee to complainant Mr. Namdev Gawde	18.
Copy of invoices provided by Noticee to complainant Mr. Gurdas Singh	19.
Copy of invoices provided by Noticee to complainant Mr. Anil Kumar Singh	20.
Copy of webpages of Noticee's website showing charges for the products	21.
Extracts of the aforesaid provisions of IA Regulations, PFUTP Regulations 2003, and SEBI Act, 1992 violated by Noticee	22.