

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Section 12(3) of Securities and Exchange Board of India Act, 1992 read with Regulation 27 of Securities and Exchange Board of India (Intermediaries) Regulations, 2008

In respect of:

Sr. No.	Name of the intermediary	Registration No.
1.	Wealthit Global (Proprietor: Mr. Mohit Manghnani) PAN- CXGPM4395H	INA000005473

In the matter of Wealthit Global

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- The present matter emanates from a show cause notice dated August 30, 2022 (hereinafter referred to as “**SCN**”) issued by Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) to Wealthit Global, Proprietor: Mr. Mohit Manghnani (hereinafter referred to as “**Noticee**”), an investment adviser registered with SEBI, with registration number INA000005473 (wrongly mentioned in the Report of Designated Authority as INZ000164132) under Regulation 27(1) of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as “**Intermediaries Regulations, 2008**”), calling upon it to show cause as to why action as recommended by the Designated Authority (hereinafter referred to as “**DA**”) or any other direction/ penalty as deemed fit should not be issued/imposed on it. The SCN enclosed with it the Report of the

Designated Authority dated July 29, 2022 (hereinafter referred to as “**Enquiry Report**” or “**ER**”).

2. The ER has observed that the Noticee has violated:
 - a. Regulations 3 (a), (b), (c), (d), 4(1), 4(2)(o) 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**”) read with Section 12A (a), (b) and (c) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”).
 - b. Regulations 6(f), 7(2), 13 (a), 13 (b), 15(1), 15 (12), 15(13), 16(b), (i) and (ii) (e) 17(a), 24(3), 25 (1), 25(2), 28(a) of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as “**IA Regulations, 2013**”).
 - c. Clauses 1, 2, 5, 6 and 8 of Code of Conduct as mentioned in Schedule III read with Regulation 15(9) of IA Regulations, 2013.
 - d. SEBI Circular No. CIR/OIAE/2014 dated December 18, 2014 and Regulation 21(1) of IA Regulations, 2013.
3. The ER has made the following recommendation:

“In view of the facts and circumstances of the case, in terms of regulation 26(2) of the Intermediaries Regulations, read with Regulation 28 of the IA Regulations, 2013, I hereby recommend cancellation of the certificate of registration granted to the Noticee: Wealthit Global (Registration no: INZ000164132) (Proprietor: Mr. Mohit Manghnani).”
4. The SCN was issued by Speed Post AD but was returned undelivered from the address of the Noticee available with SEBI. Thereafter, SEBI requested the depositories and stock exchanges for alternative address of the Noticee and the SCN was sent to the alternative address of the Noticee, as provided by the depositories and stock exchanges, by Speed Post AD. However, the letter returned undelivered from the said address also. Thereafter, the SCN was delivered by email to the email address of the

Noticee provided by the stock exchange (BSE). The Noticee did not submit any reply to the SCN.

5. The matter was placed before me on September 15, 2022 for conduct of further proceeding. In this regard, Regulation 27(4) of the Intermediaries Regulations, 2008 states as follows:

“Order
27.(1)

....

(4) The competent authority may grant an opportunity of personal hearing where the designated authority has recommended cancelation of certificate of registration or the competent authority is of the prima facie view that it is a fit case for cancellation of certificate of registration.”

In the present matter, the DA had recommended cancellation of certificate of the Noticee and it was noted that an opportunity of hearing was granted to the Noticee by the DA through newspaper publication but the same had not been availed by the Noticee. Considering the facts of the case and the recommendation by the DA, an opportunity of hearing was granted to the Noticee on October 07, 2022. The hearing notice was served through email. However, the Noticee did not appear for hearing nor did it seek adjournment of the hearing. Therefore, the hearing was concluded *qua* the Noticee.

Consideration of evidence and findings:

6. I have considered the allegations made in the SCN/observations made thereon in the ER and the material available on record.
7. The relevant extracts of the provisions of law allegedly violated by the Noticee are mentioned as under:

Extracts of the relevant provisions of SEBI Act, 1992

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;

Extracts of the relevant provisions of PFUTP Regulations, 2003

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.

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

Explanation.—For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

(2) Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following:

.....

(o) fraudulent inducement of any person by a market participant to deal in securities with the objective of enhancing his brokerage or commission or income;

...

(s) mis-selling of securities or services relating to securities market;

Explanation—For the purpose of this clause, “mis-selling” means sale of securities or services relating to securities market by any person, directly or indirectly, by-

- (i) knowingly making a false or misleading statement, or
- (ii) knowingly concealing or omitting material facts, or

- (iii) knowingly concealing the associated risk, or
- (iv) not taking reasonable care to ensure suitability of the securities or service to the buyer;

Extracts of the relevant provisions of IA Regulations, 2013

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;

7. Qualification and certification requirement.

(2) An individual investment adviser or principal officer of a non-individual investment adviser, registered under these regulations and persons associated with 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 of India or any recognized stock exchange in India provided such certification is accredited by NISM:

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

Provided further that fresh certification before expiry of the validity of the existing certification shall not be obtained through a CPE program.

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;

(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;

General responsibility.

15.(1) An investment adviser shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interests as and when they arise.

....

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

....

(12) Investment advisers shall furnish to the Board information and reports as may be specified by the Board from time to time.

(13) It shall be the responsibility of the investment adviser to ensure compliance with the certification and qualification requirements as specified under Regulation 7 at all times.

Risk profiling.

16. Investment adviser shall ensure that, -

- ...
- (b) it has a process for assessing the risk a client is willing and able to take, including:
 - (i) assessing a client's capacity for absorbing loss;
 - (ii) identifying whether client is unwilling or unable to accept the risk of loss of capital;
 -
 - (e) risk profile of the client is communicated to the client after risk assessment is done;

Suitability.

17.Investment adviser shall ensure that,

- (a) All investments on which investment advice is provided is appropriate to the risk profile of the client;

....

Redressal of client grievances.

21.(1) An investment adviser shall redress client grievances promptly.

Notice before inspection.

24.

- (3) During the course of an inspection, the investment adviser against whom the inspection is being carried out shall be bound to discharge its obligations as provided in regulation 25.

Obligation of investment adviser on inspection.

25.(1) It shall be the duty of every investment adviser in respect of whom an inspection has been ordered under the regulation 23 and any other associate person who is in possession of relevant information pertaining to conduct and affairs of such investment adviser, including partners, directors, principal officer and persons associated with investment advice, if any, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection.

(2) It shall be the duty of every investment adviser and any other associate person who is in possession of relevant information pertaining to conduct and affairs of the investment adviser to give to the inspecting authority all such assistance and shall extend all such co-operation as may be required in connection with the inspection and shall furnish such information as sought by the inspecting authority in connection with the inspection.

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

....

shall be dealt with in the manner provided under the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

THIRD SCHEDULE

Securities and Exchange Board of India (Investment Advisers) Regulations, 2013[
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.

....

5. Information to its clients

An investment adviser shall make adequate disclosures of relevant material information while dealing with its clients.

6. Fair and reasonable charges

An investment adviser advising a client may charge fees, subject to any ceiling as may be specified by the Board. The investment adviser shall ensure that fees charged to the clients is fair and reasonable.

..

8. Compliance

An investment adviser including its partners, principal officer and persons associated with investment advice 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.

8. I note that SEBI conducted an inspection of the Noticee, who is a SEBI registered Investment Adviser since August 29, 2016. On the basis of the findings of the inspection the DA had issued a show cause notice dated September 08, 2021 (hereinafter referred to as “**DA SCN**”) to the Noticee. However, the Noticee had not replied to the DA SCN. Thereafter, an opportunity of hearing was granted to the Noticee by the DA, but the Noticee did not appear for the hearing. Thereafter, the DA had submitted ER containing his recommendation. Therefore, in this order, I would be examining the sustainability of the findings given in the ER on the allegations made in the DA SCN.

Failure to Renew NISM Registration and violation of criteria of ‘fit and proper’:

9. The DA SCN alleged that Noticee continued to act as an investment adviser, even though he did not meet the eligibility criteria to act as such due to expiry of NISM certificate w.e.f. January 01, 2019. The ER has stated that the Noticee failed to comply with the requirement to have, at all times, a valid NISM certification as per the Regulation 7(2) of IA Regulations, 2013 and thus, violated Regulation 6(f), 7(2) read with

Regulations 13 (a), 15(13) and 28(a) of IA Regulations, 2013. Further, regarding the observation in the ER that the Noticee is not 'fit and proper' as per Schedule II of Intermediaries Regulations, 2008, the ER has observed that the Indore Police has registered the FIR against Noticee's proprietor, Mr. Mohit Manghnani, and its employees under Sections 420, 406, 467, and 34 of Indian Penal Code 1860 wherein the clients of the Noticee have levelled charges such as deceiving gullible investors, collecting lakhs of rupees and cheating the clients, giving assurance of guaranteed returns with an intention to make illegal gains, etc. in the FIR. In this regard, the ER has further noted that the Noticee vide letter dated December 02, 2019 and email dated January 03, 2020, submitted during the inspection by SEBI had stated as under:

- (i) Based on FIR no. 0816/2019 dated 28.08.2019 of the complainant Mr. Rakesh S/o Shri Sitlaprasad Sharma, Mumbai against the Noticee, the Police of Vijay Nagar, Indore has seized all the data of the Noticee.
- (ii) The Bank accounts were also seized by the Police.
- (iii) The investigation is going on and Noticee had approached the Investigation Officer of Vijay Nagar Police, but the police has denied to provide seizure memo of seized records during the pendency of investigation.
- (iv) Due to aforesaid FIR, Noticee's operations are also impacted and therefore have been stopped and thus, they are unable to appear before Inspection Team.

The ER has stated that that FIR is only a preliminary report and not a conclusive determination of charges and filing of FIR does not lead to conviction as the charges are not conclusively determined at the FIR stage. Therefore, the ER observes that benefit of doubt may be given to the Noticee.

10. In this regard, I note that Regulation 7(2) of the IA Regulations, 2013 which lays down qualification and certification requirement of investment advisers states as follows:

7. Qualification and certification requirement.

(2) An individual investment adviser or principal officer of a non-individual investment adviser, registered under these regulations and persons associated with 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 of India or any recognized stock exchange in India provided such certification is accredited by NISM:

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

Provided further that fresh certification before expiry of the validity of the existing certification shall not be obtained through a CPE program.

In terms of aforesaid regulation, an individual investment adviser or principal officer of a non-individual investment adviser, is required to possess certification from NISM or certification accredited by NISM. In the present case, I find that it has been established that NISM certificate of Mr. Mohit Manghnani, Proprietor of the Noticee had already expired on January 01, 2019. NISM's email dated January 27, 2020 shows that Mr. Mohit Manghnani has not appeared for any certification exam after the above mentioned expiry date. I find that the heading of Regulation 7(2) of the IA Regulations, 2013 is 'Qualification and certification requirement'. Thus, I find that the Noticee at present does not have the qualification to continue to act as a registered investment adviser under the IA Regulations, 2013. I further note that Regulation 13 (a) of the IA Regulations, 2013 also mandates that the investment adviser shall abide by the provisions of the SEBI Act, 1992 and IA Regulations, 2013 as a condition of certificate. In view of the fact that the Noticee is in violation of Regulation 7(2) of the IA Regulations, 2013, I find that it is also in violation of Regulations 13 (a) and 15(13) and 28 (a) of the IA Regulations, 2013.

11. The ER has observed that the Noticee has also been rendered as not fit and proper person because it did not possess requisite certification from NISM. In this regard, I note

that the 'fit and proper' criteria specified in Schedule II of the Intermediaries Regulations, 2008 at the relevant time stated as follows:

"Criteria for determining a 'fit and proper person'

For the purpose of determining as to whether an applicant or the intermediary is a 'fit and proper person' the Board may take account of any consideration as it deems fit, including but not limited to the following criteria in relation to the applicant or the intermediary, the principal officer, the director, the promoter and the key management persons by whatever name called –

- (a) integrity, reputation and character;
- (b) absence of convictions and restraint orders;
- (c) competence including financial solvency and network
- (d) absence of categorization as a wilful defaulter"

I find that requirement of possessing professional qualification certification applies in case of employees of registered intermediaries who are involved in the activity of research, product selling, investment advice, etc. Regulation 7(2) of the IA Regulations, 2013 mandates that an individual investment adviser or those persons who are rendering investment advice shall at all times possess the required qualification. In the present case, since the Noticee is individual investment adviser, he was required to possess the requisite certification. However, not renewing of certification required under Regulation 7(2) of IA Regulations, 2013, does not *ipso facto* render the investment adviser not 'fit and proper person' and particularly if an employee of a corporate investment adviser or bank fails to renew his certification it will not *ipso facto* render a corporate investment adviser as not 'fit and proper'. Therefore, I do not agree with observations in ER in this regard.

12. Regarding the disqualification of the Noticee on the basis of the FIR, I firstly note that this allegation is not mentioned in the DA SCN and only appears in the ER. I also note that requirement of being 'fit and proper' person is a continuous requirement and has to be fulfilled by the intermediary concerned at all times. Thus, even today Noticee must be satisfying fit and proper person criteria as existing on date, pursuant to amendments made to said criteria on November 17, 2021 which *inter alia* provides that for the purpose of determining as to whether any person is a 'fit and proper person', SEBI may take into

account *inter alia* any criminal complaint under Section 26 of the SEBI Act, 1992 or information under Section 154 of the Code of Criminal Procedure, 1973 filed against such person by the Board and which is pending or charge sheet filed in matters concerning economic offence. I note that the criterion for disqualification from being considered a 'fit and proper person' under the Intermediaries Regulations, 2008 mentions that the FIR should have been filed by SEBI. In the present case, the FIR was filed by some clients of the Noticee. Therefore, under the amended criteria of 'fit and proper person' also, it cannot be concluded that the Noticee is not a 'fit and proper person'. I find that an FIR which is filed under Section 154 of the Cr.P.C. is the first instance that the police is informed of an offence. Thereafter, investigation is undertaken which may lead to filing of chargesheet. I note that FIR *per se* does not attract disqualification under 'fit and proper' criteria, however, if subsequently, the Noticee is convicted or chargesheeted for economic offence, then under the applicable 'fit and proper' criteria, SEBI may review the 'fit and proper' status of the Noticee. Thus, I agree with the finding in the ER that filing of FIR cannot be equated with conviction as the charges are not conclusively determined at the FIR stage and I agree with observations in the ER that filing of FIR, in the present case, does not attract disqualification under 'fit and proper' criteria.

Allegation related to promising assured / guaranteed returns to clients

13. I note that DA SCN alleged that high returns were promised by the Noticee to the clients. In this regard, the ER states that returns on investments in equity and derivatives markets are subject to market risk and such returns cannot be assured. The ER has also noted from several complaints against the Noticee registered on the SCORES platform that the Noticee was offering assured and unrealistic profits to its clients, who had availed its services and paid advisory fees for the same. In view of the same, the ER has concluded that the Noticee has violated Regulation 15(1) and Clauses 1 and 2 of the Code of Conduct as provided in Schedule III read with Regulation 15(9) of the IA

Regulations, 2013. The ER has also concluded that by promising unrealistic returns to clients, Noticee violated Regulation 3(a),(b),(c),(d) of the PFUTP Regulations, 2003 read with Section 12A(a), (b) and(c) of SEBI Act, 1992.

14. I note that the ER has mentioned an email dated June 15, 2019 sent by the Noticee to Mr. Kundan Kumar wherein the Noticee stated the following:

“As per our discussions we would like to inform you that our total service charges are INR 7,00,000/- in which we had decided that you have to pay INR 2,50,000/- as initial payments in which we have successfully received INR 1,00,000/- now remaining INR 1,50,000/- you have to proceed as soon as possible within today's timeline. Further we had come to conclusion that after paying INR 1,50,000/- you don't have to pay any further charges till time you are getting the profits of INR 8,00,000/-.”

I also note the Report of Inspection of the Noticee states that Mr. Krishnadevan T., a client of the Noticee, had lodged a complaint No. SEBIE/MP19/0002400/1 dated September 12, 2019 on SCORES. In the said complaint, it was, *inter alia*, alleged that the Noticee had told him to pay Rs.1,20,000/- and that they would make him earn Rs.4,50,000/-. However, after he paid the money they did not accept his call. In this connection, Mr. Krishnadevan T. has provided a call recording between him and the representative of the Noticee. Mr. Krishnadevan has also provided the copy of email dated October 01, 2019 received from the Noticee wherein the Noticee has stated that Mr. Krishnadevan has paid the total amount of Rs.1,20,000/- and that his services of Stock Option HNI would be activated. From the said call recording, it is observed that representative of the Noticee has been promising unrealistic / exorbitant returns to the client. The extract of the transcript of the representative of the Noticee with Mr. Krishnadevan T. is given below:

Audio Clip 1	Transcript of telecon between Rajeev and Priyanka, Representatives of Wealthit and Mr.Krishnadevan T (Ph no. 0731-2443829 and 7999619315)
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Telecon held on May 14, 2019	(Time- 1:05-1:28) Adviser: "Aap mujhe aaj Rs. 20000 karva dijiye kyoki aapka profile already mere paas aa gayi hai. Aaj mai aapko call karunga aur aaj hi aapko ye paisa as a profit vapas mil jayega. Uske baad jo bhi trade se profit aayega vo hum dono 50-50 share karenge." Investor: "ok sir" Adviser: "Toh ye mai done samjhu na phir." Investor: "haan done samjho sir."
Telecon held on May 24, 2019	(Time- 00:01 to 00:15) Suniye na ek position hai...aapse baat karte samay NIFTY 750 points upar chadh gaya yani aap dekhiye thoda sa delay mai bhi kitna impact hota hai market main. (00:32- 1:41): - Suniye aap ek kaam kijiye 11700 ka PUT Option ka bid lagaiye aap. Investor: 11700 ka? Adviser: Haan 11700 ka NIFTY ka. Dekhiye agar ye execute hota hai toh isme mai Rs. 30000 ka return main leke chal raha hoon. Thik hai...Bade return ke liye mujhe yahi dikh raha hai. Investor: Thik hai sir. Kitne pe bid lagane ka hai sir. Adviser: Aap uska bid Rs. 30 ka lagaiye Investor: 11700 ka hai na sir? Adviser: Haan 11700 ka Put Option Rs. 30 ka bid lagaiye aur suniye aap bataiye kab pay karenge remaining vala kyoki aajke baad aapse paise mangna nahi chahta." Aaj ke baad mera agar phone jayega toh sirf profit batane ke liye jayega ki kitna profit hua hai. Toh aajke baad mai paise nahi mangunga toh aap mujhe time bataiye ki shaam ko kab tak pura ho jayega." Investor: "Sir Market hours ke baad payout hota hai aisa bol rahe the vo aisa mai baat kiya tha unse." Adviser: 5:30 -6 baje ka time daal du? Investor: ok sir 5:30 se 6 baje tak ka daal do"

Telecon held on May 27, 2019	(Time- 0:31-0:40) Adviser: "Sir toh aap meri baat suniye aap ko karna hain ya nahi karna hain kyoki 29th tarikh last date hai uske baad aapki service lapse ho jaegi phir mai kuch nahi kar paungi" (00:55 to 1:02): - Adviser: - "Aapne haan bhara than na ki aapke paas Rs. 80000 ka amount hai maine kya bola tha ki aap mujhe Rs. 20000 aur arrange karva de do mai aapko profit karwa ke deti" (1:30 to 1:35) Adviser: Mere paas 3 profile aur aayi thi vo profile Rs. 20000 ke investment se 1.5 lakh ke profit mai chal rahi hai. (09:37-10:25) Investor: mujhe ye bataya hai ki mai agar 22000 aur nahi bharunga toh meri service band ho jayegi Adviser: Toh aap hi bataiye ki mai kya karu Investor: Toh aapne mujhe pehle kyo nahi bataya....jab maine Rs. 1 lakh bhar diye...ab ap k din pehle (i.e. on 27th) bol rahe ho ki 29th taarikh last date hai. Itna paisa mai ek din mai kaha se le kar aaunga. Adviser: Mai aapse argument nahi karna chahti hoon ki aap kar paoge payment ya nahi jo maine payment ke baare mai batana tha vo bata diya. Investor: Toh yeh aapko pehle batana chahiye na. Adviser: Service de rahi mai aapko koi ehsaan nahi kar rahe ho aap. Thik hai mat karo payment service band hai aaj se aapki."
Telecon held on May 27, 2019	(Time- 04:15 to 04:49): Adviser - Rs. 130000 ki service main mai aapko Rs. 450000 ka return hai within 3 months. Rs. 450000 ka return guarantee hai. (Time- 5:28 to 5:37): Investor: mujhe aap clearly bata dijiye abhi...baad mai mere payment karne ke baad aap aise nahi vese nahi mat kariyega" Adviser: Mai aapko kya bol rahi hu ki aapka Rs. 4.5 lakhs ka return hai isse jyada aapko kya chahiye. "

From the above-mentioned email and transcripts, I find that the Noticee was clearly promising assured returns to clients. I note that the Noticee has not filed any reply or denied the veracity of this email and transcript. I note that Regulation 15 (1) and code of conduct under Schedule III of IA Regulations, 2013 *inter alia* provides that an investment adviser shall act in a fiduciary capacity towards its clients. The Code of Conduct contained in Schedule III of the IA Regulations, 2013 also casts a duty on the registered investment advisor to act honestly, fairly and in the best interests of its clients and with due skill, care and diligence. The Code of Conduct also mandates that an investment adviser shall make adequate disclosures of relevant material information while dealing with its clients. I find that the Noticee promised assured return to the clients knowing fully well that investment in equity, equity derivatives, and commodity derivatives are subject to market risk. Therefore, the Noticee has indulged in concealment and misrepresentation of facts and has failed to act in the best interest of its clients and also failed to exercise care and due diligence. In view of the same, the Noticee has violated Regulation 15 (1) of IA Regulations, 2013 and Clause 1, 2 and 5 of the Code of Conduct in Schedule III read with regulation 15 (9) of IA Regulations, 2013.

Allegation related to unfair dealing with the clients, selling multiple packages and charging unreasonable fee

15. The DA SCN alleged that Noticee has deceived the clients by selling multiple products within a short span of time with the sole aim of earning maximum amount of fees for itself and while selling these products, Noticee did not take into account the proposed investment amount and the gross annual income of the clients. It alleged that the Noticee did not deliberately mention the service duration of the product so that the client would not be in a position to monitor whether the advisory services have been provided by him

for the entire duration of the product. Therefore, Noticee allegedly failed in its responsibility to act in fiduciary capacity to its clients.

15.1. In this regard the ER gives the specific instances of 9 clients where Noticee sold multiple packages and allegedly charged unreasonable fees, as mentioned in the ER, as follows:

15.1.1. Mr. Dhyaneshwar Gupta

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	November 27, 2018	201811175	Stock Cash	69,600/-
2	December 12, 2018	201812138	Equity Cash	30,000/-
3	December 13, 2018	201812141	Equity Cash	27,200/-
4	December 13, 2018	201812159	Equity Cash	20,000/-
5	December 22, 2018	201812237	Equity Cash	3,47,600/-
6	January 25, 2019	201901288	Equity Future HNI	8,03,600/-
Total				12,98,000/-

As per the risk profile of the client, client has mentioned that his proposed investment amount is less than Rs.1 lac and his annual income is in the range of Rs.1 to 5 lakh. As can be observed from the above table, Noticee has charged him fees of Rs.12,98,000/- during the period November 27, 2018 to January 25, 2019. The amount charged by Noticee is two times more than annual income of Mr. Gupta. It is also observed that the Noticee has charged services fee from Mr. Gupta which is more than 12 times of his proposed investment amount. From the website of the Noticee (www.wealthitglobal.com), it is observed that the minimum duration for all the products offered by the Noticee is 1 month. It is observed that during the period December 12, 2018 to December 22, 2018, the Noticee has sold 'Equity Cash' package 4 times. Within two days i.e. December 12, 2018 and December 13, 2018, the package 'Equity Cash' was sold three

times, including twice on the same day i.e. December 13, 2018. The service fees charged by the Noticee for 'Equity Cash' ranged from Rs. 27,200/- to Rs.3,47,600/-. From the invoices forwarded to Mr. Gupta by the Noticee, it is observed that no duration for which advisory services would be provided by the Noticee has been mentioned.

15.1.2. Mr. Manoj Ramanath Puthran

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	December 18, 2018	201812215	Ultra HNI	94,000
2	December 27, 2018	201812396	Ultra HNI	94,000
3	January 1, 2019	2019107	Equity Cash	18,000
Total				2,06,000

As per the risk profile of the client, client has mentioned that his gross annual income was between Rs.1 to 5 lac, proposed investment amount is less than Rs.1 lac and he has 'Nil' investment experience. However, the Noticee has charged him fees of Rs. 2,06,000/- during the period of 14 days i.e. December 18, 2018 to January 1, 2019. It is also observed that the Noticee has sold 'Ultra HNI' product twice within 9 days. From the website of the Noticee (www.wealthitglobal.com), it is observed that the minimum duration for all the products offered by the Noticee is 1 month. However, the Noticee has sold same product twice within 9 days of each other. It is also observed that in the invoices forwarded by the Noticee to the client, duration of service period has not been mentioned.

15.1.3. Mr. Uthappa K S

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	July 1, 2019	INV_2019_JUL_24	Equity Option	2,000
2	July 2, 2019	INV_2019_JUL_44	Equity Option	2,000
3	July 4, 2019	INV_2019_JUL_85	Ultra HNI	23,000
4	July 13, 2019	INV_2019_JUL_164	Jobbers	51,000
5	July 13, 2019	INV_2019_JUL_165	Jobbers and Ultra HNI	2,22,000
6	July 15, 2019	INV_2019_JUL_239	Jobbers	1,000
7	July 16, 2019	INV_2019_JUL_256	Jobbers	30,000
8	July 18, 2019	INV_2019_JUL_302	Jobbers	50,000
9	July 18, 2019	INV_2019_JUL_315	Jobbers	5,00,000
Total				8,81,000

The Noticee has charged from Mr. Uthappa service fees of Rs.8,81,000/- during the period of 19 days as per aforesaid 9 invoices. It is also observed that the Noticee has sold 'Equity Option' product twice within 2 days. On July 13, 2019, the Noticee has sold two products (namely Jobbers and Ultra HNI) on the same day. Between the period July 13, 2019 to July 19, 2019, the Noticee has sold 'Jobbers' product 5 times. On July 13, 2019, itself 'Jobbers' pack was sold twice, with service fees of Rs. 51,000/- and Rs.2,22,000. From the website of the Noticee (www.wealthitglobal.com), it is observed that the minimum duration for all the products offered by the Noticee is 1 month. It is also observed that the Noticee has sold 'Ultra HNI' product during July 4, 2019 to July 13, 2019.

15.1.4. Mr. Jatindra Nath Karmakar

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	July 20, 2019	INV_2019_Jul_339	Equity Cash HNI	2,100
2	July 23, 2019	INV_2019_Jul_357	Equity Cash HNI	3,000
3	July 25, 2019	INV_2019_Jul_401	Jobbers	501
4	July 30, 2019	INV_2019_Jul_482	Equity Cash HNI	2,000
5	July 31, 2019	INV_2019_Jul_509	Jobbers	49,000
Total				56,601

The Noticee has charged the client fees of Rs.56,601/- during the period between July 20, 2019 to July 31, 2019 by selling services 5 times. The Noticee has sold the product 'Equity Cash HNI' 3 times within period of 10 days (i.e. from July 20, 2019 to July 30, 2019). For the product 'Equity Cash HNI' the amount of fees charged ranged from Rs.2000/- to Rs.3000/-. Similarly, the product 'Jobbers' was sold twice within 6 days (i.e. from July 25, 2019 to July 31, 2019). While the Noticee has charged Rs.501/- on July 25, 2019 for 'Jobbers' product, it has charged Rs.49,000/- for the same product on July 31, 2019. The invoices generated for selling the above mentioned products do not have duration of service period.

15.1.5. Mr. Nalajam Hari Krishna

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	March 26, 2019	INV_Mar_20190699	Equity cash premium	10,000
2	April 30, 2019	INV_April_201904488	Equity cash premium	10,000
3	May 3, 2019	INV_2019_MAY_67	Equity cash	8,500
4	May 8, 2019	INV_2019_MAY_128	Equity cash premium	10,800
5	May 13, 2019	INV_2019_MAY_198	Equity cash premium	16,000
6	June 6, 2019	INV_2019_june_100	Equity cash HNI	15,500

7	June 10, 2019	INV_2019_june_137	Equity cash HNI	7,800
Total				78,600

The Noticee has charged the client fees of Rs. 78,600/- during the period between April 30, 2019 to May 13, 2019. The Noticee has sold “Equity Cash Premium’ product four times during the period March 26, 2019 to May 13, 2019. The amount of fees charged for the above mentioned product ranges from Rs.10,000/- to Rs.16,000/-. Further, the Noticee has sold the product ‘Equity Cash HNI’ twice during the period June 6, 2019 to June 10, 2019. The Noticee has charged Rs. 15,500/- on June 6, 2019 and Rs. 7,800/- on June 10, 2019 for selling this product. In the above mentioned invoices, no duration of the product has been mentioned.

15.1.6. Ms. Jayashree Rayirathil

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	November 15, 2018	INV_OCT_20181119	Cash	1,37,100
2	December 28, 2018	INV_DEC_201812471	Stock Cash	12,500
3	January 8, 2019	INV_JAN_201901122	HNI MCX	12,500
4	January 12, 2019	INV_JAN_201901264	HNI MCX	52,485
5	January 21, 2019	INV_JAN_201901169	Cash HNI	1,05,000
6	January 30, 2019	INV_JAN_201901665	Equity Future HNI	2,36,000
7	February 5, 2019	INV_FEB_20190292	Equity Cash Premium	29,500
8	February 5, 2019	INV_FEB_201902110	Equity Cash Premium	52,600
9	February 11, 2019	INV_FEB_201902230	Equity Cash Premium	40,000
10	February 11, 2019	INV_FEB_201902247	MCX	12,000
11	February 18, 2019	INV_FEB_201902669	MCX	12,000
12	February 22, 2019	INV_FEB_201902671	MCX	15,000
13	February 28, 2019	INV_FEB_201902673	MCX	25,000
14	March 7, 2019	INV_Mar_20190403	Equity Cash	25,000
15	March 8, 2019	INV_Mar_20190418	Equity Cash	47,200
16	March 11, 2019	INV_Mar_20190453	Equity Option	17,700
17	March 15, 2019	INV_Mar_20190534	Equity Option	20,000
18	March 19, 2019	INV_Mar_20190602	Equity Option	25,000
19	March 22, 2019	INV_Mar_20190647	Equity Option	47,200
20	March 23, 2019	INV_Mar_20190667	Equity Cash	35,000
21	March 26, 2019	INV_Mar_20190708	Base metals +Energy	59,000
22	March 29, 2019	INV_MAR_20190770	Equity Cash HNI	1,20,000
23	April 8, 2019	INV_APR_201904135	Equity Cash	35,400

24	April 10, 2019	INV_APR_201904162	MCX Basic	40,000
25	April 17, 2019	INV_APR_201904276	Equity Option	17,700
26	April 17, 2019	INV_APR_201904277	Equity Cash HNI	15,000
27	April 23, 2019	INV_APR_201904369	Equity Cash HNI	25,000
28	April 23, 2019	INV_APR_201904370	Equity Cash Premium	51,000
29	April 23, 2019	INV_APR_201904371	Equity Cash	65,500
30	April 23, 2019	INV_APR_201904372	Equity Cash Premium	5,000
31	April 27, 2019	INV_APR_201904440	Equity Cash Premium	1,56,555
32	April 27, 2019	INV_APR_201904441	Equity Cash Premium	51,555
33	April 29, 2019	INV_APR_201904453	Equity Cash Premium	1,61,111
34	April 29, 2019	INV_APR_201904465	Equity Cash Premium	1,00,000
35	April 30, 2019	INV_APR_201904487	Equity Cash Premium	50,000
36	May 3, 2019	INV_2019_MAY_54	Equity Future HNI	25,000
37	May 3, 2019	INV_2019_MAY_56	Equity Future HNI	25,000
38	May 10, 2019	INV_2019_MAY_150	Equity Future	29,500
39	May 21, 2019	INV_2019_MAY_362	Equity Future	10,000
Total				20,01,106

The Noticee has charged fees of Rs.20,01,106/- during the period between November 15, 2019 to May 21, 2019 from this client. During the above mentioned period of close to 6 months, the Noticee has sold as many as 13 products for 39 times. The Noticee has sold 'Cash' products once, 'Cash HNI' product once, 'Equity Cash' 5 times, 'Equity Cash HNI' 3 times, 'Equity Cash Premium' 10 times and 'Stock cash' once. From the nomenclature of the product, it is observed that the products appear to be similar. The product 'Equity Cash' was sold 5 times during the period from March 7, 2019 to April 23, 2019. The amount of fees charged by the Noticee ranged from Rs. 25,000/- to 65,500/-. During the period March 29, 2019 to April 23, 2019, 'Equity Cash HNI' was sold thrice. The amount of fees charged by the Noticee ranged from Rs. 15,000/- to Rs.1,20,000/-. During the period February 5, 2019 to April 30, 2019, 'Equity Cash Premium' was sold as many as 10 times. The amount of fees charged by the Noticee ranged from Rs. 5,000/- to Rs.1,61,100/-. On February 5, 2019, the said product was sold twice by charging Rs.29,500/- and Rs.52,600/-. On April 23, 2019, the product was again sold twice by charging Rs.51,000/- and Rs.5,000/-. On April 27, 2019, the product was again sold twice by charging

Rs.1,56,555/- and Rs.51,555/-. On April 29, 2019, the product was again sold twice by charging Rs.1,61,111/- and Rs.1,00,000/-. The product 'Equity Future' was sold twice on May 10, 2019 and May 21, 2019 by the Noticee. It charged fees amounting to Rs. 10,000/- and Rs.29,500/-. The product 'Equity Future HNI' was sold once on January 30, 2019 and twice on May 3, 2019. The amount of fees charged by the Noticee ranged between Rs.25,000/- to as large as Rs.2,36,000/-. During the period March 11, 2019 to April 17, 2019, the Noticee has sold 'Equity Option' product 5 times. The amount of fees charged by the Noticee ranged from Rs. 17,700/- to Rs.47,200/-. During the period January 8, 2019 to January 12, 2019, the Noticee has sold 'HNI MCX' product twice for Rs. 12,500/- and Rs.52,485/-. The Noticee has sold 'MCX' 4 times during the period February 11, 2019 to February 28, 2019 and 'MCX Basic' product once on April 10, 2019. For the product 'MCX', the amount of fees charged ranged from Rs.12,000/- to Rs.25,000/-. From the nomenclature, all the three products appear to be similar. From the website of the Noticee, no product with a nomenclature 'MCX Basic' was observed. In none of the above mentioned invoices, duration of the product has been mentioned. Vide email dated February 19, 2020, Ms. Jayashree has informed that her annual income as per ITR for FY 2018-19 is Rs. 19.95 lacs and annual income as per ITR for FY 2019-20 is Rs. 4.01 lacs. Ms. Jayashree has further informed that she had taken voluntary retirement from SBI with effect from April 2017 and she had made investment out of her retirement funds.

15.1.7. Mr. Krishnadevan T.

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	May 8, 2019	245690288	Stock Option HNI	2,000
2	May 9, 2019	245951061	Stock Option HNI	25,000

3	May 14, 2019	246696617	Stock Option HNI	20,000
4	May 24, 2019	248394538	Stock Option HNI	36,000
5	May 27, 2019	248779440	Stock Option HNI	18,000
6	May 29, 2019	249198858	Stock Option HNI	18,291
TOTAL				1,19,291

The Noticee has charged fees of around Rs.1,19,291/- during the period between May 08, 2019 to May 29, 2019 from this client. During the said period of 22 days, product 'Stock Option HNI' has been sold 6 times. The fees charged for the same product ranged from Rs.2,000/- to Rs.36,000/-. It is observed from the website of the Noticee that the minimum duration for 'Stock Option HNI' is one month. As per the information available in the website of the Noticee, the minimum duration for all the products of the Noticee is one month. It is observed that the Noticee has collected fees multiple times for the same product even before the end of one month's service duration.

15.1.8. Mr. Kundan kumar

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	June 29, 2019	INV_JUN_56324	Equity Combo Ultra HNI	7,00,000

The Noticee has charged fees of around Rs. 7 lakh on June 29, 2019 for the 'Equity Combo Ultra HNI' from this client. From the website of the Noticee, it is observed that there is no product with the nomenclature 'Equity Combo Ultra HNI' as per the list of products available in the website of the Noticee. The duration of service period has not been mentioned in the invoice forwarded by the Noticee to the client. From the website of the Noticee, the maximum amount of fees was for the services 'Equity Cash Ultra HNI', 'NCDEX Ultra HNI', 'Equity Future Ultra HNI' and 'Ultra HNI Equity Option' which is Rs.5,99,000/- for a

duration of 1 year (i.e. excluding GST of 18%). From the above, it appears that the amount of Rs.7,00,000/- as fees charged by the Noticee has no basis.

15.1.9. Dr. Sima Chauhan

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	April 20, 2019	INV_APR_201904320	Equity Cash	1,600
2	April 30, 2019	INV_APR_201904504	Jobbers	10,000
3	May 1, 2019	INV_MAY_01	Ultra HNI	30,000
4	May 1, 2019	INV_2019_MAY_02	Jobbers	21,000
5	May 3, 2019	INV_2019_MAY_68	Jobbers	50,000
6	May 3, 2019	INV_2019_MAY_38	Jobbers	1,000
7	May 6, 2019	INV_2019_MAY_91	Jobbers	50,000
8	May 7, 2019	INV_2019_MAY_107	Jobbers	1,000
9	May 8, 2019	INV_2019_MAY_112	Jobbers	45,347
10	May 13, 2019	INV_2019_MAY_195	Jobbers	30,000
11	May 14, 2019	INV_2019_MAY_216	Jobbers	39,000
12	May 14, 2019	INV_2019_MAY_209	Jobbers	20,000
13	June 3, 2019	INV_2019_JUN_47	Jobbers	90,000
14	June 5, 2019	INV_2019_JUN_80	Jobbers	1,50,000
15	July 10, 2019	INV_2019_JUL_149	MCX	5,001
16	July 11, 2019	INV_2019_JUL_160	HNI MCX	25,000
17	July 15, 2019	INV_2019_JUL_244	MCX	25,100
18	July 15, 2019	INV_2019_JUL_245	Equity Option	900
Total				5,94,948

The Noticee has sold products 18 times and charged fees of around Rs.5,94,948/- during the period between April 20, 2019 to July 15, 2019. During the period April 30, 2019 to June 5, 2019, the Noticee has sold 'Jobbers' 12 times. It is also observed that on May 3, 2019 and May 14, 2019, the Noticee has sold 'Jobbers' twice on each of the days. The amount of fees charged by the Noticee for 'Jobbers' ranged from Rs.1000/- to Rs.1,50,000/-. As per the information available on the website of the Noticee, the minimum duration for all

the products of the Noticee is one month. It is also observed from the website that there is no product with nomenclature 'Jobbers'. The only product available as per the website of the Noticee as on February 13, 2019 is 'Jobbers Option'. The Noticee has also sold 'MCX' product twice on July 10, 2019 and July 15, 2019 with fees for Rs. 5,001 and Rs. 25,100/-. Thus, same product was sold to the client multiple times and no duration of services were provided in the invoice

- 15.2. I note that the invoices issued by the Noticee to its clients did not mention the duration for which the product/ service was being sold and thus the clients had no way of confirming whether the product/ service had been provided for the entire period or whether the same product had been sold multiple times. It is also observed that the Noticee has charged services fee from clients which were in multiples of their investment amounts such as from Mr. Dhyaneshwar Gupta which is more than 12 times of his proposed investment amount. I further find that while selling these products, the Noticee did not take into account the proposed investment amount and the gross annual income of the clients. I also find that the same package had been sold to the same clients multiple times in a span of less than one month. From the website of the Noticee, it is observed that the minimum duration for the products offered by it was one month. Thus, there cannot be any explanation why the same product was being sold multiple times in less than one month to the same client. I also note that the Noticee charged different fees for the same product from the same clients as well as different clients. I further find that the Noticee was selling services to its/his clients which was not listed on its/his website. I also find that with respect to Ms. Jayashree Rayirathil the Noticee has sold the products the returns for which were subject to market risks despite knowing that she was a retired person.

15.3. I also note that the ER has concluded as follows, which I am in agreement with for the reasons stated in previous paras:

- a) Noticee has charged exorbitant amount of services fees from the clients. In two cases, amount of fees charged by the Noticee is twice the proposed amount of investment. In case of the client Mr. Manoj Puthran, the amount of fees charged is almost 50% of his gross annual income.
- b) Noticee has sold multiple products to a client within a very short span of time. In case of one client, during the period of around 6 months, Noticee has sold as many as 13 products for 39 times.
- c) Some of the products sold to clients do not appear in the website of the Noticee wherein description of the products has been provided.
- d) The Noticee has sold same product multiple times within a short span of time. In case of few clients, same product was sold twice on the same day.
- e) There was huge variation for the amount of fees charged by the Noticee for the same product which were sold within a very short span of time.
- f) The invoices sent by the Noticee do not mention the service period of the product sold to the client and the clients have no means to find out whether the Noticee has provided the service for the entire duration of the product.

15.4. In view of the conduct of the Noticee as detailed in para 15.1 to 15.3. above, I find that the Noticee was not charging fair and reasonable fees from its clients and the fees charged was unreasonable, arbitrary and unfair. I also find that the Noticee has failed to exercise care and due diligence and also failed to act in the best interest of its clients. In view of the same, the Noticee has violated Regulation 15 (1) of IA Regulations, 2013 and Clause 1, 2, 5 and 6 of the Code of Conduct in Schedule III read with regulation 15 (9) of IA Regulations, 2013.

Allegation related to irregularities regarding Risk Profiling and Suitability Assessment

16. The DA SCN alleged that by classifying 'Low' risk clients as 'High' or 'Medium' risk client, the Noticee made its clients bear risk which was beyond their tolerance capacity. The DA SCN also alleged that the Noticee has failed to communicate risk profile to its clients. The DA SCN also alleges that the Noticee had failed to communicate the risk profiling to its clients and sold service / products and received money from clients before completion of risk profiling.
17. In this regard, the ER has taken note of the copies of Risk Profile Forms and invoices received from the complainants, Mr. Manoj Puthran and Mr. Dhyaneshwar Gupta. The ER notes that the Noticee has classified 'Low' risk clients as 'High' or 'Medium' risk client. The ER also notes from the information shared by the complainants, Mr. Krishnadevan T. and Mr. Kundan Kumar that the Noticee neither conducted nor shared any risk profile document/score with them. The ER also observes that Risk profiling for a client was done after the sale of advisory services to a client. In view of the same, the ER has concluded that the Noticee has violated Regulations 16(b) (i) and (ii), 16 (e) and 17 (a) and Clauses 1 and 2 of the Code of Conduct as provided in Schedule III read with Regulation 15(9) of the IA Regulations, 2013. The ER has also concluded that Noticee violated Regulation 3(a),(b),(c),(d) of the PFUTP Regulations, 2003 read with Section 12A(a), (b) and(c) of SEBI Act, 1992.
18. In this regard, I note from the Report of Inspection, that the Noticee has made the 'Risk Classification' on the basis of following scores:

Risk Classification	Score
Low	13 & below
Medium	14-17
High	18-25

The Report of Inspection observes that from the risk profiling statement of Mr. Manoj Puthran, his total risk profiling score worked out to 10.5. From the internal classification norms of the Noticee for scores of 13 and below, the client should have been classified in 'Low' risk category, however in the risk profiling statement Mr. Manoj Puthran has been classified as 'medium' risk category client. Further, Report of Inspection states that Mr. Manoj Puthran vide email dated January 25, 2020 has, *inter alia*, informed that a representative of the IA simply asked him questions over phone but never told him that this was done for risk profiling and he did not sign on any risk profiling form and that in the risk profiling form his age is mentioned as '60 plus' whereas he is not 60 plus. The Report of Inspection also observes from the Risk Profiling Statement of Mr. Dhyaneshwar Gupta, that his total risk profiling score worked out to 11 and from the internal classification norms of the Noticee, the client should have been classified in 'Low' risk category. It is however noted from the Risk Profiling Statement that Mr. Dhyaneshwar Gupta has been classified as 'high' risk category client. I note that products namely Ultra HNI and Equity Cash which should have been sold to people with Medium risk appetite were sold to Mr. Puthran (Low Risk client) and products namely Stock Cash, Equity Cash and Equity Future HNI have been sold to Mr. Gupta. I also note from the Report of Inspection that in case of Mr. Gupta, the Noticee had sold equity futures products which are generally meant for clients with 'high risk' appetite.

19. I further note from the Report of Inspection that Mr. Manoj Puthran (one of the client of the Noticee), vide email dated January 07, 2020, informed SEBI that the Noticee had sent his risk profiling document on January 8, 2019. However, the details regarding the products sold and service fee charged from Mr Manoj Puthran shows that services were provided to him before the date on which the risk profiling was done, as follows:

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)

1	December 18, 2018	201812215	Ultra HNI	94,000
2	December 27, 2018	201812396	Ultra HNI	94,000
3	January 1, 2019	2019107	Equity Cash	18,000
Total				2,06,000

From the above table, I note that the Noticee had already sold advisory products, namely, Ultra HNI and Equity Cash and therefore, charged Rs.2,06,000/- from Mr. Puthran during the period December 18, 2018 to January 1, 2019 before the risk profiling of the client was completed. I further note from the ER that with respect to the clients Mr. Krishnadevan T. and Mr. Kundan Kumar that the Noticee neither conducted nor shared any risk profile document/score with them.

20. I note that the objective of risk profiling and suitability assessment is to determine the risk tolerance level of clients and recommend suitable asset allocation/investment commensurate with the risk tolerance level of clients, and if the same is not properly made, it can lead to unsuitable and inappropriate product or services being offered to the clients, which defeats the objective of risk profiling and suitability and due diligence by the investments adviser. I note that Regulation 17 of the IA Regulations, 2013 *inter alia* mandates that the investment adviser shall ensure that all investments on which investment advice is provided is appropriate to the risk profile of the client and that it has a reasonable basis for believing that a recommendation or transaction entered into, meets the client's investment objectives and is such that the client is able to bear any related investment risks. I find that the Noticee has failed to comply with the mandate of Regulation 17 in case of the clients mentioned above. I also note that Regulation 16 of the IA Regulations, 2013 also mandates that the investment adviser shall ensure that it has a process for assessing the risk a client is willing and able to take and the risk profile of the client is communicated to the client after risk assessment is done. I note that the Noticee has failed in both of those counts. In view of the above, I find that the

Noticee has violated Regulations 16(b) (i) and (ii), 16 (e) and 17 (a) and failed to abide by the Clauses 1 and 2 of the Code of Conduct in Schedule III read with Regulation 15(9) of IA Regulations, 2013.

Allegation of 'fraud' and related charges

21. I note that the ER has found that the conduct of the Noticee, as detailed in the previous paras, resulted in violation of Regulation 3(a), (b), (c), (d), 4 (1), 4(2)(o), 4(2)(s) of PFUTP Regulations, 2003 read with Sections 12A (a), (b) and (c) of SEBI Act, 1992. In this regard, I note that the definition of 'fraud' as given in Regulation 2(c) of the PFUTP Regulations, 2003 is as follows:

"fraud" includes 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, and shall also include-

- (1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
 - (2) a suggestion as to a fact which is not true by one who does not believe it to be true;
 - (3) an active concealment of a fact by a person having knowledge or belief of the fact;
 - (4) a promise made without any intention of performing it;
 - (5) a representation made in a reckless and careless manner whether it be true or false;
 - (6) any such act or omission as any other law specifically declares to be fraudulent,
 - (7) deceptive behavior by a person depriving another of informed consent or full participation,
 - (8) a false statement made without reasonable ground for believing it to be true.
 - (9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.
- And "fraudulent" shall be construed accordingly;
..."

The Hon'ble Supreme Court while interpreting the aforesaid definition in *SEBI Vs. Kanaiyalal Baldevbhai Patel* (2017) 15 SCC 1 held that to constitute fraud under

aforesaid definition of fraud 'inducement' while dealing in securities is required. I find that the Noticee, while dealing in securities has induced its clients to invest in securities *inter alia* by promising assured returns to clients. In this regard, I note that investment in securities market are subject to market risks and an investor may end up in losing his invested money also let aside the returns. Therefore, any promise of assured return is *per se* false and maker of such promise can be said to have been knowingly making this false representation. In my view, the above-mentioned acts of the Noticee are squarely covered by the definition of 'fraud' and that the Noticee has also violated provisions of Regulation 3 (a) and (d) of the PFUTP Regulations, 2003 read with Section 12A (c) of SEBI Act, 1992. Further, I note that the Noticee double sold the same package to the same clients for the same period. Moreover, it charged fees from clients which were higher than the fees provided in the fee schedule of the Noticee. I find that the act of double selling of same packages implied that the Noticee was concealing the applicable period of the packages already sold to the clients. I also observe that charging unreasonably high fees in contradiction to the fee schedule disclosed on its website implied that the Noticee was misrepresenting the fee structure to its clients. I find that such misrepresentation and concealment are unfair trade practices. Thus, I find that the Noticee has also violated provisions of Regulation 3 (a) and (d) and 4(1) of the PFUTP Regulations, 2003 read with Section 12A (c) of SEBI Act, 1992. Moreover, by concealing the associated risk of investing in equities to its clients and not communicating the risk profile of the clients to them and not carrying out risk profiling as well as selling products meant for 'high risk' clients to clients who have low risk bearing capacity, the Noticee has engaged in mis-selling of securities and investment advisory services relating to securities market to its clients, thus violating Regulation 4(2)(s) of the PFUTP Regulations, 2003 (applicable for the transactions undertaken after February 01, 2019). I also note that the Noticee has sold the same package multiple times to the same clients with a view to increase his commission and thus, violated Regulation 4(2)(o) of the

PFUTP Regulations, 2003 (applicable for the transactions undertaken after February 01, 2019).

Allegation related to failure to redress of investor grievances

22. The ER states that the Noticee has not submitted the ATR in a time bound manner as prescribed by SEBI and has also failed to resolved investors' grievance, thus not complied with SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014 and violated Regulation 21(1) of the IA Regulations, 2013.
23. I note from the ER that SEBI had been receiving a number of complaints against Noticee and as on January 06, 2020, total 33 unique complaints, were pending against Noticee in SCORES portal. The number of pending complaints as on the date of inspection was as under:

Year	Pending Investors Complaints as on 06/01/2020	No. of days pending
Days 2018-19	9	> 180 days
2019-20	24	< / =180 days
Total	33	

The ER note from the perusal of data obtained from SCORES as on January 06, 2019 and examination of complaints, that out of 33 complaints, in case of 13 complaints, Noticee has not filed ATR within the timeline prescribed under SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014 i.e. complaints remained pending with the Noticee for more than 30 days. The details of aforementioned 13 complained are mentioned in the table below:

S. No.	Complainant Name / Complaint	Complaint Status	Date of Receipt of complaint	Whether ATR was sought	Whether Noticee	Date of seeking
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	Lodged by			from Noticee	has filed ATR	ATR from IA
1	Bikram Chandra Roy	Pending	Nov 10, 2019	Yes	No	June 06, 2019
2	Kuldeep Sahani	Pending	Sept 06, 2019	Yes	No	September 18, 2019
3	Sunil Agrawal	Pending	Sept 03, 2019	Yes	No	September 18, 2019
4	Vinodkumar Dashrathlal Patel	Pending	Sept 01, 2019	Yes	No	September 18, 2019
5	Kundan Kumar	Pending	Aug 01, 2019	Yes	No	August 29, 2019
6	Ram Saran Yadav	Pending	June 24, 2019	Yes	No	July 27, 2019
7	Ashok Kumar Manjhi	Pending	July 06, 2019	Yes	No	July 08, 2019
8	R.N Mathur	Pending	July 01, 2019	Yes	No	July 10, 2019
9	Uma Shankar	Pending	June 18, 2019	Yes	No	June 19, 2019
10	Nikhil Dhakate	Pending	June 11, 2019	Yes	No	June 12, 2019
11	Shri Satish Kumar	Pending	May 10, 2019	Yes	No	June 27, 2019
12	Dhyaneswar Gupta	Pending	Feb 15, 2019	Yes	No	July 10, 2019
13	Waheed Khan	Pending	Sept 16, 2018	Yes	No	September 17, 2018

24. I note that Regulation 21(1) of IA Regulations, 2013 mandates that the investment advisor shall redress clients' grievances promptly. Further, SEBI, vide Circular CIR/OIAE/1/2014 dated December 18, 2014 has, *inter alia*, mandated that registered intermediaries to whom complaints are forwarded through SCORES, shall take immediate efforts for its resolution, within thirty days of receipt of the complaint. Further, the said circular stated that the intermediary has to file an Action Taken Report (hereinafter referred to as "**ATR**") under SCORES within 30 days of date of receipt of

the grievance, otherwise it shall be treated as failure to furnish information to SEBI and deemed to constitute non-redressal of investor grievance. I note that the Noticee has failed to redress investor grievances and failed to file ATR within the mandated time of 30 days in 13 instances. In view of the same, I find that the Noticee has violated SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014 and Regulation 21(1) of IA Regulations, 2013.

Allegation related to non-cooperation during inspection

25. The DA SCN alleged that the Noticee has failed to furnish information relating to its activity as an investment adviser during inspection and deliberately not cooperated with SEBI by being absent during inspection and failed to disclose material information regarding its registered office to SEBI. The DA SCN also alleged that the Noticee did not remain available at its registered office address, however, the website of the Noticee is active and constantly updated and no disclosure to the effect that Noticee has suspended its operations has been mentioned on its website.
26. I find that during inspection the Noticee was not available at the registered address. I also note that Noticee did not provide any data in response to the pre-inspection questionnaire and did not present himself before the inspection authority for statement recording. I also note that the ER records that Mr. Mohit Manghnani had claimed in his letter dated December 02, 2019 and email dated January 03, 2020 that the operations of the Noticee have been stopped. I find from the ER that no request for change of address was received from Noticee and therefore, it can be concluded that the address available with SEBI was the correct registered address of the Noticee but the Noticee was not available therein. I note that the Noticee failed to disclose on its website that it has suspended its operations. I also note from the ER that the website of the Noticee had a link called 'Expert Advice' which was functioning and was live which implies that

it was asking the public to seek advisory services from it and thus, it was not true that the Noticee had suspended its operations. Thus, I agree with the ER that the Noticee is liable for the failing to furnish information relating to its activity as an investment adviser during inspection and failing to co-operate SEBI by being absent during inspection and violated Regulations 13(a), 15(12), 25(1) and (2) read with 24(3) and Clause 8 of Code of Conduct as specified under Schedule III read with Regulation 15(9) of IA Regulations, 2013. Further, I note from the ER that performance track record of only 11 categories of services had been provided at the website whereas Noticee provided services for 43 different kinds of products. However, I find that enough material is not available on record to show that Noticee has committed fraud by not updating its website/ not co-operating with the inspection team.

27. In conclusion, I find that the Noticee has violated the following provisions:

- a. Regulations 7(2), 13 (a), 15 (1), 15 (12), 15(13), 16(b) (i) and (ii), 16 (e), 17 (a), 21 (1), 25 (1), 25(2) and 28(a) of IA Regulations, 2013.
- b. Regulations 3 (a) and (d), 4(1), 4(2)(s) and 4(2)(o) of PFUTP Regulations, 2003 read with Section 12A (c) of SEBI Act, 1992.
- c. Clauses 1, 2, 5, 6 and 8 of Code of Conduct as mentioned in Schedule III read with Regulation 15(9) of IA Regulations, 2013.
- d. SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014 and Regulation 21(1) of IA Regulations, 2013.

28. I also note that the Noticee has failed to present himself during inspection, nor has he cooperated in the present proceedings. I also note that Clause 3 of Second Schedule of IA Regulations, 2013 provides that an investment adviser who has been granted a certificate of registration, to keep its registration in force, shall pay fee every five years, from the date of grant of certificate of registration within three months before expiry of the period for which fee has been paid. From the material available on record I note that

five years have lapsed from the initial registration granted by SEBI to the Noticee and the Noticee has not paid renewal fees before expiry of its registration.

Direction

29. In view of the above, I, in exercise of the powers conferred upon me in terms of Section 12(3) and Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 27(5) of the Intermediaries Regulations, 2008 hereby direct that the certificate of Registration no INA000005473 of Wealthit Global (Proprietor: Mr. Mohit Manghnani) be cancelled, as recommended by DA.
30. This Order comes into force with effect from April 30, 2023.
31. A copy of this order shall be served on the Noticee, all recognized Stock Exchanges and BSE Administration & Supervision Ltd. (BASL).

-Sd-

ANANTA BARUA

WHOLE TIME MEMBER

Place: Mumbai

Date : March 31, 2023

SECURITIES AND EXCHANGE BOARD OF INDIA