BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/AK/DS/2025-26/31716]

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995, IN THE MATTER OF;

M/s Alliance Research
(Proprietor: Mudassir Hasan)
PAN: AGDPH7770D
SEBI Regn No.: INA000002934

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1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") had conducted inspection of M/s Alliance Research (Proprietor – Mudassir Hasan) (hereinafter referred to as "**the Noticee**"), at his office to look into compliance by the Noticee with the provisions of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as "**IA Regulations**"). The inspection was conducted for the period beginning April 01, 2018 till the date of inspection, i.e. February 11, 2020 (hereinafter referred to as "**inspection period**"). The Noticee is a SEBI-registered Investment Adviser having registration number INA000002934.

2. Based on the findings of inspection, SEBI passed an interim ex-parte order dated January 06, 2021 against the Noticee u/s 11(1), 11(4), 11B(1) and 11D of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**") and Regulation 35 of SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as "**Intermediaries Regulations**"). Subsequently, SEBI passed a confirmatory order against the Noticee on July 29, 2022, confirming the directions against the Noticee issued vide Interim Order dated January 06, 2021.

3. For carrying out further examination of the matter, SEBI vide email and letter dated October 28, 2022 advised the Noticee to submit information, inter-alia with respect

to bank accounts of the IA, details of fees collected, year wise fees collected since date of registration, client master data, copy of audited financial statements for last three years, sample copy of agreement entered into with the clients, etc.

4. Based on the reply submitted by the Noticee vide email dated November 18, 2022, certain violations of provisions of SEBI Act, IA Regulations, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”), SEBI (Research Analysts) Regulations, 2014 (hereinafter referred to as “**RA Regulations**”), and Intermediaries Regulations by the Noticee were observed.

<u>APPOINTMENT OF ADJUDICATING OFFICER</u>

5. Upon being satisfied that the Noticee has, prima facie, violated the provisions of SEBI Act, PFUTP Regulations, 2003, IA Regulations, RA Regulations and Intermediaries Regulations, SEBI approved initiation of adjudication proceedings and vide Order dated June 15, 2023, Mr. Vijayant Kumar Verma was appointed as the Adjudicating Officer u/s 15-I(1) of SEBI Act r/w Section 19 of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**SEBI Adjudication Rules**”). Finally, vide Order dated November 22, 2024, the matter was transferred and the undersigned was appointed as the AO to inquire into and adjudge under the following provisions, as alleged to have been committed by the Noticee.

Sr. No.	**Alleged Violations (summarized)**	**Provisions allegedly violated**	**Under Section**
1	Non-redressal of investor grievance	SEBI Circular CIR/OIAE/2014 dated December 18, 2014 r/w Regulation 21(1) of IA Regulations	Section 15C of SEBI Act, 1992

Sr. No.	Alleged Violations (summarized)	Provisions allegedly violated	Under Section
		r/w Regulation 28(f) of SEBI IA Regulations	
2	Unregistered Investment Advisory activities	Section 12 (1) of the SEBI Act r/w Regulations 3(1), 6(f), 13(a), 13(b), 28(a) of the IA Regulations and Clause 1 of the Code of Conduct for Investment Advisers as specified in Schedule III r/w Regulation 15(9) of IA Regulations; Regulations 3(a), (b), (c) and (d) of PFUTP Regulations r/w section 12A(a), (b) and (c) of SEBI Act	Section 15HB of SEBI Act (prior to March 08, 2019) and Section 15EB of the SEBI Act (subsequent to March 09, 2019); and Section 15HA of SEBI Act, 1992
3	Noticee, its representatives/ employees did not meet requisite eligibility criteria.	Regulation 7 r/w regulation 15(13) of IA Regulations and clauses 1, 2, 3 and 8 of Code of Conduct for Investment Adviser provided in Third Schedule r/w Regulation 15(9) of IA Regulations	Section 15HB of SEBI Act (prior to March 08, 2019) and Section 15EB of the SEBI Act (subsequent to March 09, 2019)
4	Risk Profiling - Non availability of supporting documents for risk profiling	Regulation 19(1), 19(2) and 15(8) of the IA Regulations	
5	Promise of assured/	Regulation 15 (1) of IA Regulations; Clauses 1 and 2 of	Section 15HB of SEBI Act (prior to

Sr. No.	Alleged Violations (summarized)	Provisions allegedly violated	Under Section
	guaranteed returns	the Code of Conduct as specified in the Third Schedule r/w Regulation 15(9) of the IA Regulations; Regulations 3(a), (b), (c) and (d) of PFUTP Regulations r/w section 12A(a), (b) and (c) of SEBI Act	March 08, 2019) and Section 15EB of the SEBI Act (subsequent to March 09, 2019); and Section 15HA of SEBI Act, 1992
6	Non-disclosure of material change of information	Regulation 13(b) of the IA Regulations	Section 15HB of SEBI Act (prior to March 08, 2019) and Section 15EB of the SEBI Act (subsequent to March 09, 2019)
7	No internal audit and statutory audit of investment advisory activities carried out	Regulation 19(3) of the IA Regulations	
8	Research team did not have the requisite NISM certification	Regulation 13(a) of the IA Regulations r/w regulation 7(2) of the RA Regulations, 2014	
9	Fees received through payment gateway	SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019	

Sr. No.	Alleged Violations (summarized)	Provisions allegedly violated	Under Section
10	Noticee employed Mr. Ravi Chouksey against whom SEBI direction was in force	Clauses 8 and 9 of Code of Conduct for Investment Advisers as mentioned in Third Schedule of IA Regulations r/w Regulation 15(9) of IA Regulations	
11	No complaint register maintained for handing investor complaints and details of compliance officer not displayed	Regulation 12(3) of Chapter III of the Intermediaries Regulations and clause 3 of the Code of Conduct under the Third Schedule of the IA Regulations	
12	The Brickwork rating advertisement hosted on Noticee's website had expired	Clause 1, 2 and 5 of Code of Conduct for IA as provided in Third Schedule r/w regulation 15(9) of IA Regulations; Regulations 3(a), (b), (c) and (d) of PFUTP Regulations r/w section 12A(a), (b) and (c) of SEBI Act	Section 15HB of SEBI Act (prior to March 08, 2019) and Section 15EB of the SEBI Act (subsequent to March 09, 2019); and Section 15HA of SEBI Act, 1992

SHOW CAUSE NOTICE, REPLY OF THE NOTICEE AND HEARING

6. Show Cause Notice No. EAD-9/ADJ/VV/DD/OW/29211/1/2023 dated July 20, 2023 (hereinafter referred to as **"SCN"**) was issued to the Noticee in terms of rule 4 of SEBI Adjudication Rules r/w Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be held against it and why penalty, if any, be not imposed on it under applicable provisions.

7. The Noticee submitted his reply vide letter dated September 09, 2023.

8. Subsequently, the Noticee filed settlement application on November 01, 2023 for settlement of the instant proceedings, enquiry proceedings and 11B proceedings that may be initiated against the Noticee in the instant matter. The application was rejected by SEBI and the same was intimated to the Noticee vide letter dated July 11, 2025.

9. The present adjudication proceedings were resumed in view of the rejection of the settlement application filed by the Noticee. In the interest of natural justice, vide notice dated July 15, 2025, the Noticee was granted personal hearing on July 29, 2025. On the scheduled date, the Noticee appeared through his Authorized Representative ("**AR**") for the hearing. The AR reiterated the submissions already made vide letter dated September 09, 2023.

CONSIDERATION OF ISSUES AND FINDINGS

10. Considering the allegations made out in the SCN and the submissions made by the Noticee, the following issues require consideration in the present case:

ISSUE I - Whether the Noticee has violated provisions of the SEBI Act, RA Regulations, IA Regulations, Intermediaries Regulations and PFUTP Regulations, as alleged in the SCN?

ISSUE II - Do the violations, if any, attract penalty u/s Section 15C, Section 15HB of SEBI Act (prior to March 08, 2019) and Section 15EB of the SEBI Act (subsequent to March 09, 2019), and Section 15HA of SEBI Act?

ISSUE III - If so, what should be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

11. The provisions allegedly violated by the Noticee are reproduced below –

SEBI ACT, 1992

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

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

Provided that a person buying or selling securities or otherwise dealing with the securities market as a stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market immediately before the establishment of the Board for which no registration certificate was necessary prior to such establishment, may continue to do so for a period of three months from such establishment or, if he has made an application for such registration within the said period of three months, till the disposal of such application:

Provided further that any certificate of registration, obtained immediately before the commencement of the Securities Laws (Amendment) Act, 1995, shall be deemed to have been obtained from the Board in accordance with the regulations providing for such registration.

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;

SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

Prohibition of certain dealings in securities

***3.** No person shall directly or indirectly-*

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

(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 thereunder;

(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 thereunder.

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

Application for grant of certificate

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

Provided that any person acting as research analyst or research entity before the commencement of these regulations may continue to do so for a period of six months from such commencement or, if it has made an application for a certificate of registration under sub-regulation (2) within the said period of six months, till the disposal of such application:

Provided further that an investment adviser, credit rating agency, asset management company or fund manager, who issues research report or circulates/distributes research report to public or its director or employee who makes public appearance, shall not be required to seek registration under regulation 3, subject to compliance of Chapter III of these regulations.

(2) An application for grant of certificate of registration shall be made in Form A as specified in the First Schedule to these regulations and shall be accompanied by a non-refundable application fee to be paid in the manner specified in Second Schedule.

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;

Qualification and certification requirement

***7.** (1) An individual investment adviser or a principal officer of a non-individual investment adviser registered as an investment adviser under these regulations, shall have the following minimum qualification, at all times-*

(a)A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognized by the Central Government or any State Government or a recognised foreign university or institution or association or a professional qualification by completing a Post Graduate Program in the Securities Market (Investment Advisory) from NISM of a duration not less than one year or a professional qualification by obtaining a CFA Charter from the CFA Institute;

(b) An experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management;

(c)Persons associated with investment advice shall meet the following minimum qualifications, at all times -(i) a professional qualification as provided in clause (a) of sub-regulation (1) of regulation 7; and(ii) an experience of at least two years in activities relating to advice in financial products or securities or fund or asset or portfolio management:

Provided that investment advisers registered under these regulations as on the date of commencement of these regulations shall ensure that the individual investment adviser or principal officer of a non-individual investment adviser registered under these regulations and persons associated with investment advice comply with such qualification and experience requirements within three years: Provided further that the requirements at clauses(a) and (b) shall not apply to such existing individual investment advisers as may be specified by the Board.

(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**.

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

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

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

Maintenance of records

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

(a)Know Your Client records of the client;

(b)Risk profiling and risk assessment of the client;

(c)Suitability assessment of the advice being provided;

(d) Copies of agreements with clients, incorporating the terms and conditions as may be specified by the Board;

(e)Investment advice provided, whether written or oral;

(f)Rationale for arriving at investment advice, duly signed and dated;

(g)A register or record containing list of the clients, the date of advice, nature of the advice, the products/securities in which advice was rendered and fee, if any charged for such advice.

(2) *All records shall be maintained either in physical or electronic form and preserved for a minimum period of five years:*

Provided that where records are required to be duly signed and are maintained in electronic form, such records shall be digitally signed.

(3) *An investment adviser shall conduct yearly audit in respect of compliance with these regulations from a member of Institute of Chartered Accountants of India or Institute of Company Secretaries of India and submit a report of the same as may be specified by the Board.*

Redressal of client grievances

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

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

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

THIRD SCHEDULE

CODE OF CONDUCT FOR INVESTMENT ADVISER

1. Honesty and fairness

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

2. Diligence

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

3. Capabilities

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

5 Information to its clients

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

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.

9. Responsibility of senior management:

The senior management of a body corporate which is registered as investment adviser shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the body corporate.

<u>SEBI (Research Analysts) Regulations, 2014</u>

7(2): *An individual registered as research analyst under these regulations, individuals employed as research analyst and partners of a research analyst, if any, shall have, at all times, a NISM certification for research analysts as specified by the Board or other certification recognized by the Board from time to time:*

Provided that research analyst or research entity already engaged in issuance of research report or research analysis seeking registration under these regulations shall ensure that it or the individuals employed by it as research analyst and/or its partners obtain such certification within two years from the date of commencement of these regulations:

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

SEBI Circulars:

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

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

SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019

….

(iii)Receiving fees though banking channel only

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

12. I now proceed to deal with the issues as under.

ISSUE I - Whether the Noticee has violated provisions of the SEBI Act, RA Regulations, IA Regulations, Intermediaries Regulations and PFUTP Regulations, as alleged in the SCN?

13. Before moving forward, I find it pertinent to mention that SCN had inadvertently mentioned allegations which are not part of the communique appointing the Adjudicating Officer in the present adjudication proceedings. Therefore, this report only deals with the allegations which have been specified in paragraph 5 of this Order. Accordingly, allegations in the SCN relating to following heads are not taken up: -

    13.1 Improper KYC, Risk Profiling and Suitability Assessment;
    13.2 Products meant for high risk bearing clients sold to medium risk bearing clients;
    13.3 Non-communication of risk profile to clients
    13.4 Advisory Services sold prior to Risk Profiling;
    13.5 Unfair amount of fees charged from clients-
    13.6 Products sold for the future period;
    13.7 IA doesn't have PMLA Policy and failed to intimate FIU regarding "Appointment of Principal Officer"

14. Further, alleged violation of Clause 2 of SEBI Circular number MIRSD/Cir-26/2011 dated December 23, 2011 r/w SEBI Circular MIRSD/Cir-13/2011 dated December 02, 2011 for Non availability of supporting documents for risk profiling has also not been adjudicated as the same is not part of the communique appointing the undersigned.

15. <u>Non-redressal of investor grievance</u>

    15.1. It was observed that Noticee failed to resolve investor grievance promptly and also failed to submit Action Taken Report (ATR) on SCORES in a time bound manner. Thus, it was alleged that the Noticee has violated the provisions of SEBI Circular CIR/OIAE/2014 dated December 18, 2014 r/w regulation 21(1) r/w 28(f) of IA Regulations.

    15.2. As per the aforesaid provisions, an investment adviser shall redress investor grievances within 21 calendar days from the date of receipt of the grievance;

and failure to file ATR under SCORES within thirty days of receipt of the grievance shall be treated as failure to furnish information to SEBI and shall be deemed to constitute non-redressal of investor grievance.

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

Sr. No.	Registration No	Complainant Name/ Complaint Lodged by	Complaint Status	Date of Receipt	Date of Forwarding to IA	Date of Final ATR filed by IA
1	SEBIE/MP21/0001196/1	Nurudin	Pending	28-10-2021	11-05-2022	14-05-2022
2	SEBIE/MP21/0000243/1	Neetubala	Pending	07-01-2021	09-02-2021	02-03-2021
3	**SEBIE/MP21/0000242/1**	**Shivlal Dhakad**	**Pending**	07-01-2021	09-02-2021	**02-03-2021**
4	SEBIE/MP21/0000085/1	Muhamed Siyad	Pending	11-01-2021	13-01-2021	23-01-2021
5	**SEBIE/MP21/0000071/1**	**Shivlal Dhakad**	**Pending**	07-01-2021	22-02-2021	**06-05-2022**
6	SEBIE/MP20/0002033/1	Vikas Solanki	Pending	06-10-2020	25-11-2020	07-12-2020
7	SEBIE/MP20/0001349/1	Rohit Chandra	Pending	25-07-2020	08-09-2020	15-09-2020
8	SEBIE/MP20/0000326/1	Pankaj Sheshrao Dagde /SELF	Pending	26-12-2019	29-02-2020	05-03-2020
9	SEBIE/MP20/0000664/1	Amit Kumar Dighekar	Pending	06-02-2020	13-08-2020	17-08-2020
10	SEBIE/MP20/0000866/1	Suryapal Patel	Pending	06-03-2020	29-04-2020	06-05-2020
11	SEBIP/MP20/0000071/1	Priya Kumari	Pending	25-07-2020	08-09-2020	15-09-2020

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

Complaint details of Sr. No. 2 bearing registration no. SEBIE/MP21/0000242/1: *"My name is shivlal dhakad and I have been working with alliance research since 7 months. They have cheated me I have given him 63500 rupees for 4 months of service. After a month of complete service they are saying that our company has just closed right now thay are not giving me any service and are refusing for refund. They are not giving any response on the phone and the company website has been closed. I have a mail from their service that I am submitting. I request you give me a refund from alliance research Jabalpur. My profile registered with alliance two names because they told me sebi rules they cant give service more than 1.5 lac they told me give doc for two person I give my documents and my sister documents but they don't give service now or any refund so I request you give me refund of 3 months service from alliance research Shivlal Dhakad and Neetubala Dhakad profile are same Neetubala Dhakad is my sister."*

Complaint details of Sr. No. 5 bearing registration no. SEBIE/MP21/0000071/1: *"I have been working with alliance research since 7 months. They have cheated me I have given him 63500 rupees for 4 months of service After a month of complete service, they are saying that our company has just closed right now they are not giving me any service and are also refusing for refund. They are not giving any response on the phone and the company website has been closed I have a mail from their service that I am submitting I request you give me refund rom alliance research Jabalpur My profile registered with alliance My name Shivlal Dhakad and Neetubala Dhakad registered number in alliance …"*

15.5. It is clear that both the complaints pertained to refund of Rs. 63,000/- given by the complainant for 4 months of service. Further, the said two complaints were registered on the same date in SCORES. In view of the complainant being the same person, concerning identical subject matter and registered on the same date, I am of the opinion that the complaints at Sr. No. 3 and 5 were identical and by redressing one of the complaint (at Sr. No. 3), the complaint at Sr. No. 5 also stood redressed. I further find from the action history of complaint of Sr.

No. 5 that the Noticee had informed SEBI that the complainant has sent an email to SEBI to close its complaint at Sr. No. 5. In light of the documents submitted by the Noticee demonstrating that it had duly resolved the complaint,

15.6. On perusal of the other 9 complaints in the table above, I note that the complaints at Sr. No. 1 to 5 were received and forwarded to the Noticee after the directions in the interim order to cease and desist from acting as an investment advisor. I further note that the Noticee had filed the ATR within the stipulated timeframe upon receipt of the grievance from SEBI as prescribed in the Circular except in the case of Sr. No. 5 (whose identical complaint at Sr. No. 3 was duly redressed by the Noticee). I note that considerable time was taken in forwarding the complaints (except for one complaint at Sr. No. 4) to the Noticee which is evident from the table. However, the Noticee has filed ATR within stipulated time after the complaints were forwarded to it by SEBI.

15.7. Based on the above, I find that the allegation of violation of provisions of SEBI Circular CIR/OIAE/2014 dated December 18, 2014 and Regulation 21(1) r/w Regulation 28(f) of the IA Regulations, against the Noticee, does not stand established.

16. <u>Unregistered Investment Advisory activities</u>

16.1. It was observed that the Noticee acted as an investment advisor prior to obtaining registration from SEBI in violation of Section 12(1) of the SEBI Act r/w Regulation 3(1) of the IA Regulations and Clause 1 of the Code of Conduct for Investment Advisers as specified in Schedule III r/w Regulation 15(9) of IA Regulations. Further, while applying for certificate of registration, Noticee allegedly hid the fact that it was already providing investment advisory activity and accepting advisory fee from its clients which is in violation of regulation 13(b) of the IA Regulations. Further, providing false declaration to SEBI while applying for registration as an IA falls under the definition of '*fraud'* under Regulation 2(1)(c) of PFUTP Regulations and is in violation of Regulations

3(a), (b), (c) and (d) of PFUTP Regulations r/w section 12A(a), (b) and (c) of SEBI Act. Moreover, by providing false declaration, Noticee has allegedly not maintained adequate integrity, reputation and character which was required for an intermediary registered with SEBI which is in violation of regulations 6(f) and 13(a) and 28(a) of the IA Regulations.

16.2. As per the provisions Section 12 (1) of SEBI Act r/w Regulation 3 (1) of the IA Regulations and Clause 1 of the Code of Conduct for Investment Advisers as specified in Schedule III r/w Regulation 15(9) of IA Regulations, no investment adviser or any other intermediary shall deal in securities, except in accordance with the conditions of certificate for registration obtained from SEBI; an investment adviser shall abide by the code of conduct provided under the Third Schedule, which includes acting honestly, fairly and in the best interests of its clients and in the integrity of the market.

16.3. It is an admitted position that while the Noticee had applied for the registration with the SEBI as an Investment Adviser, the Noticee was operating as an unregistered advisory firm and accepting advisory fees from clients from January 16, 2015 to April 16, 2015, prior to getting registration to act as an Investment Adviser.

16.4. Thus, I find that the Noticee had violated the provisions of Section 12(1) of SEBI Act r/w Regulation 3(1) of the IA Regulations and Clause 1 of the Code of Conduct for Investment Advisers as specified in Schedule III r/w Regulation 15(9) of IA Regulations.

16.5. I note that regulation 3(a) of the PFUTP Regulations prohibits buying, selling or otherwise dealing in securities in a fraudulent manner, directly or indirectly. Section 12A (a) and (b) of the SEBI Act and regulation 3(b) and (c) of the PFUTP Regulations prohibit employment of any '*device*', '*scheme*' or '*artifice*' to defraud '*in connection with dealing in securities*'; and engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person '*in connection with dealing in securities*'. Section 12A(c) of the

SEBI Act and regulation 3(d) of the PFUTP Regulations prohibit engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities in contravention of the provisions of this Act or the rules or the regulations made thereunder.

16.6. In this case, there is no allegation that the Noticee employed any scheme or device or artifice which operates as fraud or deceit on investors to influence the investment decisions of the investors so as to cover the unregistered investment advisory activities of the Noticee within the prohibitions of section 12A (a), (b) and (c) of the SEBI Act and regulation 3(b) (c) and (d) of the PFUTP Regulations. The inspection does not bring out any instance of fraud, malpractices, deceit, etc. to justify the invocation of PFUTP Regulations. The allegation pertains to making false declaration while making application for registration. Such an allegation is outside the scope of provisions of section 12A of the SEBI Act and regulation 3 of the PFUTP Regulations.

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

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

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

16.8. In the matter of ***U. P. Stock Exchange Brokers vs. SEBI (Civil Writ Petition 45893 of 2012)***, the Hon'ble Allahabad High Court, vide its order sated 23rd May, 2014, observed that: *"Financial integrity, reputation, character and honesty are matters which have a serious bearing on the objective, transparent and fair functioning of the securities market."*

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

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

detrimental to the interests of the innocent investors. In this background, the Board may, in a given case, be justified in keeping a doubtful character or an undesirable element out from the market rather than running the risk of allowing the market to be polluted."

16.10. Briefly stated, following cardinal principles are settled for determining the *"fit and proper"* criteria:

(a) The test for whether a person is *"fit and proper"* must be viewed from the perspective of a *"reasonable and prudent man concerned with the securities market".*

(b) SEBI could look into "*fit and proper"* concerns even if legal proceedings are pending. It is not necessary for there to be a final conviction; before SEBI determines that an entity is not fit and proper to operate in the securities market.

(c) SEBI can take a broad view of the requirements for being a *"fit and proper person".* This allows the regulator to consider serious allegations against an intermediary as a relevant factor, even if the proceedings have not yet concluded.

(d) SEBI must show the material on the basis of which it concluded that the entity lacked a *"good reputation in the securities market".*

(e) A certain degree of subjective judgment by SEBI is acceptable in applying the "*fit and proper"* test.

16.11. Admittedly, the Noticee had applied for registration with SEBI as an Investment Adviser while acting as an unregistered Investment Adviser. Not only this act, he also gave false declaration while making application to SEBI. The *"fit and proper"* criteria involve considerations of reputation, ethical behaviour, and integrity. The non-disclosure that the Noticee was providing investment advisory activity at the time of registration is a serious factor impacting his eligibility for grant of certificate of registration. It is useful to understand the purpose of this criteria in the context of services offered by an Investment

Adviser. The activity entails a relation of trust with clients and truth is benchmark for any such fiduciary duty. These responsibilities require the highest level of integrity, reputation and character. In sync with the responsibilities, the Regulations require the Board to take into account integrity, reputation and character of an individual for determining if an applicant is a fit and proper person. In the peculiar facts and circumstances of this case, it is noted that when SEBI granted registration to the Noticee it had made false declaration with regard to its unregistered investment advisory activity.

16.12. I note that the Noticee's conduct was not commensurate with desired level of reputation and integrity and he was not a fit and proper person when the certificate of registration was granted to him. I, therefore, find that while seeking registration, the Noticee violated the provisions of Schedule II of Intermediaries Regulations r/w regulations 6(f), 13(a) and 28(a) of the IA Regulations.

17. <u>Noticee, its representatives/ employees did not meet requisite eligibility criteria</u>

17.1. It was alleged that the employees of the Noticee did not have requisite experience and the qualification and certification in violation of regulation 7 r/w regulation 15(13) of IA Regulations and clauses 1, 2, 3 and 8 of Code of Conduct for Investment Adviser provided in Third Schedule r/w Regulation 15(9) of IA Regulations.

17.2. Regulation 7 of the IA Regulations prescribes the minimum qualifications and certification requirement for investment advisers and persons associated with investment advice. Regulation 15(13) of the IA Regulations states that the IAs shall ensure compliance with Regulation 7 at all times. Regulation 15(9) prescribes that an investment adviser shall abide by code of conduct specified in Third Schedule of the IA Regulations, which includes acting act honestly, fairly and in the best interests of its clients and in the integrity of the market; act with due skill, care and diligence; employing effectively appropriate resources and procedures which are needed for the efficient performance of its business activities; and complying 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.

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

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

17.4. The Noticee has claimed that investment advice was provided only by the Noticee which was rendered through SMS service to the clients, procured by the Sales Team. The Noticee did not have a partner or a representative. The Noticee has further contended that the employees were only assisting and working in back end research activities, customer relationship department, sales department, compliance department, quality department and HR department and thus, there was no need for them to acquire certification as mandated under IA Regulations.

17.5. As per regulation 7(1) of IA Regulations, the partners and the representatives of an IA are required to fulfil the eligibility criteria of a registered investment adviser while rendering investment advice services. Noticee is a proprietary concern of Mr. Mudassir Hasan, who admittedly, had the relevant NISM Certifications in compliance of said regulation 7. In the absence of evidence on record, as to who else other than said proprietor was rendering investment advisory service to the clients, I am inclined to take a lenient view on this allegation.

18. <u>Risk Profiling - Non availability of supporting documents for risk profiling</u>

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

18.2. As per the aforesaid provisions, an Investment Adviser shall follow the KYC procedure as specified by SEBI from time to time; and shall maintain risk profiling and risk assessment records, and KYC records for a minimum period of five years.

18.3. The Noticee submitted that there is no mandatory requirement that an Investment Adviser is required to obtain supporting documents in support of the answers filed to the risk profiling questionnaire by its clients. I note that regulations 16 and 17 of the IA Regulations provide illustrative measures towards ensuring systemic risk profiling and suitability of advice rendered. Clause 2 of the Third Schedule to the IA Regulations provide that an Investment Adviser shall act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives. Clause 4 mandates investment adviser to seek from its clients, information about their financial situation, investment experience and investment objectives relevant to the services to be provided and maintain confidentiality of such information. I note from the inspection report that the Noticee sought response from clients telephonically and in some cases a format was made available on website of the Noticee where client filled the details to complete the risk profiling. I find that this automated process of filling of questionnaire on the website for the purpose of risk assessment of a client obviating the interaction with the risk management team is not sufficient to meet the level of assessment contemplated in the Regulations. The risk assessment must be based on a proper appraisal/assessment of the investors ability to absorb risks and appreciate market processes. From the regulatory perspective, itemised mandate in the regulations is contemplated for strict adherence by registered investment advisers to ensure that the process of assessment of risk and suitability is meticulous. Any lapse in this regard, howsoever minor, is a serious infraction and cuts at the root of the premise on the basis of which the regulation of investment advisory activity has been anchored. Inspection has observed that based on the response of the clients, assigned scores were given and risk appetite of the clients were assessed by the Noticee. Depending on the score, the clients were categorized into the categories of low, medium and high risk categories. I find that not obtaining any supporting documents/evidence from clients while doing risk profiling of client and completing risk profiling on telephonic conversation with client indicates lackadaisical attitude on the part of the Noticee. It indicates Noticee's rudimentary approach without taking into account the asset and liability profile of the customer his income/expenditure pattern and his overall financial ability to bear losses. Such poor risk analysis leads to unsuitable investment advice resulting in loss to the investors. Further, while the Noticee has stated that it carried out KYC procedure, it failed to submit any evidence to substantiate its claim.

18.4. Based on the above, I find that the allegation of violation of provisions of regulation 19(1), 19(2) and 15(8) of the IA Regulations, against the Noticee, stands established.

19. <u>Promise of assured/ guaranteed returns</u>

19.1. It was observed that the Noticee promised assured returns and failed in its responsibility to act in fiduciary capacity to its client which is entrusted upon them under Regulation 15(1) of IA Regulations and failed to abide by Clauses 1 and 2 of the Code of Conduct as specified in the Third Schedule r/w Regulation 15(9) of the IA Regulations. Second charge is that such act of the

Noticee falls under the definition of ‘fraud’ as mentioned in Regulation 2(1)(c) of PFUTP Regulations in violation of regulations 3(a), (b), (c) and (d) of the PFUTP Regulations r/w section 12A(a), (b) and (c) of SEBI Act.

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

“10000 me sir aapko jo return nikalega na daily ka vo return minimum 1500 se 2000.”
“Humare rehte hain service charges. Service charges me kya rehta hain ki, 10000 ka bhi monthly plan rehta hai jisme aapko daily ka 1000 se 1500 profit hai, 25000 ki bhi service hain daily ka profit agar leke chale to 4000 se 5000 hain, 70000 ki bhi service hain jo 3 months ki rahegi usme ye return based service rehti hain usme minimum profit 5000 se leke chalet hain.”

19.3. From the above promises, I note that a representative of the Noticee promised assured returns to the client specially when seen in light of the statements such as “***daily ka vo return minimum 1500 se 2000***”,“ *10000 ka bhi monthly plan rehta hai* ***jisme aapko daily ka 1000 se 1500 profit hai***” , “*25000 ki bhi service hain* ***daily ka profit agar leke chale to 4000 se 5000 hain***” and “*70000 ki bhi service hain jo 3 months ki rahegi usme ye return based service rehti hain usme* ***minimum profit 5000 se leke chalet hain.”***.These statements were made despite knowing (being an IA/a person associated with investment advice) that all the investments in securities markets are subject to market risk and that such returns cannot be assured.

19.4. I find that the statements pertaining to assured high returns to the client constituted misrepresentation. The statements were made with the objective to induce the client to deal in securities to earn advisory fees and, therefore, were an act of fraud. Additionally, promising assured profits to the Noticee and not creating awareness in its client that their investments in the securities market are subject to market risk where there is possibility of loss of capital, shows that the Noticee was dishonest and did not take due care in its dealings with the clients.

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

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

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

20. Non-disclosure of material change of information

20.1. It was alleged that the Noticee failed to update/ furnish documents pertaining to change in registered office address in violation of regulation 13(b) of the IA Regulations.

20.2. As per the aforesaid provisions, an investment adviser shall forthwith inform SEBI in writing, if any information or particulars previously submitted to SEBI are found to be false or misleading in any material particular or if there is any material change in the information already submitted.

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

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

20.5. Based on the above, I find that the allegation of violation of provisions of regulation 13(b) of the IA Regulations, against the Noticee, stands established.

21. <u>No internal audit and statutory audit of investment advisory activities carried out</u>

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

21.2. The Noticee has however contended that the said regulation does not specify the time period in which the said compliance audit is to be carried out. It is noted that as per regulation 19(3) of IA Regulations, *an investment adviser shall conduct **yearly** audit in respect of compliance with these regulations from a member of Institute of Chartered Accountants of India or Institute of Company Secretaries of India.* I, therefore, am unable to accept this contention of the Noticee as regulation 19(3) itself stipulates Investment Advisors to conduct the audits yearly. When regulations provide a specific requirement, these requirements are designed to ensure proper compliances and accountability. The Noticee being a registered intermediary cannot be oblivious of the regulations. In this context, the Noticee's contention does not hold any ground in light of the clear violation of the regulatory requirement.

21.3. Based on the above, the allegation of violation of provisions of regulation 19(3) of the IA Regulations, against the Noticee, stands established.

22. <u>Research team did not have the requisite NISM certification</u>

22.1. It was alleged that the Noticee employed two employees namely, Mr. Akhil Rai and Mr. Adiyta Thakur as Research Analyst in 2017 who did not have the requisite NISM certification as Research Analyst at the time of their appointment. The two employees subsequently acquired NISM certification on 2018 and 2020, respectively. It is alleged that the Noticee, thus, violated regulation 13(a) of the IA Regulations r/w regulation 7(2) of the RA Regulations.

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

22.3. The Noticee has submitted that he was the sole person who was involved in rendering investment services and the employees employed by the Noticee were simply assisting the Noticee and were not involved in full-fledged research work. In the absence of material on record to demonstrate that the employees were undertaking research based activities in the nature of preparation or publication of the content of the research report, making 'buy/sell/hold' recommendation, giving price target, offering an opinion concerning public offer, etc., I am inclined to take a lenient view on this allegation.

23. <u>Fees received through payment gateway</u>

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

23.2. I find from the transaction statement that one single transaction amounting to Rs. 77,360/- is dated January 1, 2020 i.e, the date on which the measure as stated on the Circular was to come into effect from. The Noticee has contended that it has discontinued the practice of receiving payment through payment gateway and the payment which is shown as received from payment gateway on January 1, 2020 is with respect to the transactions which were done prior to the implementation of the said Circular. However, the Noticee has not produced any documents/receipts supporting that the transactions were done prior to January 1, 2020.

23.3. I note that the Circular is dated December 27, 2019 and came into existence several days before the transaction. The Circular issued to strengthen the conduct of IAs and to bring about transparency in dealing with the clients and aims to provide proper audit trails of fees received from the clients. The Noticee being a registered intermediary ought to have taken due care and complied with the measures referred to in the Circular.

23.4. Based on the above, I find that the allegation of violation of provisions of SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019, against the Noticee, stand established.

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

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

24.2. I note from the Curriculam Vitae (CV) of Mr. Ravi Chauksey submitted to the Noticee that Mr. Ravi had not provided any disclosure with respect to SEBI debarment direction nor any details regarding the proprietorship concern (Gravita Research Company) under his work experience. I note that the appointment letter of Mr. Ravi is dated and signed on June 1, 2019, i.e, three days before his debarment was to end. The Noticee has submitted that Mr. Ravi resumed activities with the Noticee only after June 3, 2019 i.e, after his debarment period. Here, I find that while Noticee is required to take due care and ensure proper due diligence in appointing members especially in senior management, the other party i.e Mr. Ravi Chauksey also share equal responsibility to act in good faith and honesty. I note that Mr. Ravi Chauksey had only a couple of days left to complete his four yearlong debarment period. Prudence dictates that the transgression of few days may not be intentional.

24.3. In view of the foregoing, I am inclined to give a benefit of doubt to the Noticee on this allegation.

25. <u>No complaint register maintained for handing investor complaints and details of compliance officer not displayed</u>

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

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

25.3. Based on the above, the allegation of violation of provisions of clause 3 of the Code of Conduct under the Third Schedule of the IA Regulations, against the Noticee, does not stand established.

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

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

26.2. It is further alleged that the above conduct of the Noticee falls under the definition of 'fraud' as mentioned in Regulation 2(1)(c) of PFUTP Regulations. Accordingly, it is alleged that the Noticee has violated Regulations 3(a), (b), (c) and (d) of PFUTP Regulations r/w section 12A(a), (b) and (c) of SEBI Act.

26.3. I find that the Brickwork performance rating of "SME-4" signifies an above average credit worthiness for a Micro, Small or Medium Enterprise (SME). Inspection has inter alia observed that alleged false disclosure on the website fall under the definition of "fraud" and violation of the provisions of PFUTP Regulations. Regulation 2(1)(c) of the PFUTP Regulations defines "fraud" to *"…include any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by* *his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss,...".* Further, as per regulation 2(1)(b) of the PFUTP Regulations, "*dealing in securities*" includes "*such acts which may be knowingly designed to influence the decision of investors in securities*". The Inspection Report has not demonstrated how the Brickwork performance rating induced investors to deal in securities. The details of the number of clients onboarded when the expired rating was available on the website is not available on record. I, therefore, find that the charge of violation of PFUTP Regulations does not stand established against the Noticee.

26.4. I am of the view that the Noticee, as an IA, has the responsibility to act fairly and to the best interest of its clients. Timely updation of website ensures that only current and relevant information is displayed on the website. While I find that the Noticee ought to have taken due care to update his website and ensure that expired ratings are not displayed on his website but I do not find that the Noticee acted recklessly and that the same constitutes 'fraud' under the PFUTP Regulations. Therefore, I am inclined to give Noticee a benefit of doubt.

ISSUE II - Do the violations, if any, attract penalty u/s Section 15HB of SEBI Act (prior to March 08, 2019) and Section 15EB of the SEBI Act (subsequent to March 09, 2019), and Section 15HA of SEBI Act?

27. I note that since the violations are established, the Noticee is liable for monetary penalty u/s 15C, 15EB, 15HA and 15HB of SEBI Act, the text of which is reproduced hereunder:

SEBI Act

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

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

Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

Penalty for contravention where no separate penalty has been provided.

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

ISSUE III - If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

28. While determining the quantum of penalty u/s 15EB, 15HA and 15HB of the SEBI Act, it is important to consider the factors stipulated in Section 15J of the SEBI Act, which read as under:

    SEBI Act

    15J While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely

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

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

    (c) the repetitive nature of the default.

29. In the present matter, I note that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of the violations committed by the Noticee. Further, from the material available on record, it is not

possible to ascertain the exact monetary loss to the investors /clients on account of violations of the Noticee. I note that the instant proceeding was initiated pursuant to the inspection in the affairs of the Noticee. Based on the findings of the preliminary inspection, SEBI passed an interim *ex parte* order dated January 6, 2021 which was subsequently confirmed on July 29, 2022. I also note that the debarment inflicted by the interim order and the confirmatory order is still continuing and the Noticee is essentially suspended from acting as Investment Advisor pursuant to said orders till date (i.e. for more than 4 years). However, the Noticee has not been earlier by SEBI and the violations are not repetitive in nature. However, the fact that as a SEBI registered intermediary, Noticee is under statutory obligation to comply with the applicable circulars, rules and regulations, cannot be ignored. The very purpose of the said regulations is to deter wrong doing and promote ethical conduct in the securities market. Therefore, suitable penalty must be imposed for non-compliance in order to ensure that the Noticee is more careful in conducting its operations.

ORDER

30. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by the Noticee and also the factors mentioned in Section 15J of the SEBI Act, in light of judgment of the Hon'ble Supreme Court in SEBI vs. Bhavesh Pabari (2019) 5 SCC 90, in exercise of power conferred u/s 15-I of the SEBI Act,1992 r/w Rule 5 of the SEBI Adjudication Rules, I impose the following penalty upon the Noticee for the violations committed by them;

Name of Noticee	Penalty u/s	Penalty Amount
M/s Alliance Research (Proprietor: Mudassir Hasan) PAN: AGDPH7770D	15HB of SEBI Act (prior to March 08, 2019) and 15EB of the SEBI Act (subsequent to March 09, 2019)	Rs.1,00,000/- (Rupees One Lakh only)

Name of Noticee	Penalty u/s	Penalty Amount
	15HA of SEBI Act	Rs.5,00,000/- (Rupees Five Lakh only)
	Total	**Rs. 6,00,000/- (Rupees Six Lakh only)**

I find the above penalty to be commensurate with the violations committed by the Noticee.

31. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW.

In case of any difficulties in payment of penalties, Noticee may contact the support at portalhelp@sebi.gov.in

32. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings u/s 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

33. In terms of Rule 6 of the SEBI Adjudication Rules, copy of this order is sent to the Noticee and also to SEBI.

AMIT KAPOOR Digitally signed by AMIT KAPOOR Date: 2025.10.10 15:26:52 +05'30'

DATE: OCTOBER 10, 2025 **AMIT KAPOOR**

PLACE: MUMBAI **ADJUDICATING OFFICER**