भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

DEPUTY GENERAL MANAGER
INDORE LOCAL OFFICE

SEBI/WRO/ILO/NM/OW/P/ 21727 /1/2022
May 23, 2022

To

M/S. MONEY MARKET MANTHAN
FINANCIAL SERVICES
260-A, MAHALAXMI NAGAR
NEAR BOMBAY HOSPITAL
INDORE, MADHYA PRADESH - 452010

M/S. MONEY MARKET MANTHAN
FINANCIAL SERVICES
MR. VICKY KAMRIYA (PROPRIETOR)
SCHEME NO. 114
420-C, GARGI AURA-1
2ND – 3RD FLOOR, INDORE
MADHYA PRADESH – 452001

MR. VICKY KAMRIYA
S/O RAJESH KAMRIYA
WARD NO – 10, MHOW NEEMUCH
ROAD
GRAM – DHODHAR, TEHSIL – JAORA
DHODHAR, RATLAM
MADHYA PRADESH – 457339

Sub: Show Cause Notice under sections 11(1), 11(4), 11B(1), 11(4A) and 11(B)(2) read with rule 4 of SEBI (Procedure for holding inquiry and Imposing Penalties) Rules, 1995 and Section 15I of the Securities and Exchange Board of India Act, 1992 ("SEBI Act") in the matter of Money Market Manthan Financial Services, (Proprietor Mr. Vicky Kamariya).

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted inspection of Money Market Manthan Financial Services, (Proprietor Mr. Vicky Kamariya, PAN: AWDPK4671L) (hereinafter referred to as 'Noticee) for the period from April 01, 2018 till the date of inspection i.e. March 02, 2020 (hereinafter referred to as 'Inspection Period'). Money Market Manthan Financial Services is registered with SEBI as an Investment Adviser bearing registration no. INA000005465. The inspection of the Noticee was carried out during March 2nd, 2020 to March 4th, 2020

at the office address "Scheme No. 114, 420-C, Gargi Aura-1, 2nd – 3rd floor, Indore, Madhya Pradesh – 452001". The focus of the inspection was to look into the compliance of regulatory requirements stipulated under SEBI Act, 1992 (hereinafter referred to as 'SEBI Act'), SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as 'IA Regulations') and other circulars and guidelines framed thereunder.

2. SEBI issued a letter dated February 11, 2020, informing *Noticee* that an inspection of its books of accounts, records and other documents pertaining to its registration as an investment adviser would be carried out by SEBI, under Regulation 23 of IA Regulations. Accordingly, *Noticee* was advised to send its reply to the pre-inspection questionnaire latest by February 26, 2020.

3. SEBI vide the pre-inspection questionnaire has, *inter-alia,* sought information regarding details of clients, copies of agreements with clients, details of investment advice provided, rationale for providing investment advice, details regarding fee structure, details regarding amount of fees collected, investor complaints received, etc. However, no information in response to the pre-inspection questionnaire was submitted by *Noticee* to SEBI.

4. During the inspection, vide email dated March 02, 2020, (**Annexure-1**) *Noticee* has provided the client master data. The client master details submitted by *Noticee* were analyzed on sample basis. From the client master details, it was observed that that one of the complainant viz. Mr. Angad Chopraa, who had taken the services from *Noticee* during the inspection period was not appearing in the client master list. Further, total advisory fees collected from one of the client viz. Mr. Raghavendra Uppur, has not been provided in the details of client master submitted by the *Noticee* to SEBI. Accordingly, it was observed that *Noticee* provided incomplete details regarding its clients to the SEBI's inspection team.

5. In view of the above mentioned facts, prima facie, failure of the *Noticee* to submit the complete information as sought, it is alleged that *Noticee* has violated the provisions

of Regulation 13(a), 15(12), 25(1) and (2) read with 24(3) Clause 8 of Code of Conduct for IA as specified under Third Schedule read with Regulation 15(9) of IA Regulations, 2013.

6. It is observed that SEBI has been receiving a number of complaints against *Noticee*. Total 44 complaints, have been received against *Noticee* at SCORES portal during the inspection period, on examination of these complaints the number of pending complaints as on the date of inspection is as under:

Year	Pending Investors Complaints as on March 2, 2020
2018-2019	0
2019-2020	6
Total	6

7. For the examination purpose, various documents / information such as Risk Profiling Form (hereinafter referred as 'RPF'), KYC, invoices, emails, audio call recordings, agreements, etc. were sought from *Noticee* and complainants. Based on the availability of evidence, following complaints have been examined.

Sr. No.	Name of Complainant	SCORES registration No.
1.	Angad Chopraa	SEBIE/MP19/0001326/1
2.	Eda Sai Narasimha Reddy	SEBIE/MP19/0003173/1
3.	Gollavilli Venkata Rao	SEBIE/MP19/0002481/1
4.	Ramesh Krishna Iyer	SEBIE/MP19/0002519/1
5.	Sanjay Seth	SEBIE/MP19/0002231/1
6.	Virender Khatri	SEBIE/MP19/0002806/1

8. On the perusal of various complaints, it is observed that in most of the complaints, inter alia, the following allegations have been made:
   - Taking hefty fees by guaranteeing unrealistic returns;

- Huge loss incurred due to inappropriate advice given by *Noticee*;
- Clients pressurized to buy multiple products and pay more amount;
- *Noticee* employees misguiding and selling wrong products which are not suitable to the clients based on their risk profile.

9. During the inspection, SEBI has analyzed the email id of the *Noticee* (*support@moneymarketmanthan.com)* to find out the number of complaints which are directly received by *Noticee* and the mechanism adopted by *Noticee* to process such complaints. It is observed from the email communication that *Noticee* was sending its complaints to rise.akansha@gmail.com. Further, *Noticee* has informed during the inspection that it used to take assistance of Ms. Akansha Mongia to process the complaints. It was observed that Ms. Akansha Mongia was neither an employee of *Noticee* nor was there any official agreement between *Noticee* and Ms. Akansha Mongia to assist or deal with any advisory activities of *Noticee*.

10. It is also observed that the Noticee has shared the credentials of SCORES portal to an outsider i.e. with Ms. Akansha Mongia to deal with the complaints of Noticee. By doing so, it is alleged that Noticee was providing sensitive and confidential information relating to clients to a person who is not an employee of the Noticee. The same was confirmed by Noticee vide his submission dated March 04, 2020 (Annexure-2). In view of the divulgence of the confidential information about the clients, it is alleged that the Noticee has violated Regulation 15(6) of IA Regulations. Further, the Noticee is alleged to have also violated clause 4 of Code of Conduct as specified under Third Schedule read with regulation 15(9) of IA Regulations. The text of the aforesaid provisions is provided separately as Annexure-A.

11. Regulation 15 (6) of IA Regulations provides that "*An investment adviser shall not divulge any confidential information about its client, which has come to its knowledge, without taking prior permission of its clients, except where such disclosures are required to be made in compliance with any law for the time being in force.*

B. Promising assured profit / unrealistic returns to its clients

12. SEBI has examined the complaints and materials available on record during the inspection. Upon examination, it was observed that the Noticee through its website *viz* www.moneymarketmanthan.com has promised assured profit / unrealistic returns on the investment made by the clients and luring them to avail its services.
The details mentioned on the website in this regard are given below:-

> *"**Equity Cash Intraday:** You are **definitely going to make profits** if you make investments on the basis of stock cash tips given by our team who solely work for researching the news and stocks. You can subscribe our services at reasonable package and then get up to intraday basis calls every day, weekly and monthly reports, chat sessions and dedicated customer service support for becoming a successful trader and **make big profits with small investments on regular basis**."*

13. It is observed that the abovementioned statement is in the nature of promising assured returns. Moreover, as per the client master data provided by *Noticee* the highest fees have been collected in the '*Equity Cash Intraday*' service i.e. Rs.14.59 lakh out of Rs. 54.78 lakh in FY2018-19 and Rs. 23.00 lakh out of Rs.85.66 lakh in FY2019-20. The screenshots of the pages of its website are attached as **Annexure-3**

14. Further, on perusal of the Whatsapp chat provided by one of the clients, Mr. Angad Chopraa, who had lodged a complaint against Noticee on SCORES portal having SCORES registration number SEBIE/MP19/0001326/1, it was observed that the representative of *Noticee* has been promising unrealistic / exorbitant returns to the client despite fully knowing that all the investments in securities market are subject to market risk and that such returns cannot be assured. The Whatsapp Chat conversation, as provided by Mr.Chopraa, (**Annexure-4**) between one of the representatives of *Noticee* with Mr. Chopraa is given below:-

Mr. Chopraa *"One question, after this payment would I also have to buy any additional service or would this be good for the month??"*

Noticee *"Sir HNI service he 4.60 lakh ki."*

Mr. Chopraa *"Monthly or yearly?"*

Noticee *"Registration charge he. One year service. Aap call ki quality bhi to dekho. Future me 8 se 10 rupaye ka target kon deta. "*

Mr. Chopraa *"Mahine ke aur kya charges lagenge"*

Noticee *"4.60 lac ka pura service padega mimimum 22 lac nikal kar aayega aapke investment pe. Ye aapka complete package rahega. "*

15. In view of the above, it is alleged that knowing fully well that assured profits / guaranteed returns in securities market is practically impossible, Noticee knowingly misrepresented the truth. Therefore, such misrepresentation is, prima-facie, fraudulent and is covered within the definition of "fraud" as defined under regulation 2(1)(c) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("PFUTP Regulations"). Hence, Noticee have violated the provisions of Regulations 3 (a), (b), (c) and (d), 4(1) and 4(2)(k), (s) of PFUTP Regulations read with section 12A (a), (b) and (c) of SEBI Act. The text of the aforesaid provisions is provided separately as Annexure-A.

C. Compliance with the qualification requirement

16. SEBI, during the inspection looked into the activities with respect to KYC, Risk Profiling of the clients, suitability of investment advice, etc., carried out by the *Noticee* and also checked whether *Noticee* and its representative/ employees are in compliance with the provisions of IA Regulations. It is noted that Regulation 7(2) of IA Regulations requires an employee or an agent of an investment adviser who is rendering investment advice (written or oral) related to purchasing, selling or dealing

in securities or investment products including financial planning which includes analysis of clients current financial situation or identification of their financial goals, shall have at all times, a certification on financial planning/fund/ asset/portfolio management or investment advisory services either from NISM or any other recognized institute.

17. It was observed that *Noticee* operates its advisory activities/business by selling advisory products/services in the form of package. Such packages are pitched by the sales team to the prospective clients. The document "Organizational Process Flow" submitted by *Noticee* is placed at **Annexure-5**.

18. It was also observed that sales executives were carrying out activities pertaining to suitability of advisory product/service and consequently selling the same to the client. Further, as mentioned above at paragraph 14, it is observed that the sales executives have promised unrealistic / exorbitant returns to the client. The business model of *Noticee* is such that once any service/product is selected for the client, all advices generated for that service/product will automatically flow to that client. Hence, selection of service/product for the client is immensely important and the same are being done by the sales executives. It is noted that according to provisions of IA Regulations, only representative of IA with requisite qualification and certification as mentioned in Regulation 7 of IA Regulations shall carry out such activity. Sales executives, in this case, are acting as representative of Noticee.

19. SEBI vide email dated March 03, 2020, asked *Noticee* to provide, interalia, NISM certificates of research team and partners/directors and complete employee data. The copy of the said email is placed at **Annexure- 6**.

20. In response, *Noticee* vide email dated March 03, 2020 submitted the list of employees/ sales executives (along with their qualification) in sales department. The said list of employees/ sales executives is placed at **Annexure-7**. It was observed from the education and qualification details of sales team submitted by *Noticee* that

none of the team members have requisite qualification or certification as required under Regulation 7 of IA Regulations.

21. Thus, by failing to ensure requisite qualification, knowledge and certification by its representatives/ employees who have promised unrealistic / exorbitant returns to the client and not dealt honestly, fairly and diligently with the clients, Noticee has violated the Regulation 15(13) read with Regulation 7 of IA Regulations and clause 1, 2, 3 and 8 of Code of conduct for Investment Advisers as specified under Third Schedule read with Regulation 15(9) of IA Regulations. The text of the aforesaid provisions is provided separately as Annexure-A.

D. **Non redressal of SCORES complaints:**

22. Further, as on July 31, 2020, it is observed that 08 unique complaints out of 44 complaints that have been received against *Noticee* were pending at SCORES portal for more than 100 days. As per the SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014circular, SEBI registered intermediaries to whom complaints are forwarded through SCORES shall take immediate efforts on receipt of a complaint, for its resolution, within thirty days. Thus, it is alleged that *Noticee* has not complied with the timeline to resolve the complaints prescribed under SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014. Details of the pending complaints are tabulated as under:

Sl. No.	Registration No.	Date of forwarding the complaints to *Noticee*	Name of the Complainant	Pending Days as on 31.07.20
1	SEBIE/MP20/0000881/1	April 20, 2020	Shivcharan Singh	102
2	SEBIE/MP20/0000844/1	April 17, 2020	Brij Mukeshbhai Patel	105

3	SEBIE/MP20/0000706/1	April 11, 2020	Deepak Kumar Khurana	111
4	SEBIE/MP19/0003173/1	February 14, 2020	Eda Sai Narasimha Reddy	168
5	SEBIE/MP19/0002519/1	November 2, 2019	Ramesh Krishna Iyer	272
6	SEBIE/MP19/0002481/1	November 19, 2019	Gollavilli Venkata Rao	255
7	SEBIE/MP19/0002231/1	September 27, 2019	Sanjay Seth	308
8	SEBIE/MP19/0001326/1	June 3, 2019	Aangad Chopraa	424

23. By failing to submit the ATR in a time bound manner as prescribed by SEBI and not resolving investors' grievance, it is alleged that Noticee has violated SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014, read with Regulation 21 of IA Regulations. The text of the aforesaid provisions is provided separately as Annexure-A.

E. Improper Risk Profiling of Clients

24. It is noted that Regulation 16 of IA Regulations states that IA shall carry out risk profiling of the client for ascertaining client's risk tolerance based on client's income, age, existing assets/liabilities, borrowings, capacity of accepting loss, willingness to accept loss of capital, etc. Further, it also states that the risk profiling should be communicated to the client after risk assessment is done.

25. During the inspection, Noticee provided the risk score range which is placed at **Annexure- 8**.

Sl. No.	Risk Score Range	Risk Status
1	Less than 165	Low Risk

2	Between 165 - 330	Medium Risk
3	Above 330	High Risk

Sample analysis of risk profiling done by *Noticee* are stated in the subsequent paragraphs.

26. **Mr. Rakesh Kumar Kushwaha**: *Noticee* has done risk profiling of its client Mr. Rakesh Kumar Kushwaha twice i.e. on August 23, 2019 and September 13, 2019 wherein it scored 180 (medium risk) and 340 (high risk) respectively. The difference in the two risk profile is provided as under:

Sl. No.	Question	1st RPF/ medium (August 23, 2019)	2nd RPF/ High (September 13, 2019)	Difference in score
1	Investment Goal	For_Capital_ Appreciations	For_Regular _Income	40
2	Proposed Investment Amounts	<_1_lacs	1-2_lacs	10
3	Gross Annual Income	Below_Rs_1_ Lac	1-5_Lac	10
4	Would you invest where a small return is earned associated with small risk instead of a high	Strongly prefer small risk	Strongly do not prefer small risk	40
5	When market is not performing well would you like to invest in more risky investment instead of less risky investment to earn high return?	Strongly do not prefer high risk	Strongly prefer high risk	40
6	High risk is associated with high return, Medium risk Is associated with medium returns and low risk is associated with low returns? What risk can you bear (not prefer)?:	Medium	High	20
7	What is your experience with investments in past?	Good experience	Moderate	(-10)
Total increase in risk score				**150**

27. On calculation of points, it was observed that Mr. Kushwaha had scored only 330 instead of 340 as mentioned in the RPF. In view of the above, as per the scores obtained by Mr. Kushwaha, he should have been categorized as 'Medium Risk'. However, he was categorized as 'High Risk' and accordingly was sold products bearing 'high risk' which were not suitable to him as per his risk profile. Copy of risk profiles of Mr. Rakesh Kumar Kushwaha is placed at **Annexure- 9**.

28. **Priya Sahu:** *Noticee* has done risk profiling of its client Priya Sahu twice i.e. on November 02, 2019 and November 11, 2019 wherein it scored 210 (medium risk) and 330 (high risk) respectively. The difference in the two risk profile is provided as under:

Sl. No.	Question	1st RPF/ medium (02.11.2019)	2nd RPF/ High (11.11.2019)	Difference in score
1	Would you invest where a small return is earned associated with small risk instead of a high	Strongly prefer small risk	Strongly do not prefer small risk	40
2	When market is not performing well would you like to invest in more risky investment instead of less risky investment to earn high return?	Strongly do not prefer high risk	Strongly prefer high risk	40
3	High risk is associated with high return, Medium risk Is associated with medium returns and low risk is associated with low returns? What risk can you bear (not prefer)?:	Medium	High	20
4	What is your experience with investments in past?	Moderate	Good experience	10
5	What percentage of monthly income is allocated to pay off debt [all EMIs]?:	Between 0%-20%	None	10
Total increase in risk score				120

Copy of risk profiles of Priya Sahu is placed at **Annexure- 10**.

29. **Vinay Kumar Choudhary:** *Noticee* has done risk profiling of its client Vinay Kumar Choudhary twice i.e. on June 11, 2019 and June 19, 2019 wherein it scored 210 (medium risk) and 340 (high risk) respectively. The difference in the two risk profile is provided as under:

Sl. No.	Question	1st RPF/ medium (11.06.2019)	2nd RPF/ High (19.06.2019)	Difference in score
1	Investment Goal	Capital Appreciation and Regular Income	Regular Income	20
2	Proposed Investment Amounts	<_1_lacs	1-2_lacs	10
3	Would you invest where a small return is earned associated with small risk instead of a high	Strongly prefer small risk	Strongly do not prefer small risk	40
4	When market is not performing well would you like to invest in more risky investment instead of less risky investment to earn high return?	Strongly do not prefer high risk	Strongly prefer high risk	40
5	High risk is associated with high return, Medium risk Is associated with medium returns and low risk is associated with low returns? What risk can you bear (not prefer)?:	Medium	High	20
6	Occupation	Private_sector_service	Retired	0
Total increase in risk score				130

Copy of risk profiles of Vinay Kumar Choudhary is placed **Annexure- 11**.

30. On perusal of the Risk Profiling Questionnaire of Noticee **(Annexure-8),** Risk score range, Risk Profiling Questionnaire of Noticee / Risk based classification of the products / services being offered by Noticee, the following observations are made:

- Risk Profile Questionnaire of Noticee includes following 03 questions to ascertain risk appetite of the clients:

  a. Would you invest where a small return is earned associated with small risk instead of a high?
  b. When market is not performing well would you like to invest in more risky investment instead of less risky investment to earn high return?
  c. High risk is associated with high return, Medium risk is associated with medium returns and low risk is associated with low returns? What risk can you bear (not prefer)?

31. It is also observed that the total weights assigned to the aforesaid 3 such questions are 120 out of 490 i.e., 25% of total weights. Regulation 16(b)(iii) of the IA Regulations provides that the process for assessing risk of a client appropriately interprets client responses to questions and should not attribute inappropriate weight to certain answers.

32. Question of investment goal in the risk profile Questionnaire, features 03 answer options, 1) Capital Appreciation, 2) Regular Income and 3) Capital Appreciation and Regular Income. The weights assigned to such answers are 0, 40 and 20 respectively. No weights or 0 weights are assigned if a client is interested in capital appreciation. However, as per the risk profiling methodology of Noticee, if a particular investor opts for 'regular income', he would be assigned 40 points.

33. From the above, it was observed that the above mentioned questions in the Risk Profile Questionnaire are vague, ambiguous and misleading. It is noted that as per Regulation 16(b) (iii) of the IA Regulations, the IA has to appropriately interpret client

responses to questions and not attribute inappropriate weight to certain answers. From the questions mentioned above, it is clear that the questions used for assessing risk profile of the client are leading questions. Moreover, disproportionately large amount of weight has been assigned to only three questions.

34. From the analysis of the risk profiles of the clients, it is alleged that risk profiles of the clients are not communicated to the clients and in most of the cases services are being allotted to the clients prior to the risk profiling of the clients. Some of the samples where services are allotted prior to risk profiling is provided as under:

Sl. No.	Name of the client	Date of allotment of service	Date of Risk Profile
1	Angad Chopra	May 27, 2019	May 30, 2019
2	Raghvendra Uppur	January 29, 2019	January 30, 2019
3	Rasananda Nayak	February 28, 2019	March 1, 2019
4	Vinay Kumar Choudhary	June 10, 2019	June 11, 2019
5	Natrajan G	April 01, 2019	April 02, 2019
6	Virender Khatri	April 30, 2019	May 01, 2019

35. Further, from the compliance audit report of *Noticee* for FY 2018-19, it was observed that auditor had remarked that the scores assigned during risk profiling were not correct. Thus, even though client falls in low / medium risk category, due to false risk profile score calculation, client may be categorized under high risk category. Copy of the compliance audit report is annexed at (**Annexure-12**). Further same has been confirmed by Noticee vide letter dated March 04, 2020 (**Annexure 13**).

36. From analysis of the above and the manner in which experience in the stock market, investment goals and risk appetite questions, etc. have been changed in the risk profiles of the client, it appears that *Noticee* has not done any due diligence while carrying out risk profile. The whole risk profile done by *Noticee* was not supported by

any documents. *Noticee* has done risk profiling telephonically and has not kept any records for the same. Further in most of the cases risk profiling has not been communicated to the clients. Further, *Noticee* did not take any confirmation from the client regarding the risk categorization. Further, the audit compliance report has also raised the flag with respect to the wrong risk profiling and weightage assigned to the risk profile.

37. From the above, by mentioning wrong risk weightage scores to the clients, it is alleged that *Noticee* has stated false information about the clients in the risk profile to somehow categorize the risk profile of the client in 'high risk' appetite. The above act of *Noticee* comes under the purview of 'fraud' as defined under Regulation 2(1)(c) of PFUTP Regulations. In view of this, it is alleged that Noticee has violated Regulation 3(a),(b),(c) and (d) of PFUTP Regulations read with section 12A(a),(b) and (c) of SEBI Act. The text of the aforesaid provisions is provided separately as Annexure-A.

38. Further, it was observed that *Noticee* did not act in fiduciary capacity and did not carry out proper due diligence while doing risk profile of the clients. It is alleged that *Noticee* has failed to carry out its obligations and responsibilities cast upon him under IA Regulations. In view of the above, it is alleged that Noticee has violated Regulation 15(1) and clauses 1, 2, and 8 of Code of Conduct for IA as specified under Third Schedule read with Regulation 15(9) of IA Regulations. The text of the aforesaid provisions is provided separately as Annexure-A.

39. *Noticee* has not followed the process for assessing the risk a client is willing and able to take. *Noticee* has attributed inappropriate weights to certain answers. As total of 120 marks has been attributed to 03 subjective questions in Risk Profiling Questionnaire of *Noticee*:

40. Further, *Noticee* has also not communicated the risk profile form after the risk profiling of the client is done. In view of the above, it is alleged that Noticee had violated

Regulation 16 (e) of IA Regulations. The text of the aforesaid provisions is provided separately as Annexure-A.

F. **Selling Multiple Services and collecting unreasonable high advisory fees:**

41. Some of the instances where *Noticee* sold multiple services / products to clients are as under:

Client Name: Mr. Rakesh Kumar Kushwaha

Sl. No.	Invoice Date	Product	Risk Category of the Service	Period of service	Invoice Amt. (Rs.)
1	23-Aug-19	Equity Cash Intraday	Medium	26-Aug-19 to 13-Sep-19	5,000
2	24-Aug-19	Equity Cash Intraday	Medium Medium	16-Sep-19 to 11-Mar-20	46,000
3	27-Aug-19	Equity Cash Intraday	High	12-Mar-20 to 21-Apr-20	10,000
4	30-Aug-19	Index Option	High	12-Sep-19 to 11-May-20	40,000
5	02-Sep-19	Equity Cash Intraday	Medium	28-Sep-20 to 03-Nov-20	10,000
6	02-Sep-19	Equity Cash Intraday	Medium	04-Nov-20 to 07-Dec-20	7,500
7	07-Sep-19	Equity Cash Intraday	Medium	08-Dec-20 to 30-Dec-20	5,500
8	17-Sep-19	Index Option	High	12-May-20 to 11-Jun-20	5,000
9	17-Sep-19	Index Option	High	12-Jun-20 to 13-Jul-20	5,000
10	24-Sep-19	Index Option	High	14-Jul-20 to 14-Sep-20	10,000
11	25-Sep-19	Index Option	High	15-Sep-20 to 13-Nov-20	10,000
12	26-Sep-19	Index Option	High	14-Nov-20 to 09-Dec-20	5,000
13	07-Oct-19	Index Option	High	10-Dec-20 to 17-Jan-21	5,000
				TOTAL	**1,64,000**

42. From the above table, as per invoice dated August 30, 2019, it was observed that Noticee sold Index Option service to Mr. Kushwaha. As mentioned in the risk based

classification of the products / services offered by *Noticee*, placed at **Annexure-8**, the Index Option service is a high risk service. From the risk profile of the client, it was observed that the client falls under 'Medium Risk' category. Further, it was observed that in the month of August-October, 2019, Noticee sold multiple products i.e., Equity Cash Intraday and Index Options to Mr. Kushwaha. Further, new services have been sold to the client, even though the old service has not been fully served/ completed. Some of the products have been sold with extended duration i.e. at sl. no. 13, *Noticee* sold Index Option in the month of October, 2019, for the service period from December, 2020 to January 2021. Thus the commencement of service will take place after more than 1 year from the date on which such service was sold to the client. All the invoices and risk profile of Mr. Rakesh Kumar Kushwaha, as submitted by *Noticee*, is placed at **Annexure- 14.**

Client Name: Mr. Virendra Khatri

Sl. No.	Invoice Date	Product	Risk Category of the Service	Period of service	Invoice Amount (Rs.)
1	30-Apr-19	Index Option	High	2-May-19 to 4-Jul-19	10,000
2	30-Apr-19	Index Option	High	5-Jul-19 to 25-Jul-19	3,250
3	6-May-19	HNI Option	High	9-May-19 to 16-May-19	11,000
4	28-May-19	Index Option	High	26-Jul-19 to 3-Oct-19	11,000
5	3-Jun-19	Index Option	High	4-Oct-19 to 22-Nov-19	7,000
6	18-Jun-19	Index Option	High	25-Nov-19 to 07-Sep-20	46,000
7	18-Jun-19	Index Option	High	08-Sep-20 to 02-Oct-20	4,000
8	27-Jun-19	HNI Option	High	28-Jun-19 to 15-Jul-19	25,000
9	29-Jun-19	HNI Option	High	16-Jul-19 to 12-Aug-19	45,000
10	29-Jun-19	HNI Future	High	02-Jul-19 to 01-Aug-19	50,000

Sl. No.	Invoice Date	Product	Risk Category of the Service	Period of service	Invoice Amount (Rs.)
11	29-Jun-19	Index Option	High	05-Oct-20 to 05-Feb-21	20,000
12	29-Jun-19	Index Future	High	02-Jul-19 to 11-Nov-19	25,000
13	08-Jul-19	Equity Combo	High	09-Jul-19 to 16-Aug-19	22,000
14	17-Jul-19	Index Future	High	12-Nov-19 to 23-Mar-20	25,000
				TOTAL	**3,04,250**

43. From the above table it was observed that new service has been sold before completion of the earlier service i.e. at sl. no. 1 and 2, on April 30, 2019, *Noticee* sold Index Option for the duration from May 2, 2019 to July 4, 2019 and from July 5, 2019 to July 25, 2019. Further, at sl. no. 9 to 12 it can be seen that *Noticee* sold 4 different products i.e. HNI Option, HNI Future, Index Option and Index Future to Mr. Khatri on the same day i.e. June 29, 2019. Some of the products have been sold with extended duration i.e. in the month of June, 2019 *Noticee* sold Index Option whose service extended up to February, 2021. Further, from the risk profile of the client, it was observed that the client falls under 'Medium Risk' category and even though the proposed investment amount of the client is less than 1 lakh, fees of more than Rs.3 lakhs have been charged from the client in less than 3 months. It was also observed that investment advisory service has been sold to the client prior to risk profiling and suitability of services, as the risk profiling was done on May 01, 2019 and service of Index Option was sold to the client on April 30, 2019. All the invoices and risk profile of Mr. Virendra Khatri, as submitted by *Noticee*, is placed at **Annexure- 15**.

Client Name: Mr. Vinay Kumar Choudhary

Sl. No.	Invoice Date	Product	Risk Category of the Service	Period of service	Invoice Amt. (Rs.)
1	10-Jun-19	Equity Cash Intraday	Medium	10-Jun-19 to 20-Jun-19	3,001

Sl. No.	Invoice Date	Product	Risk Category of the Service	Period of service	Invoice Amt. (Rs.)
2	14-Jun-19	HNI Equity Cash	High	17-Jun-19 to 24-Jun-19	10,000
3	19-Jun-19	Equity Combo	High	20-Jun-19 to 08-Aug-19	29,000
4	20-Jun-19	Equity Combo	High	09-Aug-19 to 06-Nov-19	51,999
5	21-Jun-19	Equity Combo	High	07-Nov-19 to 31-Jan-20	50,001
6	24-Jun-19	Equity Combo	High	03-Feb-20 to 19-Oct-20	1,50,000
7	26-Jun-19	Equity Combo	High	20-Oct-20 to 15-Jan-21	51,000
8	04-Jul-19	HNI Equity Combo	High	05-Jul-19 to 29-Jul-19	65,000
9	10-Jul-19	HNI Equity Combo	High	30-Jul-19 to 31-Jul-19	5,000
TOTAL					**4,15,001**

44. From the above table, it was observed that as on June 20, 2019, multiple (3) services viz. Equity Cash Intraday, HNI Equity Cash and Equity Combo were active for the client at the same time. Further, new service has been sold before completion of the earlier service i.e. at sl. no. 3 and 8, *Noticee* sold Equity Combo (for the period from June 20, 2019 to August 8, 2019) and HNI Equity Combo (for the period from July 5, 2019 to July 29,19). Some of the products have been sold with extended duration i.e. at sl. no. 7, *Noticee* sold Equity Combo in the month of June, 2019, whose service extends up to January, 2021. From the risk profile of the client, it was observed that the client falls under 'Medium Risk' category. Further, the proposed investment amount of the client is between Rs.01 to 02 lakhs and fees of more than Rs.04 lakhs has been taken from the client in 1 month. All the invoices and risk profile of Mr. Vinay Kumar Choudhary, as submitted by *Noticee*, is placed at **Annexure- 16**

Client Name: Mr. Asit Baran Das

Sl. No.	Invoice Date	Product	Risk Category of the Service	Period of service	Invoice Amt. (Rs.)
1	23-May-19	Premium Equity Cash	Medium	to 29-May-19 31-May-19	2,100

Sl. No.	Invoice Date	Product	Risk Category of the Service	Period of service	Invoice Amt. (Rs.)
2	27-May-19	Premium Equity Cash	Medium	3-Jun-19 to 11-Jun-19	7,000
3	25-Jun-19	Equity Combo	High	02-Jul-19 to 22-Jul-19	11,000
4	27-Jun-19	Stock Option	High	02-Jul-19 to 05-Aug-19	10,000
5	27-Jun-19	Premium Option	High	02-Jul-19 to 04-Sep-19	50,000
6	29-Jun-19	Premium Option	High	05-Sep-19 to 07-Oct-19	25,000
7	23-Jul-19	Premium Option	High	08-Oct-19 to 18-Oct-19	8,302
8	25-Jul-19	Premium Option	High	22-Oct-19 to 11-Nov-19	14,951
9	29-Jul-19	Premium Option	High	12-Nov-19 to 19-Nov-19	5,938
10	02-Aug-19	Premium Option	High	20-Nov-19 to 05-Dec-19	9,007
11	05-Aug-19	Premium Option	High	06-Dec-19 to 08-Jan-20	21,806
12	06-Aug-19	Premium Option	High	09-Jan-20 to 13-Feb-20	23,782
13	09-Aug-19	Premium Option	High	14-Feb-20 to 20-Mar-20	24,342
14	20-Aug-19	Premium Option	High	23-Mar-20 to 06-Apr-20	17,820
15	21-Aug-19	Premium Option	High	07-Apr-20 to 24-Apr-20	9,379
16	22-Aug-19	Premium Option	High	27-Apr-20 to 05-May-20	4,761
17	23-Aug-19	Premium Option	High	06-May-20 to 22-May-20	12,020
18	26-Aug-19	Premium Option	High	25-May-20 to 05-Jun-20	10,318
19	27-Aug-19	Premium Option	High	08-Jun-20 to 16-Jun-20	15,501
20	28-Aug-19	Premium Option	High	17-Jun-20 to 03-Jul-20	12,060
21	29-Aug-19	Premium Option	High	06-Jul-20 to 17-Aug-20	30,708

Sl. No.	Invoice Date	Product	Risk Category of the Service	Period of service	Invoice Amt. (Rs.)
22	30-Aug-19	Premium Option	High	18-Aug-20 to 07-Sep-20	14,145
23	31-Aug-19	Premium Option	High	08-Sep-20 to 24-Sep-20	11,042
					3,50,982

45. From the above table it was observed that the client was sold 23 services within a period of around 3 months. In case of Mr. Asit Baran Das, the risk profiling of the client was done on July 2, 2019, but the services were being provided to him from May, 2019 itself. Thus, it is noted that *Noticee* is selling products to clients without doing any risk profiling and suitability assessment. Thus, the Noticee is alleged to have violated the Regulation 17 of the IA Regulations.

46. Further, it was observed from his risk profile that the investment amount proposed by the client is less than Rs. 1 lakh. However, during the period of 03 months, the total advisory fee collected from the client is Rs. 3,50,982, which is 3.5 times more than the proposed investment amount. It was also observed that in the month of July 2019, 03 services viz. Equity Combo, Stock Option and Premium Options were active at the same time. Further, during the period June 27, 2019 to August 31, 2019, the product 'Premium Option' was sold to the client 19 times. The said service was sold again and again even before the completion of the duration of the previous services. Services were sold in a manner which is supposed to commence after 01 year from the date of the invoice and payment. For example, product 'Premium Option' was sold on August 31, 2019, the service period of which would have started on September 8, 2020 i.e. after more than 1 year from the date the product was sold. All the invoices and risk profile of Mr. Asit Baran Das, as submitted by *Noticee*, is placed at **Annexure- 17.**

G. Instances where exorbitant service charges are collected

47. From the sample analysis of fees charged to the clients by *Noticee,* it was observed that although *Noticee* has list of services with defined fees structure, Noticee charged arbitrary/ disproportionate amount of fees from clients. Some of the instances of arbitrary/exorbitant/ disproportionate fees are as under:

Client Name: Mr. Sai Narasimha Reddy Eda

Sl. No.	Invoice Date	Product	Period of service	Invoice Amt. (Rs.)
1	20-Dec-19	Equity Cash Intraday	23-Dec-19 to 27-Dec-19	3,100
2	20-Dec-19	Premium Equity Cash	30-Dec-19 to 06-Jan-20	31,172
3	24-Dec-19	Premium Equity Cash	28-Jan-20 to 17-Feb-20	21,600
			TOTAL	**55,872**

48. The fees charged for the service Premium Equity Cash as per the information provided by *Noticee* is as under:

Weekly	Monthly	Quarterly	Half Yearly	Yearly
6,000	24,780	68,440	1,29,800	2,36,000

49. From the above table, it was observed that for Premium Equity Cash the weekly fees chargeable is Rs. 6,000. However, at sl. no. 2, Noticee has charged fees of Rs. 31,172 for 08 days and charged fees of Rs. 21,600 for 20 days. This shows that disproportionate amount of fees has been charged by the Noticee from the client. All the invoices of Mr. Sai Narasimha Reddy Eda, as submitted by Noticee, is placed at **Annexure- 18**.

Client Name: Mr. Deepak Kumar

Sl. No.	Invoice Date	Product	Period of service	Invoice Amt. (Rs.)
1	18-Dec-18	HNI Future	21-Dec-18 to 24-Dec-18	5,000
2	19-Dec-18	HNI Future	26-Dec-18 to 13-Jan-19	10,000
3	20-Dec-18	HNI Future	14-Jan-19 to 28-Jun-19	15,000
4	21-Dec-18	HNI Future	1-Jul-19 to 31-Oct-19	30,000
5	22-Dec-18	HNI Future	1-Nov-19 to 29-Nov-19	9,000
6	25-Dec-18	HNI Future	02-Dec-19 to 20-Dec-19	9,000
7	26-Dec-18	HNI Equity Combo	03-Jan-19 to 01-Apr-19	28,000
8	27-Dec-18	HNI Equity Combo	02-Apr-19 to 30-Apr-19	51,000
9	28-Dec-18	HNI Equity Combo	01-May-19 to 02-Jun-19	35,000
10	1-Jan-19	HNI Equity Combo	04-Jun-19 to 31-Oct-19	5,00,000
11	2-Jan-19	HNI Equity Combo	01-Nov-19 to 02-Dec-19	45,000
			TOTAL	**7,37,000**

50. The fees charged for the service HNI Equity Combo as per the information provided by *Noticee* is as under:

Monthly	Quarterly	Half Yearly	Yearly
75,000	202500	3,82,500	7,20,000

51. It is observed from the above, that the service fees for 06 months is Rs. 3,82,500. However, at sl. no. 10, fees for 05 months charged from the client is Rs. 5,00,000. Thus, the fees charged by Noticee is exorbitant and disproportionate. Further, the amount of fees charged is not in line with the internal fee structure of Noticee. Further, although the proposed investment amount by the client is Rs. 1-2 lakhs, yet Noticee

has charged total amount of fees of Rs. 7,37,000 within a period of 7 days. All the invoices and risk profile of Mr. Deepak Kumar, as submitted by Noticee, is placed at **Annexure- 19**.

52. The risk score range/ classification by Noticee is as under –

Sl. No.	Risk Score Range	Risk Status
1	Less than 165	Low Risk
2	Between 165 - 330	Medium Risk
3	Above 330	High Risk

As per the risk based classification of the 23 products / services offered by Noticee, 21 products were categorized for 'high risk' clients and only 2 products were categorized for 'medium' risk clients.

53. From the sample analysis of the clients, it is noted that Noticee sold high risk services to the clients with medium risk. Thus, no due diligence was carried out by Noticee at the time of suitability of services. Some of the instances where suitability of services is not in compliance with the risk category of the services are provided as under:

Client Name: Mr. Anurag Gupta

54. Score as per the risk profile of the client is 310 (Medium Risk)

In this case, as per risk profile and risk classification parameter, the client falls in the category of medium risk. However, Noticee sold HNI Equity Combo service, which as per their classification of service by Noticee falls in the high risk category. All the invoices and risk profile of Mr. Anurag Gupta, as submitted by Noticee, is placed at **Annexure- 20**

Client Name: Mr. Brij Mukeshbhai Patel

55. Score as per the risk profile of the client is 310 (Medium Risk).

As per risk profile and risk classification parameter, the client falls in the category of medium risk. However, from the invoices issued to the client, as provided by Noticee, the client was offered Index Option which is a high risk product. All the invoices and

risk profile of Mr. Brij Mukeshbhai Patel, as submitted by Noticee, is placed at **Annexure- 21**

56. From the above sample analysis of clients, it is observed that *Noticee* has not been fair and transparent in its dealing with clients regarding the fees charged to the client. *Noticee* acted in the above manner with an objective to maximize its fees and keeping its own interest ahead of the clients' interest. *Noticee* has sold newer products to its clients even though the subscription period for products earlier sold to the client was not over and in turn receive more fees from the clients. In most of the cases it has been noted that amount of advisory fees charged is more than the proposed amount of investment by the clients as mentioned in the risk profile of the respective clients. On sample basis, some of the clients who have been charged more advisory fees than the proposed amount of investment is tabulated as under:

s.no	Client name	Proposed investment amount (as per RPM)	Advisory fees charged to the client (Invoices of the clients)
1.	Priya Sahu	Up to Rs. 1 lakh	Rs. 3,28,994
2.	Virender Khatri	Up to Rs. 1 lakh	Rs. 3,04,250
3.	Gollavilli Venkatarao	Rs. 1 lakh to Rs. 2 Lakh	Rs. 7,17,221
4.	Asit Baran Das	Up to Rs. 1 lakh	Rs. 3,50,982
5.	VINAY Kumar Choudhary	Rs. 1 lakh to Rs. 2 Lakh	Rs. 4,15,001
6.	Deepak Kumar Khurana	Rs. 1 lakh to Rs. 2 Lakh	Rs. 7,37,000

57. From the above table, it is observed that advisory fees charged by the *Noticee* is more than the proposed investment amount of the client. Also the *Noticee* has sold the services prior to risk profiling of the client. It is alleged that these acts of *Noticee* are in complete disregard to the responsibility entrusted on him under the provisions of IA Regulations to act in fiduciary capacity and in the best interest of its clients. It is also observed that *Noticee* has not sold products to clients as per the risk category and tolerance level of the clients. Even though risk category of the client is medium, product from high risk categories was sold to clients. It is observed that *Noticee* did

not consider clients' experience and knowledge while selecting product for the client. Further, it is alleged that the service charged is multiple times to the proposed investment amount and therefore the clients' investment objectives have been impaired. Therefore, *Noticee* failed to do 'Suitability' as mentioned in Regulation 17 of IA Regulations and charged unreasonable fees from its clients.

58. In view of the above, it is alleged that Noticee violated Regulation 15 (1) Regulation 17(a),(b),(c),(d) and (e) of IA Regulations and Code of Conduct clauses 1, 2 and 6 as specified under Third Schedule read with Regulation 15(9) of IA Regulations. The text of the aforesaid provisions is provided separately as Annexure-A.

H. Disclosures to Clients

59. It is noted that in terms of Regulation 18(1) of IA Regulations, an investment adviser shall disclose to a prospective client, all material information about itself including its business, disciplinary history, the terms and conditions on which it offers advisory services, affiliations with other intermediaries and such other information as is necessary to take an informed decision on whether or not to avail its services.

60. On Examination of the data, 403 KYC and risk profile of clients of other intermediaries, viz. Investment Research Adviser, were found in the system of *Noticee*. These information of other clients is sensitive and confidential in nature. Further, it is observed that possession of such documents/ client information of other intermediaries provides the association of *Noticee* with other intermediaries. However, *Noticee* did not provided any documents/ communication trail to prove that such association/ affiliation of *Noticee* with other intermediaries was disclosed to its clients. The details of the 403 KYC and risk profile of clients of other intermediaries is placed at **Annexure 22.**

61. As per Regulation 18(4) of IA Regulations, an investment adviser shall disclose to the client its holding or position, if any, in the financial products or securities which are

subject matter of advice. In the instant matter, *Noticee* has submitted that Noticee did commodity trading and investing activities while acting as a SEBI registered Investment Adviser (**Annexure 13**). Further, *Noticee* was also providing investment advice to its clients in commodity segment. SEBI vide email dated March 03, 2020, asked *Noticee* to provide all communication of *Noticee* with its clients. No such mail or communication trail was submitted by *Noticee* to ensure that discloser of commodity trading done by Noticee was informed to the clients. Thus it is observed that, no disclosure to the clients about the commodity trading and investing activities of *Noticee*, which were the subject matter of the advice, was made to the clients.

62. The compliance audit report by auditor also opined that "*all material disclosure are not informed to the client viz. demat account of proprietor*" **(Annexure 12).**

63. It is noted that as per Regulation 18 (6) of IA Regulation, an investment adviser shall, while making an investment advice, make adequate disclosure to the client of all material facts relating to the key features of the products or securities, particularly, performance track record. In the instant matter, Noticee has submitted that **(Annexure 13)** it has not maintained and uploaded the performance report of all advisory products. Thus, performance track record of the investment advice was not disclosed to the clients.

64. From the above, it is alleged that the Noticee failed to make adequate disclosures to its clients about the association with other intermediaries and sharing of confidential information. It is also alleged that the Noticee failed to disclose to its clients about its holding in the securities market and position in the financial products. Therefore, it is observed that *Noticee* did not act honestly and diligently with its clients. In view of the above, Noticee is alleged to have violated the Regulation 18 (1), (4) and (6) of IA Regulations and clauses 1, 2, 5 and 7 of Code of Conduct as specified under Third Schedule read with Regulation 15(9) of IA Regulations. The text of the aforesaid provisions is provided separately as Annexure-A.

I. Maintenance of Records

65. In terms of Regulation 19(1) of IA Regulations, an investment adviser shall maintain, inter-alia, records of KYC, risk profiling/assessment, suitability assessment of advice, investment advice provided to the client, whether written or oral and such records shall be maintained either in physical or electronic form and preserved for a minimum period of five years in terms of Regulation 19(2) of IA Regulations.

66. It is observed from the business process and work flow (**Annexure 5**) submitted by *Noticee*, that pitching of product was done by calling up prospective clients. Also, the clients are called by KYC executives for confirmation regarding the investment amount, segments where investments are to be made and to procure details about the KYC and risk profile. Further, it was also submitted by the *Noticee* that in some cases risk profile score/ weights calculation is not done correctly (**Annexure 13**). *Noticee* has revised risk profile of clients with changes in answers of various questions. Thus, the Noticee has failed to act diligently, as no supporting documents with respect to change in risk profile were provided to SEBI. Further, from the work flow, it is also observed that call recording was maintained by *Noticee*, however no call recording was submitted to SEBI.

67. Further, sales executive advises clients over telephone about selection of services/ pitching of products of the Noticee. Because of the business model of *Noticee*, investment advice messages to the client would be as per the type of service/product selected by the client based on the advice given by the sales executives. Hence, telephonic conversation between Risk Profiling Team and sales executives with clients, forms part of the information pertaining to risk profiling of client and suitability of the product to client. Accordingly, it should be maintained in terms of regulation 19(2). Vide email dated March 03, 2020, *Noticee* was asked to provide all communication (via mail, telecall and watsaap) of *Noticee* with its clients. However, in this regard, it is alleged that no telephonic records of such communication was made available to SEBI.

68. As per the compliance audit report for the period of 2018-19, submitted by *Noticee*, the call register was not made available to the Auditor. Accordingly, Auditor has also opined that *Noticee* has not complied with the maintenance of records and register.

69. Thus, by not maintaining the records of communication with clients during risk profiling and suitability assessment of advice/ selection of advisory product/services the Noticee is alleged to have violated the provisions of Regulation 19 (1) and (2) of IA Regulations 2013. The text of the aforesaid provisions is provided separately as Annexure-A.

J. Misrepresentation and mis-selling by *Noticee*:

70. It was observed from the analysis of the complaints that the employees of *Noticee* have given fake names and designations, making false assurances and luring the clients to subscribe to the service of *Noticee*. Further, in the case of Mr. Angad Chopraa, it was informed by *Noticee* that three of its employees were using fake names to deal with the client and thus masking the identity. Submission made by the Noticee is placed at **Annexure 23**. Such employees have dealt with multiple clients masking their identity and misrepresented the clients. It appears that such dubious mechanism was adopted to avoid and negate the allegation of clients. Further, as mentioned above/earlier the employees of *Noticee* have not complied with the qualification requirement to deal with the clients.

71. The website of *Noticee* i.e. www.moneymarketmanthan.com was perused at the time of inspection by SEBI. The home page of its website features various testimonials, some of those testimonials were analyzed. The testimonials provide that with the help of the services given by *Noticee* those clients had made huge profits and they were very much satisfied with the accuracy of advices given by *Noticee*. SEBI had sought the details of those clients. In this regard, it was informed by *Noticee* that no such clients were found to be available in the database of *Noticee*. Submission made by the Noticee is placed at **Annexure 24**. In this regard, it is alleged that fake testimonials were used on the home page of the website of Noticee to lure and induce

clients to subscribe the services of *Noticee*. It is further alleged that such false testimonials have been misrepresented to the clients to create confidence amongst prospective clients and impair their decision making.

72. From the above, it is observed that the *Noticee* has misrepresented about its sales team and advices/ services on its website and has made false claims about performance of its services. It appears that the objective behind such misrepresentation was to lure clients by making false claims about the high accuracy and profit performances. The above act on the part of *Noticee* is to induce the clients to avail the advisory services of *Noticee*. In view of this, it is alleged that *Noticee* failed in its responsibility to act in fiduciary capacity to its clients which is entrusted upon him under Regulation 15 (1) of IA Regulations. Further, it is also alleged that *Noticee* has failed to abide by clause 1 of Code of Conduct as specified under Third Schedule read with Regulation 15(9) of IA Regulations. Also, such misrepresentation on the part of *Noticee* is, prima facie, fraudulent and is covered within the definition of "fraud" as defined in Regulation 2(1)(c) of PFUTP Regulations, 2003. Accordingly, it is alleged that Noticee has violated Regulation 3 (a), (b), (c), (d), 4(2)(k) and (s) of the PFUTP Regulations, 2003 read with section 12A(a), (b) and(c) of SEBI Act. The text of the aforesaid provisions is provided separately as Annexure-A.

K. Compliance in respect of Anti Money Laundering Policy:

73. SEBI circular no. ISD/CIR/RR/AML/1/06 dated January 18, 2006 and ISD/CIR/AML/2/06 dated March 20, 2006 requires intermediaries to have an Anti Money Laundering policy in place within 30 days from the date of circular and also appoint a Principal Officer and intimate the same to FIU, New Delhi.

74. It is observed that *Noticee* has put in place an AML policy. Further, it was submitted by *Noticee* that the principal officer viz. Mr. Rahul Sisodiya was absconding since January 24, 2018. Thus, there was no Principal Officer during the inspection period. It is alleged that *Noticee* has not submitted any details/ documents showing that it

has informed FIU about not having a Principal Officer in place. Submission by *Noticee* about PMLA is placed at **Annexure 25**.

75. From the above, it is alleged that *Noticee* had no principal officer and same was not intimated to FIU. Thus, *Noticee* alleged to have violated SEBI circular ISD/CIR/RR/AML/1/06 dated January 18, 2006.

76. In light of the above, Noticee, Money Market Manthan Financial Services, (Proprietor-Vicky Kamariya), is hereby called upon to show cause as to why suitable directions, including the following, be not issued, and/or penalty be not imposed, as deemed fit under Sections 11(1), 11(4), 114A, and 11B(1), 11B(2) read with Section 15HA, 15HB (for violation prior to March 08, 2019), Section 15EB (for violations subsequent to March 08, 2019) and 15C of the SEBI Act read with Regulation 35 of Intermediaries Regulations read with Regulation 28 of IA Regulations :

76.1. to cease and desist from acting as an investment advisor including the activity of acting and representing through any media (physical or digital) as an investment advisor, directly or indirectly, and cease to solicit or undertake such activity or any other activities in the securities market, directly or indirectly, in any matter whatsoever;

76.2. not to access the securities market and buy, sell or otherwise deal in securities or associates themselves with securities market, in any manner whatsoever whether directly or indirectly,

76.3. to immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, communications etc., in digital mode or otherwise, in relation to its investment advisory activity or any other activity in the securities market;

76.4. to refund the amount of Rs 5,85,66,981 received from the clients/investors/complainant on or after April 01, 2018, as fees or

consideration or in any other form in respect to the investment advisory activities.

77. The written submissions of the Noticee, Money Market Manthan Financial Services and its proprietor Mr. Vicky Kamariya, PAN: AWDPK4671L, if any, along with documentary evidences that the Noticee chooses to rely upon in support of their submissions, should reach the undersigned, at the address given below and also in softcopy (in MSWORD and MS Excel format) by e-mail at email-ids aniketk@sebi.gov.in, amitn@sebi.gov.in and nirmalm@sebi.gov.in within 21 days from the date of receipt of this notice, failing which it shall be construed that Noticee has no reply to submit and SEBI shall be free to take action against it on the basis of evidence available on record in terms of the provisions of SEBI Act and other applicable laws.

Securities and Exchange Board of India
Indore Local Office
104-105, 1st Floor, Satguru Parinay,
Opp. C-21 Mall, A.B. Road,
Indore - 452010, Madhya Pradesh

78. The Noticee may also indicate in their reply whether they are desirous of a personal hearing before the Whole Time Member, SEBI, in the matter. The Noticee is advised to keep SEBI informed about the change in their correspondence address, if any, till the proceedings in the extant matter are complete.

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

80. The Noticee may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulation, 2018. If the Noticee wish to opt for the

settlement process, they may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned. Further, the Noticee may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.

81. The documents relied upon in the notice have been annexed as per the list of enclosures (in CD).

Yours faithfully,

Nirmal Mehrotra

Nirmal Mehrotra
Enclosures: As above

Documents	Annexure
Email dated March 02, 2020, received from the Noticee	1.
Submission dated March 04, 2020, from the Noticee	2.
Screenshots of webpages of Money Market Manthan Financial Services	3.
WhatsApp chat conversation provided by Mr. Angad Chopraa	4.
The document 'Organizational Flow' submitted by the Noticee	5.
SEBI's email dated March 3, 2020, seeking NISM Certificates of research team, partners/ directors and complete employee data	6.
List of employees/ sales executives submitted by the Noticee vide email dated March 03, 2020	7.
Sample RPFs questionnaires of the Noticee	8.
Copy of Risk Profiles of Mr. Rakesh Kumar Kushwaha	9.
Copy of Risk Profiles of Priya Sahu	10.
Copy of Risk Profiles of Vinay Kumar Choudhary	11.
Copy of the compliance audit report of the Noticee for FY 2018-19	12.
Letter dated March 04, 2020, received from the Noticee w.r.t compliance audit report	13.
All invoices and risk profiles of Mr. Rakesh Kumar Kushwaha	14.
All invoices and risk profiles of Mr. Virendra Khatri	15.
All invoices and risk profiles of Mr. Vinay Kumar Choudhary	16.
All invoices and risk profiles of Mr. Asit Baran Das	17.
All the invoices of Mr. Sai Narsimha Reddy Eda	18.
All invoices and risk profiles of Mr. Deepak Kumar	19.
All invoices and risk profiles of Mr. Anurag Gupta	20.
All invoices and risk profiles of Mr. Brij Mukeshbhai Patel	21.
The details of the 403 KYC and risk profile of clients of other intermediaries	22.
Submission of the Noticee admitting that its employees were using fake names to deal with its client.	23.
Submission of the Noticee w.r.t details of clients featured in various testimonials of homepage of its website.	24.
Submission by Noticee about PMLA	25.

Annexure - A

The relevant provisions of the IA Regulations, PFUTP Regulations and the SEBI Act are reproduced hereunder:

Relevant provisions of IA Regulation:

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. (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.*

(6) An investment adviser shall not divulge any confidential information about its client, which has come to its knowledge, without taking prior permission of his clients, except where such disclosures are required to be made in compliance with any law for the time being in force.
(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;
(b) It has a documented process for selecting investments based on client's investment objectives and financial situation;
(c) It understands the nature and risks of products or assets selected for clients;
(d) It has a reasonable basis for believing that a recommendation or transaction entered into:
(i) meets the client's investment objectives;
(ii) is such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance;
(iii) is such that the client has the necessary experience and knowledge to understand the risks involved in the transaction.
(e) Whenever a recommendation is given to a client to purchase of a particular complex financial product, such recommendation or advice is based upon a reasonable assessment that the structure and risk reward profile of financial product is consistent with clients experience, knowledge, investment objectives, risk appetite and capacity for absorbing loss.

18. Disclosures to clients.

(1) An investment adviser shall disclose to a prospective client, all material information about itself including its business, disciplinary history, the terms and conditions on which it offers advisory services, affiliations with other intermediaries and such other information as is necessary to take an informed decision on whether or not to avail its services.
(4) An investment adviser shall disclose to the client its holding or position, if any, in the financial products or securities which are subject matter of advice.
(6) An investment adviser shall, while making an investment advice, make adequate disclosure to the client of all material facts relating to the key features of the products or securities, particularly, performance track record.

19. Maintenance of records

(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:

21. Redressal of client grievances.
(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 40[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.

PROCEDURE FOR ACTION IN CASE OF DEFAULT

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

[*See* sub-regulation (9) of regulation 15]

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.

4. Information about clients
An investment adviser shall 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.

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.

7. Conflicts of interest
An investment adviser shall try to avoid conflicts of interest as far as possible and when they cannot be avoided, it shall ensure that appropriate disclosures are made to the clients and that the clients are fairly treated.

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.

Relevant provisions of PFUTP Regulation:

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 fraudulent or an unfair trade practice in securities.

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

(K) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities;

(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;

Relevant provisions of Intermediary Regulations:

SCHEDULE II
SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008
(See regulations 7)

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 networth;
(d) absence of categorization as a wilful defaulter.

Relevant provisions of SEBI Act:

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;

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 default in case of investment adviser and research analyst.

15EB. *Where an investment adviser or a research analyst fails to comply with the regulations made by the Board or directions issued by the Board, such investment adviser or research analyst shall be*

liable to penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.

Penalty for contravention where no separate penalty has been provided.

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

Penalty for failure to redress investors' grievances

15C. *If any listed company or any person who is registered as an intermediary, after having been called upon by the Board in writing, to redress the grievances of investors, fails to redress such grievances within the time specified by the Board, such company or intermediary shall be liable to a 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.*