



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

GENERAL MANAGER &
ADJUDICATING OFFICER

SEBI/EAD/SM/AD/26089/1/2021

September 28, 2021

By SPAD / Digitally Signed E-mail

Sr. No.	Name & Address	Sr. No.	Name & Address
1	CapitalVia Global Research Ltd. (PAN: AADCC5782H) 903, B-1, 9 th Floor, NRK Business Park, Scheme No. 54, P.U.-4, Vijay Nagar Square, Indore-452010	2	Mr. Kiran Ravindra Kumar Choudhary (PAN: AAEPK1536D) 903, B-1, 9 th Floor, NRK Business Park, Scheme No. 54, P.U.-4, Vijay Nagar Square, Indore-452010
3	Mr. Rohit Gadia (PAN: AGXPG1899A) 903, B-1, 9 th Floor, NRK Business Park, Scheme No. 54, P.U.-4, Vijay Nagar Square, Indore-452010	4	Mr. Ansul Mansingka (PAN: AGRPM3025A) 903, B-1, 9 th Floor, NRK Business Park, Scheme No. 54, P.U.-4, Vijay Nagar Square, Indore-452010

Notice under Rule 4 (1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in the matter of M/s. Capitalvia Global Research Limited

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') SEBI has received a complaint from one Mr. Mahadeo Sadafule against M/s. Capitalvia Global Research Limited (hereinafter referred to as 'Capitalvia/ Noticee 1'). The complainant alleged that CapitalVia charged a fee of Rs. 25,00,000 (approx) for investment advisory services wherein he was promised an assured return of 10%. The complainant further alleged that he was not provided with any knowledge and guidance in respect of his active services and the bifurcation of the fee charged for various services.
2. Therefore, SEBI conducted an inspection of Capitalvia from July 02 -03, 2015, at its office located at NRK Business Park, Indore. The period covered in the inspection was from April 01, 2013 till July 02, 2015 (hereinafter referred to as 'Inspection Period').

SCN in the matter of Capitalvia Global Research Limited- I

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सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051

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3. CapitalVia is registered with SEBI as an investment Adviser on April 10, 2014, under SEBI (Investment Advisers) Regulations, 2013 bearing SEBI Registration No. INA200001512.
4. The scope of the inspection was to verify the compliance of Capitalvia with regulatory requirements prescribed in SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as 'IA Regulations') including KYC requirements, risk profiling and suitability of the advice and maintenance of records.
5. Based on the findings of Inspection conducted by SEBI and the response of Noticee 1, SEBI observed non-compliances of Regulations 15(8), 16, 17, 18, 22, 13(c), 15(1), 15(9) of IA Regulations read with Clauses 2 and 4 of the Code of Conduct under Schedule III of IA Regulations, Clauses 1, 5 and 6 of the Code of Conduct under Schedule III of IA Regulations and Regulations 7(2) and 19 of IA Regulations allegedly committed by Noticee 1 and its directors namely Mr Kiran Ravinda Kumar Choudhary (hereinafter referred to as " **Noticee 2** "), Mr Rohit Gadia (hereinafter referred to as " **Noticee 3** ") , Ansul Mansingka (hereinafter referred to as " **Noticee 4** ") (Noticees 1 to 4 are collectively referred to as " **Noticees** ") .
6. Vide order dated December 21, 2020, SEBI appointed the undersigned as the Adjudicating Officer under Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as ' **Adjudication Rules** ') to inquire into and adjudge under the provisions of Section 15HB of the SEBI Act, the various violations alleged to have been committed by the Noticees.
7. The non-compliances observed during the inspection and details of the violations alleged to have been committed by Noticees are given in the subsequent paragraphs.

Non-Compliance with Know Your Client procedures

8. In terms of Regulation 15 (8) of IA Regulations, "an investment adviser shall follow Know Your Client procedure as specified by the Board from time to time."



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9. As per SEBI circular no. MIRSD/SE/Cir-21/2011 dated October 05, 2011,' the KYC form, specified as Annexure-I of the said circular, shall be filled by an investor at the account opening stage while dealing with SEBI registered intermediaries'.
10. As per SEBI circular no. MIRSD/Cir- 26 /2011 dated December 23, 2011, ' after doing the initial KYC of the new clients, the intermediary shall forthwith upload the KYC information on the system of the KRA and send the KYC documents i.e. KYC application form and supporting documents of the clients to the KRA within 10 working days from the date of execution of documents by the client and maintain the proof of dispatch'.
11. It was observed that, CapitalVia was not following the Know Your Client (KYC) procedures specified by SEBI. On enquiry, CapitalVia, vide letter received by SEBI on July 07, 2015 , submitted that prior to April 01, 2015, there were no KYCs maintained by them as they were unaware of the KYC procedures. It was observed that Capital Via had not submitted a plausible explanation for not maintaining KYC records. Further, it was observed that they started maintaining KYC records of the clients from April 2015 onwards.
12. Thus, during inspection, it was observed that though CapitalVia obtained registration as an investment adviser on April 10, 2014, they chose to ignore the KYC procedures specified by SEBI which is the basic document for all the intermediaries. CapitalVia did not follow any KYC procedures as specified by SEBI before April 2015 and they were providing advice without obtaining any information from the clients and were not doing any client due diligence process before start of providing advisory services.
13. Therefore, it is alleged that by not following KYC procedures specified by SEBI, Noticees have violated Regulation 15(8) of IA Regulations.

Not conducting Risk Profiling of clients :

14. In terms of Regulation 16 of IA Regulations, Investment adviser shall ensure that:-
 - (a) it obtains from the client, such information as is necessary for the purpose of giving investment advice, including the following:-
 - (i) age;

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- (ii) *investment objectives including time for which they wish to stay invested, the purposes of the investment ;*
- (iii) *income details;*
- (iv) *existing investments/assets;*
- (v) *risk appetite/ tolerance;*
- (vi) *liability/borrowing details.*
- (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;*
 - (iii) *appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers.*
- (c) *where tools are used for risk profiling, it should be ensured that the tools are fit for the purpose and any limitations are identified and mitigated;*
- (d) *any questions or description in any questionnaires used to establish the risk a client is willing and able to take are fair, clear and not misleading, and should ensure that:*
 - (i) *questionnaire is not vague or use double negatives or in a complex language that the client may not understand;*
 - (ii) *questionnaire is not structured in a way that it contains leading questions.*
- (e) *risk profile of the client is communicated to the client after risk assessment is done;*
- (f) *information provided by clients and their risk assessment is updated periodically.*

15. It was observed that the risk profiling questionnaire of CapitalVia contained the following details:

- Investment of Customer
- the degree of losses the customer is willing to take
- Liability/ Borrowing details
- Existing Investments/ Assets :
- Segment :
- Date of Birth
- PAN Number

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- Time Horizon of Investment
 - Trading Experience
 - Account Info
 - Trading Time
 - Profile
 - Advisory Services (If taken earlier or not)
 - No of Lots/ Shares, Customer trades
 - Exposure / Leverage on Capital Investment
16. On examination of the entire risk profiling process adopted by CapitalVia, it was observed that after completion of the trial period, the product was sold to the client and risk assessment and risk profiling of the clients was not done before selling the product to them.
17. On random scrutiny of the risk profiling procedure followed by CapitalVia after selling the product, it was observed that risk profiling questionnaire did not contain the basic information to be sought which is necessary for the purpose of providing the investment advice such as investment objective, client capacity for absorbing loss as specified in IA Regulations.
18. Further, it was observed that many of the fields in the questionnaire were not filled up and CapitalVia was not obtaining such information from the clients .For e.g. in case of one client, Mr. Dinesh Chaudhary, few fields in the questionnaire such as investment of customer, the degree of losses the customer is willing to take, investment objective, etc. were not filled up by him.
19. It was observed that no risk assessment of the clients in respect of their ability and willingness to take risk was being done by CapitalVia based on the basis of information collected from them. It was also observed that, as specified in Regulation 16(e) and 16(f) of IA Regulations, risk profile of the client was not being communicated to the client after risk assessment is done and is not being updated periodically.

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20. In terms of IA Regulations, the purpose of the risk profiling is to obtain all relevant information from the client which is necessary for the purpose of giving investment advice. The purpose of risk profiling is to understand the needs of the clients, risk appetite of the client, risk absorption capacity of the client, etc. which was not done in the case of CapitalVia.
21. Thus, it was noted that by not obtaining relevant information from the clients, by not communicating the risk profile to them and by not updating the risk profile periodically, CapitalVia has not followed the risk profiling procedure laid down in IA Regulations. Therefore, it is alleged that by not doing risk profiling of the clients as specified in IA Regulations, Noticees have violated Regulation 16 of IA Regulations.

Not ensuring suitability of the advice provided:

22. In terms of Regulation 17 of IA Regulations, 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:*
 - (e) *meets the client's investment objectives;*
 - (f) *is such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance;*
 - (g) *is such that the client has the necessary experience and knowledge to understand the risks involved in the transaction.*
 - (h) *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.*

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23. On perusal of the business model of CapitalVia as elaborated above, it was noted that, irrespective of the fact that whether the product was suitable or not, the same was being advised to the client, if the investor opts for that product. Thus CapitalVia was not ensuring whether the investment advice provided was appropriate to the risk profile of the client.
24. In this regard, CapitalVia, vide letter received by SEBI on July 07, 2015 submitted that, no personalized services were being provided, except HNI services. It was also observed that CapitalVia did not have a documented process for selecting investments based on client's investment objectives and financial situation. Further, CapitalVia also did not have a reasonable basis for believing that a recommendation or transaction entered into meets the clients' investment objective.
25. It was further observed that the recommendations given to the clients in respect of complex products such as Bullion Metal Combo, Bullion Pack, Agri Pack, etc. were not based on 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.
26. Thus, it is alleged that CapitalVia did not ensure whether the advice provided to the client was suitable to them or not and they provided the recommendations to all the clients whoever subscribes to product offered by it, irrespective of their risk profiling and suitability. Therefore, it is alleged that by not ensuring suitability of advice provided to the client as specified in IA Regulations, Noticees have violated Regulation 17 of IA Regulations.

Disclosures not made to Clients

27. In terms of Regulation 18 of IA Regulations, an investment adviser is required to make certain disclosures to its clients as specified in Regulation 18 which, *inter alia*, includes all material facts relating to the key features of the products or securities, particularly, performance track record. The text of the aforesaid provisions is reproduced hereunder:

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18.(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

(2) An investment adviser shall disclose to its client, any consideration by way of remuneration or compensation or in any other form whatsoever, received or receivable by it or any of its associates or subsidiaries for any distribution or execution services in respect of the products or securities for which the investment advice is provided to the client.

(3) An investment adviser shall, before recommending the services of a stockbroker or other intermediary to a client, disclose any consideration by way of remuneration or compensation or in any other form whatsoever, if any, received or receivable by the investment adviser, if the client desires to avail the services of such intermediary

(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.

(5) An investment adviser shall disclose to the client any actual or potential conflicts of interest arising from any connection to or association with any issuer of products/ securities, including any material information or facts that might compromise its objectivity or independence in the carrying on of investment advisory services.

(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.

(7) An investment adviser shall draw the client's attention to the warnings, disclaimers in documents, advertising materials relating to an investment product which it is recommending to the client.

28. On enquiry with regard to the disclosures made by Noticee 1, CapitalVia vide letter dated July 03, 2015 submitted that the following disclosures were being provided by them to the clients:

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- *CapitalVia for your well- informed investment decisions. CapitalVia encourages you to strictly follow principles of disciplined trading and stop loss.*
 - *Moreover, CapitalVia strictly follow trading principles and stop loss policy wherein customer by default agree to not do/ enter any trade without pre informed/ defined stop loss.*
 - *CapitalVia is not liable for any losses in any case.*
 - *Investments/ Trading in financial markets is subject to market risk.*
 - *We have NO REFUND POLICY under any circumstances*
 - *We don't offer any guaranteed return products.*
29. The performance track record communicated to the clients was found to be erroneous. The methodology adopted by CapitalVia to calculate accuracy is as under:
- Accuracy= No. of Profitable recommendations/Total number of recommendation*100*
30. It was observed from the method of calculation of performance track record that CapitalVia was taking into the consideration only the profitable calls and not the loss making calls when ideally it should take into consideration all the calls provided irrespective of the profit or loss.
31. Further, it was observed that, though CapitalVia was calculating performance track record on a monthly basis, the accuracy rate disclosed on the website and in many of their e-mails sent to the clients was static and was not being updated on a monthly basis .It was seen that accuracy rate of 70% was being disclosed to the clients at all the times.
32. Therefore,, it was observed that CapitalVia had not made any disclosure in respect of all material information about itself including its business, disciplinary history, the terms and conditions on which it offers advisory services, key features of the products or securities including performance track record, the warnings, disclaimers in documents, advertising materials relating to an investment product which it is recommending to the client, etc. as specified in IA Regulations and had disclosed erroneous accuracy rate on their performance to the clients .



33. Therefore, it is alleged that by not making the disclosures to the clients as specified in IA Regulations and by providing incorrect information with regard to performance track record, Noticees have violated Regulation 18 of IA Regulations read with Code of Conduct specified for Investment Advisers under Schedule III of IA Regulations.

Non-Segregation of Execution Services

34. In terms of Regulation 22 of IA Regulations, *"investment advisers which are banks, NBFCs and body corporate providing distribution or execution services to their clients shall keep their investment advisory services segregated from such activities:*

Provided that such distribution or execution services can only be offered subject to the following:

- (a) The client shall not be under any obligation to avail the distribution or execution services offered by the investment adviser.*
- (b) The investment adviser shall maintain arm's length relationship between its activities as investment adviser and distribution or execution services.*
- (c) All fees and charges paid to distribution or execution service providers by the client shall be paid directly to the service providers and not through the investment adviser.*
35. During the inspection, it was observed that few employees of CapitalVia were involved in providing advisory and execution services at the same time. On enquiry with regard to the compliance with Regulation 22 of IA Regulation, CapitalVia submitted that it had obtained authorization from clients to trade on their behalf. It was observed from the details submitted that they had obtained such authorization from 10 clients to trade on their behalf. However, CapitalVia submitted copies of emails authorization in respect of only 8 clients.
36. In terms of IA Regulations, investment advisory services shall be clearly segregated from execution services. Further, an investment adviser should maintain arms-length relationship between the advisory services and other services provided to the clients.
37. However, as elaborated above, it was observed during inspection that the same person was providing advisory services as well as execution services and not maintaining arms' length relationship. Therefore, it is alleged that by not segregating



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investment advisory activity and execution activity, Noticees have violated Regulation 22 of IA Regulations.

Non-compliance with fiduciary obligations and responsibilities and not acting with due skill, care and diligence

38. In terms of regulation 15(1) of IA Regulations, *'an investment adviser shall act in a fiduciary capacity towards its clients*'
39. In terms of Regulation 15(9) of IA Regulations, *"an investment adviser shall abide by code of conduct as specified in third schedule"*.
40. In terms of clause 2 of Code of Conduct for investment adviser specified under schedule III of IA Regulations, *"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"*.

In terms of clause 4 of code of conduct for investment adviser specified under schedule III of IA Regulations, *"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"*.

41. In terms of Regulation 16 and Regulation 17 of IA Regulations, an investment adviser shall make assessment of risk profile of the client by obtaining relevant information from him and accordingly suggest a suitable product to him on the basis of which the client can take an informed decision.
42. On perusal of the complaint of Mr. Sadafule, it was observed that it is mentioned in the subscription confirmation mail sent to the clients *"thank you for choosing CapitalVia for your well-informed investment decisions..... CapitalVia is not liable for any losses in any case"*. Further, in the disclaimer clause, it is mentioned that, *"the risk of loss in trading any financial markets including equity, commodity and FOREX can be substantial. These are leveraged products that carry a substantial risk of loss upto your invested capital and may not be suitable for everyone. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. Please ensure that you understand fully the risks involved and do invest money you cannot afford to lose"*.



43. Further, on perusal of various documents and communications exchanged by CapitalVia, it was observed as under:

- (i) On the basis of leads generated, CapitalVia provides free trial services to the prospective clients without any thorough analysis of their needs and without conducting due skill, care and diligence in the best interests of its clients. CapitalVia is selling the product without considering the needs of the clients and their risk profile and suitability of the product.
- (ii) CapitalVia is asking the clients to carefully consider whether the trading advice provided is suitable for them in light of their financial condition. CapitalVia is putting responsibility to consider the suitability of the advice on the clients without assessing their risk profile which is against the basic requirement of IA Regulations. As elaborated in preceding paragraphs, CapitalVia did not maintain KYCs before April, 2015. Further, risk assessment of the clients was not being done at the time of investment advice and suitability of the advice was not being ensured by CapitalVia. CapitalVia was merely advising on the basis of the products available with them. Thus, it was observed that, CapitalVia was not taking any fiduciary responsibility in respect of the advice provided to the clients .
- (iii) CapitalVia is putting disclaimer that the leveraged products carry a substantial risk of loss and may not be suitable for everyone. In terms of IA Regulations, it is duty of an investment adviser to obtain necessary information from the client and make risk assessment accordingly and to provide suitable advice.
- (iv) It was also observed that the investment advisory services being provided by CapitalVia were discretionary in the nature as each product being offered to the clients has a minimum investment amount requirement and there was a compulsory requirement for trade in all the calls provided by CapitalVia including the quantity suggested, strictly following stop loss in each call, etc.

44. It was observed that in terms of IA Regulations, advisory services cannot be discretionary in nature and are not at all binding on the clients. Thus, it is alleged that by providing advice before obtaining relevant information from the client, by putting



responsibility to take decisions on the clients and by providing advisory service which is discretionary in nature, CapitalVia was not acting in fiduciary capacity and with due skill, care and diligence towards its clients.

45. Therefore, it is alleged that by not acting in a fiduciary capacity and by not acting with due skill, care and diligence towards its clients and by not obtaining information from the client with regard to financial situation, investment experience, investment objectives, etc., Noticees have violated Regulations 15(1) and 15(9) of IA Regulations read with Clauses 2 and 4 of the Code of Conduct specified for investment advisers under Schedule III of IA Regulations.

Non-Maintenance of records.

46. In terms of Regulation 19 of IA Regulations, *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, if any;*
- (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.*

47. During the inspection, it was observed that CapitalVia did not maintain KYC records of the clients before April 2015 and they started maintaining the KYC records only from April 2015 onwards. When enquired, they did not provide plausible explanation for not maintaining KYCs. In case of risk profiling of the client, only e-mail copies of the information were found to be maintained by CapitalVia. It was also observed that there is no risk assessment of the client being done by CapitalVia and no record with respect to the same is maintained. Further, there were no agreements entered into with the clients by CapitalVia.

48. It was also observed that for giving investment advice, no rationale was maintained by CapitalVia except the technical analysis charts.



49. Further, 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 were not observed to be maintained by CapitalVia.
50. On enquiry, CapitalVia, vide letter dated July 7, 2015 stated that they had started obtaining Know Your Client records of their clients from April 2015 onwards only. Further during the examination by SEBI, it was observed that :
- A) Stock tips are being provided to the investors on the basis of their subscription for a particular product.
 - B) CapitalVia does not enter into an agreement with the clients.
 - C) Further, duly signed and dated record in respect of rationale for arriving at particular investment advice was not being maintained by CapitalVia.
 - D) CapitalVia was also not maintaining a record containing list of clients along with details of advices such as date of advice, nature of advice, etc.
51. It is, therefore, alleged that by not maintaining records as specified in IA Regulations, Noticees have violated regulation 19 of IA Regulations.

Non-adherence to Code of Conduct in respect of Complaint of Mr. Mahadeo Sadafule.

52. SEBI had received a complaint from Mr. Mahadeo Sadafule (hereinafter referred to as 'Complainant/ by name') against CapitalVia. The complainant alleged that CapitalVia charged a fee of Rs. 25,00,000 (approx) for availing investment advisory services wherein he was promised an assured return of 10%. However, he incurred huge losses. Further, he was not provided with any knowledge and guidance in respect of his active services and the bifurcation of the fee charged for various services.
53. It was observed that in one of the emails sent by the complainant to CapitalVia, it was mentioned that, *'I am very much disappointed and dissatisfied by being involved with your firm'*. In another email by the complainant, it was mentioned that, *'we don't want to continue with your company and we want our money back'*.

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54. On perusal of the copies of various invoices issued by CapitalVia, it was observed that CapitalVia issued multiple invoices to Mr. Mahadeo Sadafule in respect of various products such as Bullion Metal Pack ST, Nifty Futures ST, Forex ST etc. It was mentioned in one of the emails dated January 22, 2015, sent to Mr. Mahadeo Sadafule by CapitalVia that, *'the risk of loss in trading any financial markets including equity, commodity and FOREX can be substantial. These are leveraged products that carry a substantial risk of loss upto your invested capital and may not be suitable for everyone. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. Please ensure that you understand fully the risks involved and do invest money you cannot afford to lose'*.
55. It was observed from another e-mail dated June 11, 2015, sent to Mr. Mahadeo Sadafule, CapitalVia stated that, *'Our product pricing is 37 lacs but as per deal offered to you we have provided you the product in Rs. 24,61,856 lacs discounted services. In your package HNI Research (Equity+ Commodity), as we have discussed earlier that you will increase your investments then we will start proper trading in this services with full support till that we will trade with normal strategies, that's why we have created different sales orders to save your current investments. So just to save your money we have created sales order of our Basic Services of Equity/ Commodity/Forex because if we created billing of HNI then from the very first month itself your amount get deducted around Rs. 1,00,000 according to service costing'*.
56. It was also mentioned in the aforesaid e-mail that the expected ROI will be 6% to 8 % subject to market risk. It was further mentioned in the e-mail that Mr. Mahadeo Sadafule would be getting direct service to the Broker from the executive of CapitalVia as an extra benefit.
57. On perusal of the complaint, copies of various communications exchanged with Mr. Mahadeo Sadafule and other relevant documents, it was observed that:
- (i) Mr. Mahadeo Sadafule was offered various services amounting to Rs. 37 lacs at discounted price of Rs. 24,61,856.
 - (ii) The expected ROI as communicated to Mr. Mahadeo Sadafule was 6 to 8 % subject to market risk

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- (iii) As per the risk profiling document Mr. Mahadeo Sadafule intended to invest an amount of Rs. 6-10 lacs.
- (iv) Mr. Mahadeo Sadafule was advised to carefully consider whether such trading is suitable for him in light of his financial condition. On receipt of the authorization from Mr. Mahadeo Sadafule, he was provided with direct trading service with broker.
58. In one of the emails sent to Mr. Mahadeo Sadafule , it was mentioned that the expected ROI was 6 to 8 % subject to market risk. However, during the inspection, it was observed that in one of the internal e-mails dated June 11, 2015 addressed to the employees of CapitalVia, it was stated that CapitalVia committed 6-8% Return for HNI services to be provided to Mr. Mahadeo Sadafule'. From the above mentioned email, it was observed that CapitalVia was providing assured returns to the clients.
59. Inspection team sought an explanation from Noticee regarding the advisory fee charged to Mr. Mahadeo Sadafule and its justifiable to the services offered to him. CapitalVia was unable to give complete clarification about the amount of fees collected from Mr. Mahadeo Sadafule which was for three years.
60. Pursuant to inspection, CapitalVia, vide letter dated July 17, 2015, submitted that they had decided to refund the fee charged to Mr. Mahadeo Sadafule and had already made partial payment Rs. 4,00,000. Further, CapitalVia submitted copies of postdated cheques issued in favour of Mr. Mahadeo Sadafule for balance amount of Rs.20,00,000 (approx).
61. Thus, it was observed that CapitalVia did not have any control over the amount fee charged to Mr. Mahadeo Sadafule and had decided to refund the fees only when SEBI inspection team had raised the issue. It was further observed that there was no alert/reconciliation mechanism available with CapitalVia based on which they could know the amount of fee that they have collected from a particular client.
62. It is, therefore, alleged that by not acting in a fiduciary capacity and with due skill, care and diligence while dealing with Mr. Mahadeo Sadafule, Noticees have violated Clause 2 of Code of Conduct specified for investment advisers under Schedule III of IA Regulations.



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Charging of excess fees

63. Inspection team scrutinized the fees charged by CapitalVia for various products. The details of the products and amount of fee charged by CapitalVia for each product is attached at **Annexure-20**. The product wise fee collected by CapitalVia from the clients during 2014-15 is placed at **Annexure-19**
64. It was observed that, as per the product policy submitted by CapitalVia, none of the products offered by CapitalVia, except HNI product, has an advisory fee of more than Rs. 1 lakh. For HNI product, CapitalVia was charging annual fee of Rs. 3,20,000/-.
65. On perusal of the fee collected details submitted by CapitalVia, it was observed that, CapitalVia had collected fee of Rs. 5,00,000 or more from 43 clients. The details of the clients along with the amount of fee collected is as under:

S.No.	Name of the Client	Advisory Fee Charged (Amount in Rs.)
1	Dhaval Ji	3455000
2	Mahadeo Sadafule	2459856
3	Ganesh Chakravarti	2056555
4	Anil Mittal	1338000
5	Krishna Kant Singhal	1300000
6	Harish Baxani	925500
7	Prashant	860000
8	Radhey Shyam Arora	820000
9	Shabbir Ahmedabadwala	808150
10	Mahaveer Sanghvi	763500
11	Alpesh Patel	750000
12	Rajendra Kumar Gupta	715000
13	Ajay K	714292
14	Roshan Jain	709000
15	Badri Prasad Yadav	700000
16	Digambar Bankar	682000
17	Biplob Mandal	626000
18	Sujit Kumar	620500



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19	Hitesh Shekhat	612500
20	Kailash Babulalji Jain	609000
21	Rashmi Adnur	605000
22	Chandrasekar Balasubramanian	601914
23	Som Nath	600000
24	Jeet Guraya	598502
25	Dharmesh Kathiyara	578000
26	Sharathchandra Br	561000
27	Yogesh Kumar	559900
28	Shankarrao Soniram Govind	555554
29	Abhishek Padhye	554900
30	Prasad Mentada	543433
31	Mukesh Kumar	541500
32	Sandeep	532026
33	Ramesh Swarnakar	531000
34	Shripad Kulkarni	529500
35	Manoj Jain	525000
36	Nandan Kamad Helkar	517000
37	Elamathi Ramachandran	516711
38	Kundumani Duraikkannu	514003
39	Prashant Akarshe	512361
40	Bhavesh Suthar	510000
41	Mahender Jain	510000
42	Venu Gopal	503259
43	Kulwant Singh	500000

66. It was observed that CapitalVia has charged highest fee of Rs. 34,55,000 from Mr. Dhaval Ji, for which no justification has been provided.

67. On enquiry of how the fee charged to the clients was fair and reasonable as specified under code of conduct for Investment Advisers, CapitalVia submitted as under :

"As our advisory business is the effective combination of skilled manpower & high ended technology, for the smooth functioning of such business requires huge operation & support cost.



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We have various in-house process like Lead acquisition process, Customer acquisition & retention process, Research & development process, sales process, Information technology Support process, Manpower training & development process etc., all these functions have their own significant cost.

Further, we have multiple products range for the Investor's to trade in different exchanges; the different products are like traders trading in equity, or stock futures or commodity futures. Products are charged fairly on the basis of service expectations from each product, number of recommendations expected, the kind of support expected, whether it is customized through a research analyst directly or not. We have a dedicated Research team of more than 60 plus members involved in providing these research services to the customer on highly professionalized manner.

It is also worth mentioning that "We operate in a highly competitive environment so it's be very important for us to keep our professional fees both fair & reasonable. "We equally understand that fees must continue to be fair and reasonable; open access must be maintained and decisions within the organizations must be taken on a reasonable basis and in the best interests of client for fostering his confidence to advisory services."

68. It was observed that CapitalVia was charging huge fees without considering the financial position of the clients and the intended amount of investment. In Mr. Mahadeo Sadafule's complaint, it was observed that his intended amount of investment was Rs. 6-10 Lacs, however, he was charged an advisory fee of Rs. 24,59,856/-without any reasonable ground.
69. It was therefore observed that charging such huge amount of fee for availing advisory services was not justifiable since annual fee for all the products offered by CapitalVia was Rs. 13,50,500 which is less than the fee charged from its clients, i.e., Dhaval Ji, Mr. Mahadeo Sadafule and Ganesh Chakravarti .
70. Therefore, it is alleged that by charging un-reasonable fees to clients, Noticees have violated Clause 6 of Code of Conduct as specified in Schedule III of IA Regulations.
71. The text of the aforesaid provisions is given hereunder:



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

Soliciting clients through various websites

72. Pursuant to inspection, it was observed that, through many websites, CapitalVia was soliciting clients for investment advisory services without disclosing their identity, registration number and contact details. On enquiry, CapitalVia submitted that, the following websites are being used by them for soliciting clients

Domain/Website name	Status
www.sharetips-capitalvia.com	Live
www.sharetipscapitalvia.com	Live
www.mcxcapitalviatips.com	Live
www.mcxcapitalvia.com	Live
www.top10stocks.in	Live
www.premiumstocktips.com	Live
www.mcxncdextips.com	Live
www.mcx-ncdex-tips.com	Live
www.live-market-tips.com	Live
www.intradaylevels.com	Live
www.hottradingtips.com	Live
www.stocktips-capitalvia.com	Not live
www.capitalviatips.com	Not live
www.capitalvia-sharetips.com	Not live
www.commoditypricelive.com	Not live
www.stock-tips-capitalvia.com	Not live
www.nsebsguide.com	Not live
www.capitalvia.com	Live

73. In terms of clause 5 of code of conduct for investment advisers, *"an investment adviser shall make adequate disclosures of relevant material information while dealing with its clients."*



74. It was observed that CapitalVia was not disclosing the following information while soliciting clients:
- (i) The websites do not contain any reference to CapitalVia.
 - (ii) There is no information with regard to whom the website belongs to and what are their contact details.
 - (iii) There is no mention on the website about registration of CapitalVia as an investment adviser.
75. In this regard, CapitalVia did not submit any explanation to SEBI about why intimation regarding such websites was not made to SEBI at the time of registration and why it has not disclosed its identity at the time of soliciting clients through websites. During the course of inspection, CapitalVia submitted that they solicit clients only through on-line advertising, but has never disclosed the details of the websites to the inspection team, until asked for.
76. Thus, it is alleged that by soliciting clients without disclosing relevant material information, Noticees have violated Clause 5 of Code of Conduct as specified in Schedule III of IA Regulations.

Non-Compliance with qualification and certification requirements as specified in IA Regulations.

77. In terms of regulation 7(2) of the IA Regulations, *'An individual registered as an investment adviser and partners and representatives of investment advisers registered under these regulations offering investment advice shall have, at all times, a certification on financial planning or fund or asset or portfolio management or investment advisory services:*
- (a) from NISM; or
 - (b) from any other organization or institution including Financial Planning Standards Board India or any recognized stock exchange in India provided that such certification is accredited by NISM'.

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



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78. CapitalVia, being an existing adviser, was required to comply with the certification requirement on or before April 21, 2015.
79. During the inspection, it was observed that CapitalVia had approximately 60 employees as representatives. The details of qualification and certification as submitted by the advisory on May 05, 2015 are placed below:
- (a) Number of candidates cleared two modules - 19;
 - (b) Number of candidates cleared only one module - 42
80. In this regard, it was observed that all representatives of CapitalVia have not obtained certification as specified in IA Regulations.
81. Therefore, it is alleged that by not complying with the certification requirements as specified in IA Regulations, Noticees have violated Regulation 7(2) of IA Regulations.

Non-Compliance with conditions of certificate

82. In terms of regulation 13(c) of IA Regulations, *'the investment adviser, not being an individual, shall include the words 'investment adviser' in its name:*
- Provided that if the investment advisory service is being provided by a separately identifiable department or division or a subsidiary, then such separately identifiable department or division or subsidiary shall include the words 'investment adviser' in its name'.*
83. In this regard, it was observed that the words 'investment adviser' are not included in the name of CapitalVia. Further, no separately identifiable department or division has been floated by CapitalVia.
84. On random scrutiny of the correspondences of CapitalVia, it was observed that CapitalVia has not used the term 'investment adviser' in any of their correspondences with their clients.
85. Therefore, it is alleged that by not having a separately identifiable department or division for advisory services and by not using the investment adviser in all the correspondences with client, Noticees have violated Regulations 13(c) of IA Regulations.

Disclosure of factually incorrect information on website



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86. In terms of clause 1 of the code of conduct specified in schedule III of the IA Regulations, *'an investment adviser shall act honestly, fairly and in the best interests of its clients and in the integrity of the market.*

87. On perusal of CapitalVia's website, www.capitalvia.com, it was observed that CapitalVia was disclosing factually incorrect information with regard to the advisory services offered by them as under:

(a) Disclosure in respect of advisory team

- (i) On the website of CapitalVia, it was mentioned that they have 750+ trained advisory team. During the inspection, the inspection team sought clarification with regard to the investment advisory team. In reply, CapitalVia submitted (that a team of 750 people includes 60 research analysts, 400 sales person and remaining a proficient team of qualified supporting staff. The list of the employees and Department-wise breakup of the employees is attached as Annexure- 18
- (ii) Pursuant to inspection, CapitalVia has mentioned on the website that they have 750+ team strength.

(b) Disclosure in respect of no. of clients:

- (i) On the website of CapitalVia, it was mentioned that they have 4581+ clients
- (ii) During the inspection, the inspection team sought clarification with regard no. of clients. In reply, CapitalVia submitted *"the previous up gradation of website took place one year before and as per the business model, number of clients of CapitalVia varies day by day and at present, CapitalVia has a base of 3500+ (approx) clients"*.
- (iii) Pursuant to inspection, CapitalVia has mentioned on the website that they have 3500+ clients.

(c) Disclosure in respect of Offices in Singapore and USA

- (i) On the website of CapitalVia, it was mentioned that it has offices at Indore, Singapore and USA .

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- (ii) During the inspection CapitalVia submitted that it has virtual offices in Singapore and USA and none of the employee is physically working from these locations, till date.
88. Thus, it was observed that while soliciting the business, CapitalVia has provided incorrect information in respect of number of employees, number of clients and about Offices in Singapore and USA on its website.
89. Therefore, it is alleged that by providing incorrect information on its website in respect of the services that are being offered on its website, Noticees have violated Clause 1 of the Code of Conduct specified in Schedule III of the IA Regulations.
90. The aforesaid alleged violations, if established, make Noticees liable for monetary penalty under the provisions of Section 15HB of SEBI Act. The text of the afore mentioned provisions is reproduced hereunder:

Section 15HB of SEBI Act: - Penalty for contravention where no separate penalty has been provided: *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.*

91. Noticees are, therefore, required to show cause as to why an inquiry should not be held against it in terms of Rule 4 of the Adjudication Rules and why penalty, if any, be not be imposed on it under the provisions of Section 15HB of the SEBI Act, for the aforesaid alleged violations by it.
92. Noticees shall submit the reply to the Show Cause Notice supported by such documentary evidence, which they may like to adduce in support of the reply, within fifteen days (15) from the date of receipt of this notice by them. Further, a soft copy of the reply may also be sent via email at somam@sebi.gov.in and anjalid@sebi.gov.in. In case no reply is received from Noticees within the prescribed time mentioned above, it

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shall be presumed that Noticees have no submissions to make and the matter shall be proceeded with on the basis of material/ facts on record.

93. Noticees are required to submit a copy of their PAN Card and contact details (contact person, phone number, email details, fax etc.) for our records. Further, in case there is any change in the address of Noticees or contact details during the period of the current Adjudication Proceedings, the same may be brought to the notice of the undersigned immediately.
94. Noticees may also note that a settlement mechanism is provided under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018. If Noticees, wish to avail the benefit of the settlement process, they may apply for the same in the manner provided in the said regulations under intimation to the undersigned

SOMA MAJUMDER
Adjudicating Officer

Encl: -

Annexure-1	Copy of communique dated December 21,2020
Annexure-2	Copy of letter received by SEBI from CapitalVia dated July 07, 2015
Annexure-3	Copy of risk profile questionnaire of Dinesh Chaurvedi
Annexure-4	Copy of risk profile questionnaire of Rehman Mohideen
Annexure-5	Copy of email dated June 4, 2015 by Mahadeo Sadafule to SEBI
Annexure-6	Copy of email dated June 5,2015 by Mahadeo Sadafule to Capitalvia
Annexure-7	Copy of email dated June 11, 2015 from CapitalVia to Mahadeo Sadafule
Annexure 8	Copy of email dated June 11, 2015 sent from CapitalVia to Mahadeo Sadafule
Annexure 9	Copy of email dated January 21, 2015 sent from CapitalVia to Mahadeo Sadafule



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Annexure 10	Copy of email dated August 27, 2015 sent from CapitalVia to SEBI
Annexure 11	Copy of post dated cheques issued in favor of Mr Mahadeo Sadafule by CapitalVia
Annexure 12	Copy of letter dated July 17, 2015 from CapitalVia to SEBI
Annexure 13	Copy of information given in website of Capitalvia
Annexure 14	Copy of letter dated November 5,2015 from CapitalVia to SEBI
Annexure 15	Details of clients from whom authorization was received by CapitalVia to trade on their behalf
Annexure 16	Copy of letter dated July 07,2015 from CapitalVia to SEBI
Annexure 17	Copy of letters dated July 02,2015 from CapitalVia to SEBI
Annexure 18	List of employees and department wise breakup of employees of CapitalVia
Annexure 19	list of productwise fee collected by CapitalVia
Annexure 20	Details of the products and amount of fee charged by CapitalVia for each product
Annexure 21	Copy of authorization emails from clients

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