



CHIEF GENERAL MANAGER &
ADJUDICATING OFFICER

SPAD/ DIGITALLY SIGNED E-MAIL

SEBI/EAD/EAD-06/AK/DS/ 1872 / 1 /2025
January 17, 2025

Rajiv Kumar Singh,
Proprietor of Elite Investment Advisory Services,
(SEBI Regn No. INA000003668),
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Notice under Rule 4(1) of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, in the matter of Rajiv Kumar Singh, Proprietor of Elite Investment Advisory Services

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI"), along with BSE Administration and Supervision Limited (BASL) had conducted joint inspection of Rajiv Kumar Singh, Proprietor of Elite Investment Advisory Services (hereinafter referred to as "Noticee") from January 18, 2024 to January 19, 2024 at the registered office of the Noticee to look into compliance by the Noticee with the provisions of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as "IA Regulations") and applicable SEBI Circulars. The inspection was conducted for the period beginning April 01, 2022 to December 31, 2023 (hereinafter referred to as "inspection period").
2. The Company is a SEBI-registered Investment Adviser having registration number INA000003668. Based on the findings of the inspection, certain violations of IA Regulations, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to

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Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations, 2003"), and applicable SEBI Circulars by the Noticee were observed. The findings were communicated to the Noticee vide letter dated March 07, 2024 for furnishing his comments in respect of inspection observations, and reminder was sent to the Noticee vide email dated March 15, 2024. However, the Noticee did not submit any response to the inspection findings.

3. Upon being satisfied that Noticee has violated various provisions of IA Regulations, PFUTP Regulations, 2003, SEBI Act, 1992 and circulars issued thereunder, SEBI approved initiation of adjudication proceedings on August 20, 2024 and appointed Mr. N Hariharan, Chief General Manager as the Adjudicating Officer, u/s 15-I(1) of SEBI Act, 1992 read with Section 19 of SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**SEBI Adjudication Rules**"), vide Order dated October 25, 2024. Subsequently, vide Order dated November 22, 2024, the undersigned was appointed as the Adjudicating Officer (copy enclosed as **Annexure – 1**) to inquire into and adjudge under the provisions of Section 15C, Section 15EB and Section 15HA of the SEBI Act, 1992, as applicable, the alleged violations by the Noticee as under:

Sr. No.	Alleged Violations (summarized)	Regulatory provisions allegedly violated	Penalty attracted under
1	Qualification and Certification Requirements.	Regulation 7(1)(a), 7(1)(c), 7(2) and Regulation 15(13) of IA Regulations	Section 15EB of SEBI Act, 1992
2	Conditions of Certificate	Clause 1.2(v) of master circular no. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023; Regulation 13(b), 13(e) of IA Regulations	Section 15EB of SEBI Act, 1992

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Sr. No.	Alleged Violations (summarized)	Regulatory provisions allegedly violated	Penalty attracted under
3	General Responsibility, Fees, Client level Segregation of Advisory and Distribution Services	Clause 1.2(i), 14 of Master Circular no. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023; and Regulations 15 (1), (2), (3), (4), (5), (7), (8) and (9) and Regulations 16, 17, 22, 22A and 25 of IA Regulations; Clause 1.2(ii) of Master Circular no. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 read with Regulation 19(1)(d) of IA Regulations	Section 15EB of SEBI Act, 1992
4	Fees and Charges during the inspection period	Clause 1.2 (iii) of SEBI Master Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2013 read with Regulation 15A of IA Regulations.	Section 15EB of SEBI Act, 1992
5	Risk Profiling	Clause 1.2(viii), clause 2.2 & Clause 14.4(k) of Master Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 and Regulation 16 of IA Regulations	Section 15EB of SEBI Act, 1992
6	Suitability	Clause 1.2(viii) and Clause 14.4(k) of Master Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 and Regulation 17 of IA Regulations	Section 15EB of SEBI Act, 1992

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Sr. No.	Alleged Violations (summarized)	Regulatory provisions allegedly violated	Penalty attracted under
7	Disclosures to Clients	Regulation 18 of IA Regulations	Section 15EB of SEBI Act, 1992
8	Maintenance of Books of Accounts, Records etc.	Clause 1.2(vi) of Master Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 and Regulation 19(1) and 19(2) of IA Regulations	Section 15EB of SEBI Act, 1992
9	Redressal of client grievances and promising assured return/guaranteed recovery of losses	• Clause 6.2 of Master Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023; • Regulation 21 of IA Regulations; • Regulations 16, 17 and Regulation 15(9) of the IA Regulations read with clause 1 and 2 of Code of Conduct as specified in Third Schedule to the IA Regulations; and • Clause 1.2 (iii), (viii), clause 2.1, 2.2 and clause 14 of SEBI Master circular no. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 read with Regulation 15A of IA Regulations • Regulation 3 (a),(b),(c),(d) and 4(1), 4(2)(k), 4(2)(o) and 4(2)(s) of PFUTP	Section 15C, Section 15EB and Section 15HA of SEBI Act, 1992

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Sr. No.	Alleged Violations (summarized)	Regulatory provisions allegedly violated	Penalty attracted under
		Regulations, 2003 read with Section 12A(a),(b) and (c) of the SEBI Act, 1992; • Regulation 15(1), 15(9) of the IA Regulations read with Clause 1 and 2 of Code of Conduct as specified in Third Schedule to IA Regulations	
10	Compliance regarding Obligations of Investment Adviser on inspection	Regulation 25 of IA Regulations 2013	Section 15EB of SEBI Act, 1992

The details of the violations alleged to have been committed by the Noticee are provided hereunder.

4. Qualification and Certification Requirements –

4.1. The Noticee, being the proprietor of Elite Investment Advisory Services and the Principal Officer of the IA, had submitted in his reply to the Pre-Inspection Questionnaire (PIQ) that he holds PGDM and also claimed to have NISM X-A & X-B certifications. However, he has not submitted any document in support of his qualifications and certifications.

- 4.2. The Noticee had also submitted that Mr. Vivek Rana, Head of Investment Adviser and Ms. Anjum Ansari, Investment Adviser, were the persons associated with investment advice during the inspection period.
- 4.3. Video recordings of the office of the Noticee were downloaded from the Noticee's server during on-site inspection (Copy of sample videos enclosed as **Annexure – 2**). It was observed that 50 to 60 tele-callers were working in the office of the Noticee. Call recordings of these were also downloaded from the server of the Noticee during on-site inspection (Copy of sample call recordings enclosed as **Annexure – 3**). Upon listening to these call recordings on sample basis, it was observed that the tele-callers were providing investment advice to existing/ prospective clients.
- 4.4. It was also observed that the Noticee was paying salary in cash to some of its employees who might also be providing investment advice to existing as well as prospective clients (Copy of cash vouchers recording payment of salary in cash is enclosed as **Annexure – 4**). The Noticee, in its submission dated January 18, 2024 to the inspection team (copy enclosed as **Annexure – 5**), had admitted that many of his employees were paid salary in cash to keep them out of employee list in order to evade compliance of qualification, experience and certification requirements as prescribed in IA Regulations. It was observed that these tele-callers and the employees were required to comply with qualification and experience requirements as prescribed under IA Regulations, as they were associated with investment advice. Although the Noticee provided list of employees (copy enclosed as **Annexure – 6**), he did not provide supporting documents regarding their qualification, experience and certification.
- 4.5. As per the provisions of Regulation 15(13) of IA Regulations, an investment adviser (IA) shall ensure compliance with certification and qualification requirements as specified under Regulation 7 of the aforesaid regulations. As

per the extant provisions of IA Regulations during the inspection period, an IA shall have a professional qualification or a post-graduate degree or post graduate diploma in the fields and from the institutions, as specified in Regulation 7(1)(a) of the IA Regulations. Further, persons associated with investment advice shall, at all times, have a professional qualification as provided under Regulation 7(1)(a) and an experience of at least two years in activities related to advice in financial products or securities or fund or asset or portfolio management. As per the provisions of Regulation 7(2) of IA Regulations, the IA and persons associated with investment advice shall at all times, have relevant NISM certification specified by the Board from time to time.

Based on the above, it has been alleged that the Noticee has violated the provisions of Regulation 7(1)(a), 7(1)(c), 7(2) and Regulation 15(13) of IA Regulations.

5. Conditions of Certificate –

- 5.1. As per the client master submitted by the Noticee (copy enclosed as **Annexure – 7**), he had 1452 clients (1354 clients with PAN and 98 clients without PAN) in FY 2022-23 and 1227 clients (889 with PAN and 338 without PAN) in FY 2023-24 (till December 31, 2023).
- 5.2. As per the provisions of Regulation 13(e) of the IA Regulations and Clause 1.2(v) of master circular no. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023, an individual IA shall apply for registration in the prescribed forms, as non-individual IA on or before reaching 150 clients, and shall not onboard fresh clients till the granting of registration as a non-individual IA.



- 5.3. As the Noticee had more than 150 clients in FY 2022-23 and FY 2023-24, the Noticee was required to applied for and taken registration as non-individual IA. However, the same has not been taken by the Noticee.
- 5.4. It was further observed that the Noticee had not informed SEBI and BASL regarding appointment of Mr. Vivek Rana, Head Investment Advisor and Ms. Anjum Ansari, Investment Advisor (copy of their appointment letters enclosed as **Annexure – 8**).
- 5.5. As per the provisions of Regulation 13(b) of IA Regulations, an IA shall inform SEBI in writing if there is any material change in the information already submitted by the IA to the Board.

Based on the above, it has been alleged that the Noticee has violated the provisions of Regulation 13(e) of the IA Regulations and Clause 1.2(v) of master circular no. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023; and Regulation 13(b) of IA Regulations.

6. General Responsibility, Fees, Client level Segregation of Advisory and Distribution Services –

6.1. Following observation were made during the course of inspection.

6.1.1. The Noticee had not provided records regarding the investment advice given to his clients. However, from the trading data provided by stock exchanges, it was observed that Mr. Vivek Rana and Ms. Anjum Ansari, who were also persons associated with investment advice, have traded in securities market during inspection period which may be in conflict with interest of clients of the Noticee (Copy of trading data enclosed as **Annexure – 9**).

6.1.2. Upon comparing the credits in the bank account number 50200047690120 of the Noticee, with fees received during the inspection period as per the



client master submitted by the IA, it was observed that the Noticee had received excess credits of ₹2.37 crore in the said bank account (Copy of bank statement enclosed as **Annexure – 10**). The excess credits indicate the following:

- 6.1.2.1. The Noticee may be receiving money from unregistered clients or may be managing/ handling funds of its registered and/ or un-registered clients.
- 6.1.2.2. The Noticee may be receiving consideration from persons other than clients being advised in respect of underlying products / securities for which advice is provided.
- 6.1.2.3. The Noticee may also be offering distribution services to the same set of clients to whom it is offering advisory services.
- 6.1.2.4. The Noticee may be charging more fee than it has informed and thus, may have submitted wrong/ forged information to inspection team
- 6.1.3. PAN was not available for 98 clients in FY 2022-23 and 338 clients in FY 2023-24. Also, bank details were not available for any of the clients. This indicates that the Noticee was not in compliance with KYC requirements during the inspection period.
- 6.1.4. The agreement date was not mentioned for 110 clients for FY 2022-23 and for 478 clients (96 with PAN and 336 without PAN) for FY 2023-24, indicating that no agreement was made with these clients before providing service to them.
- 6.1.5. As per the information submitted by Noticee, he had set the procedure and process for account opening / on-boarding of investors for Investment Advisory services. However, the Noticee had not provided the same to the inspection team for verification, which indicates that the Noticee had no such policy.

6.1.6. The Noticee had not provided bank account details/statements of family members of the Noticee, in spite of several reminders, which might indicate that the Noticee had been providing distribution and implementation services through his family members. (Copy of emails wherein the PAN and bank details of family members of the Noticee were sought, is enclosed as **Annexure – 11.**)

6.2. Regulation 15 of the IA Regulations states general responsibilities of an IA. Regulation 16 of the said Regulations states that an IA shall ensure that it obtains such information from the client, as is necessary for risk profiling the client. The IA shall have a process for assessing the risk a client is willing and able to take. Regulation 17 of the IA Regulations requires an IA to ensure that the advice provided to the clients is appropriate to the risk profile of the client. As per Regulation 22 of the IA Regulations, an individual IA shall not provide distribution services. IAs can provide implementation services in terms of Regulation 22A of the IA Regulations. As per the provisions of Regulation 25 of the IA Regulations, an IA is required to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish such statements and information, as may be required for the purposes of inspection. As per the provisions of Clause 1.2(i) of Master Circular no. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 read with Regulation 19(1)(d) of IA Regulations, an IA shall maintain copies of agreements with clients in the prescribed format and shall ensure that no advice is rendered or fee is charged until the client has signed the aforesaid agreement; Clause 1.2(ii) of the said Master Circular provides that the IA shall comply with the guidelines with respect to client level segregation of advisory and distribution activities. Further, Clause 14 of the Master Circular prescribes general guidelines for dealing with conflicts of interest of intermediaries and their associated persons in securities market.

Based on the above, it has been alleged that the Noticee has violated the following provisions:

- Clause 1.2(i), 14 of Master Circular no. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023;
- Regulations 15 (1), (2), (3), (4), (5), (7), (8) and (9) and Regulations 16, 17, 22, 22A and 25 of IA Regulations; and
- Clause 1.2(ii) of Master Circular no. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 read with Regulation 19(1)(d) of IA Regulations.

7. Fees and Charges during the inspection period –

- 7.1. The Noticee had informed that he charges fee on fixed fee model. However, it was observed from the client master submitted by the Noticee that he had charged more fee (excluding taxes) than ₹1.25 lacs per client in FY 2022-23.
- 7.2. As per the provisions of Clause 1.2 (iii) of SEBI Master Circular number SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2013 read with Regulation 15A of IA Regulations, an IA is entitled to charge fees from a client in the manner specified by SEBI. He shall charge fees from clients in either in AUA mode or in the fixed fee mode, and the fees charged under fixed-fee mode shall not exceed ₹1,25,000 per annum per client across all services offered by IA.

Based on the above, it has been alleged that the Noticee has violated the provisions of Clause 1.2 (iii) of SEBI Master Circular number SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2013 read with Regulation 15A of IA Regulations.

8. Risk Profiling –

8.1. The Noticee had not provided documented process and the detailed questionnaire for risk profiling, which are required to find out the risk category of the client. The Noticee had also not provided the risk profile data of sample clients. This indicates that the Noticee does not have any documented process and detailed questionnaire in respect of risk profiling and he is not risk profiling his clients before offering investment advice to them.

8.2. As per the provisions of Clause 1.2(viii), clause 2.2 & Clause 14.4(k) of Master Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 and Regulation 16 of IA Regulations, an IA shall mandatorily perform risk profiling of its clients, and shall provide investment advice to its clients only after completing the risk profile and obtaining consent of the client on the completed risk profile. Also, the IA and his associated persons shall not have an incentive structure that encourages sale of products not suiting the risk profile of their clients.

Based on the above, it has been alleged that the Noticee has violated the provisions of Clause 1.2(viii), clause 2.2 & Clause 14.4(k) of Master Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 and Regulation 16 of IA Regulations.

9. Suitability –

9.1. The Noticee had not provided any records in respect of the advice given to its clients. The Noticee had also not provided any documents which are required to understand the nature and risks of products or assets selected for clients by the Noticee.

9.2. As per the provisions of Clause 1.2(viii) and Clause 14.4(k) of Master Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 and

Regulation 17 of IA Regulations, risk profiling and suitability assessment is mandatory for all categories of clients.

Based on the above, it has been alleged that the Noticee has violated the provisions of Clause 1.2(viii) and Clause 14.4(k) of Master Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 and Regulation 17 of IA Regulations.

10. Disclosures to Clients –

10.1. The Noticee did not provide any records to indicate disclosures to its clients, to the inspection team. As per the provisions of Regulation 18 of IA Regulations, an IA shall fully disclose all material information about itself, the terms and conditions on which it offers advisory services, its affiliations with other intermediaries and such other information as is necessary to take an informed decision, to the prospective clients.

Based on the above, it has been alleged that the Noticee has violated the provisions of Regulation 18 of IA Regulations.

11. Maintenance of Books of Accounts, Records etc. –

11.1. The Noticee did not provide following records to the inspection team:

- 11.1.1. Know Your Client records of the client;
- 11.1.2. Risk profiling and risk assessment of the client;
- 11.1.3. Suitability assessment of the advice being provided;
- 11.1.4. Copies of agreements with clients, if any;
- 11.1.5. Investment advice provided, whether written or oral;

- 11.1.6. A register or record containing a list of the clients, the date of advice, nature of the advice, the products/ securities in which advice was rendered and fee, in any charged for such advice;
- 11.1.7. Records of interactions with all clients including prospective clients (prior to on-boarding), where any conversation related to advice has taken place inter alia, in the form of:
- 11.1.7.1. Physical records written & signed by the clients
 - 11.1.7.2. Emails from registered email ID
 - 11.1.7.3. Record of SMS messages
 - 11.1.7.4. Any other legally verifiable records
- 11.2. The Noticee had provided a compressed file named "Rational". However, the file had to be deleted as the data security team of SEBI had advised that the file contained viruses. The Noticee was informed in this regard and was advised to provide records of investment advice given to clients/prospective clients for the month of December 2023. However, the Noticee did not provide any records.
- 11.3. As per the provisions of Clause 1.2(vi) of Master Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 and Regulation 19(1) and 19(2) of IA Regulations, an IA is required to maintain all records with respect to its activities as an IA, as prescribed in these provisions, in physical or electronic form, for a period of five years.

Based on the above, it has been alleged that the Noticee has violated the provisions of Clause 1.2(vi) of Master Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 and Regulation 19(1) and 19(2) of IA Regulations.

12. Redressal of client grievances and promising assured return/ guaranteed recovery of losses –

12.1. During the inspection, it was observed that the Noticee had not displayed the investor grievance redressal mechanism in his office. The Noticee also failed to submit the procedure for redressal of client grievances and grievance register. As per information extracted from SCORES, 173 complaints were received against the Noticee during the inspection period. In addition to it, one complaint of Mr. Rajeshwar Kumar was also received in 2021 (Copy of SCORES complaints enclosed as **Annexure – 12**). Thus, 174 complaints from 42 unique complainants received by the Noticee were analysed by the inspection team. All these complaints were disposed by the Noticee. The Noticee was advised to provide complete records regarding resolution of these complaints, however, he did not provide the same. Also, the Noticee did not provide records related to redressal of complaints.

12.2. Details of observations made from analyzing the aforesaid complaints are provided as **Annexure – 13**. The summary of the observations is provided below:

12.2.1. The Noticee was offering demo/ trial without any risk profiling or suitability analysis; was demanding payment without agreement; was offering only F&O intraday to all the clients; and was seeking login credentials of clients.

12.2.2. The Noticee was charging fee in excess of ₹1.25 lacs per annum.

12.2.3. The Noticee was promising assured profits and guaranteed recovery of losses.

12.3. As per the provisions of Clause 6.2 of Master Circular no. SEBI/HO/ MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 and Regulation 21 of the IA Regulations, IAs shall prominently display specified information about grievance redressal mechanism in their offices. They shall redress investor

- grievances not later than 21 days from the date of receipt of the grievance; shall have adequate procedures for expeditious grievance redressal; and maintain records of records of the complaints and their resolution.
- 12.4. As per the provisions of Regulations 16, 17 and Regulation 15(9) of the IA Regulations read with Clause 1 and 2 of Code of Conduct as specified in Third Schedule to the IA Regulations, an IA shall ensure risk profiling of the clients and that all investment advice is appropriate to the risk profile of the clients. The IA shall also abide by the Code of Conduct as specified in the third schedule of the aforesaid regulations, which inter-alia includes acting honestly, fairly and in best interest of the clients and acting with due skill, care and diligence, and ensuring that advice is offered after thorough analysis and taking into account available alternatives.
- 12.5. Clause 1.2 (viii), clause 2.1, 2.2 and clause 14 of SEBI Master circular no. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 mandate the IAs to perform risk profiling and suitability assessment for all categories of clients, and restrict the IAs from providing advice on free trial basis for any products / services to prospective clients. IAs shall provide the advice only after completing the risk profile and obtaining consent of the client on the completed risk profile.
- 12.6. As per the provisions of Clause 1.2 (iii) of SEBI Master Circular number SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2013 read with Regulation 15A of the IA Regulations, an IA shall not charge fees more than ₹1.25 lakh per client per annum under fixed-fee mode.
- 12.7. As per the provisions of Regulation 3 (a),(b),(c),(d) and 4(1), 4(2)(k), 4(2)(o) and 4(2)(s) of PFUTP Regulations, 2003 read with Section 12A(a),(b) and (c) of the SEBI Act, 1992 and Regulation 15(1) of IA Regulations, an IA shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interest as and when they arise. No person shall disseminate information or



advice knowing it to be false or misleading in a careless manner, which is designed to or likely to influence the decision of investors; no person shall fraudulently induce any other person to deal in securities with the objective of enhancing his brokerage, commission or income; or mis-sell securities or services relating to securities market.

Based on the above, it has been alleged that the Noticee has violated following provisions:

- **Clause 6.2 of Master Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023;**
- **Regulation 21 of IA Regulations;**
- **Regulations 16, 17 and Regulation 15(9) of the IA Regulations read with clause 1 and 2 of Code of Conduct as specified in Third Schedule to the IA Regulations;**
- **Clause 1.2 (iii), (viii), clause 2.1, 2.2 and clause 14 of SEBI Master circular no. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 read with Regulation 15A of IA Regulations;**
- **Regulation 3 (a), (b), (c), (d) and 4(1), 4(2)(k), 4(2)(o) and 4(2)(s) of PFUTP Regulations, 2003 read with Section 12A(a),(b) and (c) of the SEBI Act, 1992; and**
- **Regulation 15(1), 15(9) of the IA Regulations read with Clause 1 and 2 of Code of Conduct as specified in Third Schedule to IA Regulations.**

13. Compliance regarding Obligations of Investment Adviser on inspection –

13.1. The observations of the Inspection team are provided below.

13.1.1. When the inspection team reached the Noticee's office in the morning on 18/01/2024, the Noticee and his employees had fled the office. Only 2 employees (01 handling Information Technology related work and 01 office

boy) who were trying to lock the office when the team reached were caught and persuaded to call to the proprietor. Several calls were made to the Noticee to come to office and also to advise his team to come to office. However, neither he nor any of the employees came to office. After prolonged persuasion, the proprietor finally came to office at around 01:45 PM. He was served notice of inspection and advised to provide data/records for conducting the inspection. However, he informed that only the employees have access to the records/data. Therefore, he was advised to call the employees. However, he called only 3 more employees who as per him were handling HRD and compliance related functions. On 19/01/2024, he did not call any other employees except the ones mentioned above. The IA provided almost nil data during onsite inspection. The inspection team took video recordings of the office which clearly show people fleeing the office. When the proprietor was confronted with the video, he admitted to have directed his employees to flee to prevent the inspection team from conducting the inspection. Subsequently also the Noticee has not provided complete data/information sought by the inspection team. He was also not reachable on his phone number (both mobile and office landline) and had not provided his contact details despite categorically advised to do the same. He was advised to visit SEBI NRO with the data/records for inspection, however, he did not comply with the same.

13.1.2. The Noticee directed all the employees to flee the office.

13.1.3. The Noticee deleted data from his laptop and also advised his IT person to delete as much data from server as possible

13.1.4. Entire team (except 2 employees) fled the office before the inspection team reached the Noticee's office

- 13.1.5. The Noticee did not call relevant team members viz; compliance, sales, accounts, HR etc. to prevent collection of data/records by inspection team.
- 13.1.6. The Noticee did not provide complete clients details as sought by the inspection team.
- 13.1.7. The Noticee did not provide complete details of fee charged from the clients
- 13.1.8. The Noticee did not provide details/records of investment advice given to clients
- 13.1.9. The Noticee did not provide clarification regarding excess credit in his HDFC account
- 13.1.10. The Noticee did not provide PAN/accounts details of his spouse and parents thereby hindering inspection team in checking segregation of advisory and distribution service.
- 13.1.11. The Noticee has not provided records related to redressal of investor grievance.
- 13.1.12. The Noticee has not provided any information regarding compliance in respect of observations of SEBI inspection dated December 23-24, 2021 for the inspection period from April 01, 2020 to March 31, 2021.

Based on the above, it has been alleged that the Noticee has violated the provisions of Regulation 25 of the IA Regulations.

14. The aforesaid provisions of SEBI Act, 1992, PFUTP Regulations, 2003, IA Regulations, and SEBI Circulars are mentioned below.

Securities and Exchange Board of India Act, 1992

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly—

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(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;

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

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

¹*[Explanation.—For the removal of doubts, it is clarified that-*

(i) any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company, or

(ii) transactions through mule accounts for indulging in manipulative, fraudulent and unfair trade practice shall be and shall always be deemed to have been included in sub-regulation (1).]

(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 in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities;

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

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

¹ Substituted vide the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2024 w.e.f. July 1, 2024. Before the substitution, the Explanation read as follows:

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

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;*

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

Qualification and certification requirement.

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

(a) A professional qualification or ²[graduate degree or] post-graduate degree or post graduate diploma (minimum two years in duration) in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science ³[or other financial services as may be specified] from a university or an institution recognized by the Central Government or any State Government or a recognised foreign university or institution or association or a professional qualification by completing a Post Graduate Program in the Securities Market (Investment Advisory) from NISM of a duration not less than one year or a professional qualification by obtaining a CFA Charter from the CFA Institute;]

(c)⁴[Persons associated with investment advice shall, at all times, have a minimum qualification of graduate degree in any discipline from a university or institution

² Inserted by the Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2024, w.e.f. 16-12-2024

³ Inserted by the Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2024, w.e.f. 16-12-2024

⁴ Substituted by the Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2024, w.e.f. 16-12-2024. Prior to its substitution, clause (c) read as under;

recognized by the Central Government or any State Government or a recognized foreign university or institution:]

Provided that ⁵[the] investment advisers registered under these regulations as on the date of commencement of these regulations shall ensure that the individual investment adviser or principal officer of a non-individual investment adviser registered under these regulations and persons associated with investment advice ⁶[shall] comply with ⁷[the] qualification and experience requirements within ⁸[such time as may be specified by the Board]:

*Provided further that the requirements at clauses(a) ⁹[***]shall not apply to such existing individual investment advisers as may be specified by the Board.*

¹⁰[(2) An individual investment adviser or principal officer of a non-individual investment adviser, registered under these regulations, persons associated with investment

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

⁵ Inserted by the Securities and Exchange Board of India (Investment Advisers) (Amendment) Regulations, 2023, w.e.f. 30-09-2023.

⁶ Inserted by the Securities and Exchange Board of India (Investment Advisers) (Amendment) Regulations, 2023, w.e.f. 30-09-2023.

⁷ Substituted for the word "such" by the Securities and Exchange Board of India (Investment Advisers) (Amendment) Regulations, 2023, w.e.f. 30-09-2023.

⁸ Substituted for the words "three years" by the Securities and Exchange Board of India (Investment Advisers) (Amendment) Regulations, 2023, w.e.f. 30-09-2023.

⁹ Omitted by the Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2024, w.e.f. 16-12-2024. Prior to its omission, the following words of proviso read as under:

"and (b)"

¹⁰ Substituted by the Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2024, w.e.f. 16-12-2024. Prior to its substitution, sub-regulation (2) read as under;

*"(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*

advice, and in case of investment adviser being a partnership firm, the partners thereof who are engaged in providing investment advice, shall have at all times relevant NISM certification as specified by the Board from time to time:

Provided that a fresh relevant NISM certification as specified by the Board from time to time shall be obtained before expiry of the validity of the existing certification to ensure continuity in compliance with certification requirements.]

Conditions of certificate.

13. The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:-

(b) the investment adviser shall forthwith inform the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted;

¹¹ [(e) individuals registered as investment advisers whose number of clients exceed three hundred at any point of time or the fee collected during the financial year exceeds three crore rupees, whichever is earlier shall –

(i) apply for grant of in-principle registration as non-individual investment adviser;

(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."

¹¹ Substituted by the Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2024, w.e.f. 16-12-2024. Prior to its substitution, clause (e) read as under; "(e) individuals registered as investment advisers whose number of clients exceed one hundred and fifty in total, shall apply for registration as non-individual investment adviser within such time as may be specified by the Board."

Show Cause Notice in the matter of Rajiv Kumar Singh, Proprietor of Elite Investment Advisory Services



(ii) the in-principle registration shall be valid for a period of three months to assist in the transition from registration as individual investment adviser to non-individual investment adviser;

(iii) on completion of the transition period or upon grant of certificate of registration as non-individual investment adviser, whichever is earlier, the investment adviser shall surrender his registration as individual investment adviser.]

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.

(2) An investment adviser shall not receive any consideration by way of remuneration or compensation or in any other form from any person other than the client being advised, in respect of the underlying products or securities for which advice is provided.

(3) An investment adviser shall maintain an arms-length relationship between its activities as an investment adviser and other activities.

(4) An investment adviser which is also engaged in activities other than investment advisory services shall ensure that its investment advisory services are clearly segregated from all its other activities, in the manner as prescribed hereunder.

(5) An investment adviser shall ensure that in case of any conflict of interest of the investment advisory activities with other activities, such conflict of interest shall be disclosed to the client.

(7) An investment advisor shall not enter into transactions on its own account which is contrary to its advice given to clients for a period of fifteen days from the day of such advice. Provided that during the period of such fifteen days, if the investment adviser is of the opinion that the situation has changed, then it may enter into such a transaction on its own account after giving such revised assessment to the client at least 24 hours in advance of entering into such transaction.



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

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

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

Fees.

15A. Investment Adviser shall be entitled to charge fees for providing investment advice from a client, including an accredited investor in the manner as specified by the Board.

Risk profiling.

16. 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;

(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.

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.



Disclosures to clients.

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.*

(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.*

Maintenance of records.

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

(a) *Know Your Client records of the client;*

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

(c) *Suitability assessment of the advice being provided;*

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

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

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

(g) A register or record containin glist of the clients ¹²[along with PAN], the date of advice, nature of the advice, the ¹³[details of] products/securities in which advice was rendered and ¹⁴[fee/consideration, if any charged/received for such advice] ¹⁵[.:]

¹⁶[(h) Records of communication including emails, call recordings etc. with all clients including prospective clients, as may be specified.]

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

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

Redressal of client grievances.

21.(1)¹⁷[The Investment Adviser shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance and in such manner as may be specified by the Board.]

(2) An investment adviser shall have adequate procedure for expeditious grievance redressal.

¹² Inserted by the Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2024, w.e.f. 16-12-2024.

¹³ Inserted by the Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2024, w.e.f. 16-12-2024.

¹⁴ Substituted for the words and symbol "fee, if any charged for such advice" by the Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2024, w.e.f. 16-12-2024.

¹⁵ Substituted for the symbol "." by the Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2024, w.e.f. 16-12-2024.

¹⁶ Inserted by the Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2024, w.e.f. 16-12-2024.

¹⁷ Substituted by the Securities and Exchange Board of India (Facilitation of Grievance Redressal Mechanism) (Amendment) Regulations, 2023 w.e.f. 18-08-2023. Prior to substitution, it reads as, "An investment adviser shall redress client grievances promptly."

(3) Client grievances pertaining to financial products in which investments have been made based on investment advice, shall fall within the purview of the regulator of such financial product.

(4) Any dispute between the investment adviser and his client ¹⁸[shall be submitted to a dispute resolution mechanism that includes mediation and/or conciliation and/or arbitration in accordance with the procedure specified by the Board] or through Ombudsman authorized or appointed for the purpose by any regulatory authority, as applicable.

Client level segregation of advisory and distribution activities.

22. (1) An individual investment adviser shall not provide distribution services.

(2) The family of an individual investment adviser shall not provide distribution services to the client advised by the individual investment adviser and no individual investment adviser shall provide advice to a client who is receiving distribution services from other family members.

(3) A non-individual investment adviser shall have client level segregation at group level for investment advisory and distribution services.

Explanation. —

- (i) The same client cannot be offered both advisory and distribution services within the group of the non-individual entity.*
- (ii) A client can either be an advisory client where no distributor consideration is received at the group level or distribution services client where no advisory fee is collected from the client at the group level.*
- (iii) 'Group' for this purpose shall mean an entity which is a holding, subsidiary, associate, subsidiary of a holding company to which it is also a subsidiary or an*

¹⁸ Substituted for the words "may be resolved through arbitration" by the Securities and Exchange Board of India (Alternative Dispute Resolution Mechanism) (Amendment) Regulations, 2023, w.e.f., 04-07-2023.



investing company or the venturer of the company as per the provisions of Companies Act, 2013 for non-individual investment adviser which is a company under the said Act and in any other case, an entity which has a controlling interest or is subject to the controlling interest of a non-individual investment adviser.

(4) Non-individual investment adviser shall maintain an arm's length relationship between its activities as investment adviser and distributor by providing advisory services through a separately identifiable department or division.

(5) Compliance and monitoring process for client segregation at group or family level shall be in accordance with the guidelines specified by the Board.

Implementation of advice or execution

22A. (1) Investment adviser may provide implementation services to the advisory clients in securities market:

Provided that investment advisers shall ensure that no consideration including any commission or referral fees, whether embedded or indirect or otherwise, by whatever name called is received; directly or indirectly, at investment adviser's group or family level for the said service, as the case maybe.

(2) Investment adviser shall provide implementation services to its advisory clients only through direct schemes/products in the securities market.

(3) Investment adviser or group or family of investment adviser shall not charge any implementation fees from the client.

(4) The client shall not be under any obligation to avail implementation services offered by the investment adviser.

Obligation of investment adviser on inspection.

25.(1) It shall be the duty of every investment adviser in respect of whom an inspection has been ordered under the regulation 23 and any other associate person who is in possession of relevant information pertaining to conduct and affairs of such investment adviser,

including partners, directors, principal officer and persons associated with investment advice, if any, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection.

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

(3) The inspecting authority shall, for the purposes of inspection, have power to examine on oath and record the statement of any employees, directors, partners, principal officer and persons associated with investment advice or person responsible for or connected with the activities of investment adviser or any other associate person having relevant information pertaining to such investment adviser.

(4) The inspecting authority shall, for the purposes of inspection, have power to obtain authenticated copies of documents, books, accounts of investment adviser, from any person having control or custody of such documents, books or accounts.

THIRD SCHEDULE - CODE OF CONDUCT FOR INVESTMENT ADVISER

1. Honesty and fairness

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

2. Diligence

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

SEBI Circular No. SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023

Master Circular for Investment Advisers

1. Guidelines for Investment Advisers

1.2. In accordance with the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 ('the IA Regulations'), IAs shall ensure compliance with the following guidelines:

(i) Client Level Segregation of Advisory and Distribution Activities

To ensure client level segregation at IA's group/family¹⁹ level, as per Regulation 22(5) of the IA Regulations, following compliance and monitoring process shall be adopted:

(a) Existing clients, who wish to take advisory services, will not be eligible for availing distribution services within the group/family of IA. Similarly, existing clients who wish to take distribution services will not be eligible for availing advisory services within the group/family of IA.

(b) A new client will be eligible to avail either advisory or distribution services within the group/family of IA. However, the option to avail either advisory services or distribution services shall be made available to such client at the time of on boarding.

(c) Client under these guidelines shall include individual client or non-individual client.

(d) The client shall have discretion to continue holding assets prior to the applicability of this segregation under the existing advisory/distribution arrangement. However, the client shall not be forced to liquidate/switch such existing holdings.

(e) Permanent Account Number (PAN) of each client shall be the control record for identification and client level segregation.

¹⁹ "Group" and "family of an individual investment adviser" shall be as per Regulation 22(3)(iii) and Regulation 2(gc) respectively of the IA Regulations

(f) In case of an individual client, "family of client"²⁰ shall be reckoned as a single client and PAN of all members in "family of client" would jointly and severally be the control record. However, the same is not applicable for non-individual clients.

(g) The dependent family members shall be those members whose assets on which investment advisory is sought/provided, originate from income of a single entity i.e. earning individual client in the family. The client shall provide an annual declaration or periodic updation as the case maybe in respect of such dependent family members.

(h) IA shall, wherever available, advise direct plans (non-commission based) of products only.

(i) The IAs shall maintain on record an annual certificate from an auditor (in case of individual IA) and its statutory auditor (in case of a non-individual IA) confirming compliance with the client level segregation requirements as specified in Regulation 22 of the IA Regulations. Such annual certificate shall be obtained within 6 months of the end of the financial year and form part of compliance audit, in terms of Regulation 19(3) of the IA Regulations.

(ii) Agreement between IA and the client

(a) Regulation 19(1)(d) of the IA Regulations provides that IA shall enter into an investment advisory agreement with its clients. The said agreement shall mandatorily cover the terms and conditions provided in Annexure A.

(b) IA can include additional terms and conditions in the agreement without diluting the provisions of the IA Regulations and amendments thereto as well as circulars issued thereunder.

²⁰ "Family of client" and "AUA" shall be as per Regulation 2(gb) and Regulation 2(aa) respectively of the IA Regulations



(c) IA shall ensure that neither any investment advice is rendered nor any fee is charged until the client has signed the aforesaid agreement and provided copy of signed agreement to the client.

(iii) Fees

Regulation 15A of the IA Regulations provides that IAs shall be entitled to charge fees from a client in the manner as specified by SEBI. Accordingly, IAs shall charge fees from the clients in either of the two modes:

(A) Assets under Advice (AUA) mode

(a) The maximum fees that may be charged under this mode shall not exceed 2.5 percent of AUA per annum per client across all services offered by IA.

(b) IA shall be required to demonstrate AUA with supporting documents like demat statements, unit statements etc. of the client.

(c) Any portion of AUA held by the client under any pre-existing distribution arrangement with any entity shall be deducted from AUA for the purpose of charging fee by the IA.

(B) Fixed fee mode

The maximum fees that may be charged under this mode shall not exceed INR 1,25,000 per annum per client across all services offered by IA.

General conditions under both modes

(a) In case "family of client" is reckoned as a single client, the fee as referred above shall be charged per "family of client".

(b) IA shall charge fees from a client under any one mode i.e. (A) or (B) on an annual basis. The change of mode shall be effected only after 12 months of on boarding/last change of mode.

(c) If agreed by the client, IA may charge fees in advance. However, such advance shall not exceed fees for 2 quarters.

In the event of pre-mature termination of the IA services in terms of agreement, the client shall be refunded the fees for unexpired period. However, IA may retain a maximum breakage fee of not greater than one quarter fee.

Investment Advisory Services for Accredited Investors²¹

In case of accredited investors, the limits and modes of fees payable to the IA shall be governed through bilaterally negotiated contractual terms and the provisions of clause 1.2(iii) shall not be applicable.

(v) Registration as Non Individual Investment Advisor

a. As per Regulation 13(e) of the IA Regulations, an individual IA shall apply for registration as non-individual investment adviser on or before reaching 150 clients.

b. Such application for registration shall be made in FORM-A as per the IA Regulations, along with the requisite fee and same shall be assessed in accordance with the provisions of the IA Regulations and amendments thereto as well as circulars issued thereunder.

c. Once number of clients reaches 150 and till grant of registration as a non-individual IA, Individual IA shall not on-board fresh clients. However, during the period of examination of application by SEBI, individual IA shall continue to service existing clients. In case the aforesaid IA does not get registration as non-individual IA, such IA shall continue the advisory activities as an Individual IA while ensuring that the numbers of clients does not exceed 150 in total.

d. As per Regulation 13(e) of the IA Regulations, existing Individual IA having more than 150 clients as on September 30, 2020 shall not on-board fresh clients and such Individual IA shall apply for registration as non-individual IA latest by April 01, 2021. However, during the period of examination of application by SEBI, individual IA shall continue to service existing clients.

²¹ Reference: Circular No. SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2021/694 dated December 21, 2021

(vi) Maintenance of record

Regulation 19(1) of the IA Regulations provides that IA shall maintain records with respect to his activities as an IA. In this regard, it is clarified that:

a. IA shall maintain records of interactions, with all clients including prospective clients (prior to onboarding), where any conversation related to advice has taken place inter alia, in the form of:

- i. Physical record written & signed by client,*
- ii. Telephone recording,*
- iii. Email from registered email id,*
- iv. Record of SMS messages,*
- v. Any other legally verifiable record.*

b. Such records shall begin with first interaction with the client and shall continue till the completion of advisory services to the client.

c. IAs shall be required to maintain these records for a period of five years. However, in case where dispute has been raised, such records shall be kept till resolution of the dispute or if SEBI desires that specific records be preserved, then such records shall be kept till further intimation from SEBI.

(viii) Risk profiling and suitability for non-individual clients

a. Regulations 16 and 17 of the IA Regulations mandate risk profiling and suitability for all categories of clients.

b. In order to further enhance the risk profiling and encompass suitable factors in case of non-individual clients, IA shall use the investment policy as approved by board/management team of such non-individual clients for risk profiling and suitability analysis.

c. The discretion to share the investment policy/relevant excerpts of the policy shall lie with the non-individual client. However, IA shall have discretion not to onboard non-individual clients

if they are unable to do risk profiling of the non-individual client in the absence of investment policy.

2. Measures to strengthen the conduct of Investment Advisers

2.1 Restriction on free trial

As per the IA Regulations, investment advice can be given after completing risk profiling of the client and ensuring suitability of the product. It has come to the notice that IAs are providing advice on free trial basis without considering risk profile of the client. Hence the IAs shall not provide free trial for any products/services to prospective clients. Further, IAs shall not accept part payments (where some part of the fee is paid in advance) for any product/service.

2.2 Proper risk profiling and consent of client on risk profiling

Risk profiling of the client is essential to provide advice on suitable product based on various criteria like income, age, securities market experience etc. Registered IAs shall provide investment advice only after completing the following steps: a. Complete the risk profile of the client based on information provided by the client. b. Obtain consent of the client on completed risk profile either through registered email or physical document.

6. Redressal of investor grievances through SEBI Complaints Redress system (SCORES) Platform

6.2 As an additional measure and for information of all investors who deal/ invest/ transact in the market, the IAs shall prominently display in their offices the following information about the grievance redressal mechanism available to investors:

Dear Investor,

In case of any grievance / complaint against the investment adviser:

•Please contact Compliance Officer of the investment adviser(Name and Address) / email-id (xxx.@email.com) and Phone No. - 91- XXXXXXXXXX.

•You may also approach CEO / Partner / Proprietor (Name) / email-id (xxx.@email.com) and Phone No. - 91-XXXXXXX.

•If not satisfied with the response of the investment adviser you can lodge your grievances with SEBI at <http://scores.gov.in> or you may also write to any of the offices of SEBI. For any queries, feedback or assistance, please contact SEBI Office on Toll Free Helpline at 1800 22 7575 / 1800 266 7575

14. General Guidelines for dealing with Conflicts of Interest of intermediaries and their Associated Persons in Securities Market.

14.1. All intermediaries are presently governed by the provisions for avoidance of conflict of interest as mandated in the regulations read with relevant circulars issued from time to time by SEBI. On the lines of Principle 8 of the International Organisation of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulations, it has been decided to put in place comprehensive guidelines to collectively cover such intermediaries, for elimination of their conflict of interest, as detailed hereunder.

14.2. Intermediaries shall adhere to these guidelines for avoiding or dealing with or managing conflict of interest. They shall be responsible for educating their associated persons for compliance of these guidelines.

14.3. For the purpose of these guidelines "associated persons" shall have the same meaning as defined in Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007.

14.4. Intermediaries and their associated persons shall,

a. lay down, with active involvement of senior management, policies and internal procedures to identify and avoid or to deal or manage actual or potential conflict of interest, develop an internal code of conduct governing operations and formulate standards

of appropriate conduct in the performance of their activities, and ensure to communicate such policies, procedures and code to all concerned;

b. at all times maintain high standards of integrity in the conduct of their business;

c. ensure fair treatment of their clients and not discriminate amongst them;

d. ensure that their personal interest does not, at any time conflict with their duty to their clients and client's interest always takes primacy in their advice, investment decisions and transactions;

e. make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services;

f. endeavor to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/ unit to another, etc.;

g. place appropriate restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict;

h. not deal in securities while in possession of material non published information;

i. not to communicate the material non published information while dealing in securities on behalf of others;

j. not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;

k. not have an incentive structure that encourages sale of products not suiting the risk profile of their clients;

l. not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;

14.5. The Boards of intermediaries shall put in place systems for implementation of the aforementioned guidelines and provide necessary guidance enabling identification, elimination or management of conflict of interest situations. The Boards shall review the compliance of the above guidelines periodically.

14.6. *The said guidelines shall be in addition to the provisions, if any, contained in respective regulations/ circulars issued by the Board from time to time regarding dealing with conflict of interest, in respect of intermediaries.*

15. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under Section 15C, Section 15EB and Section 15HA of SEBI Act, 1992, as applicable, the text of which has been reproduced hereunder.

SEBI Act, 1992

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 including by any means of electronic communication, 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.*

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

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

Penalty for fraudulent and unfair trade practices.

15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but*

which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

16. In view of the above, Noticee is, therefore, called upon to show cause as to why an inquiry should not be held against him in terms of Rule 4 of SEBI Adjudication Rules, 1995 read with section 15-I of SEBI Act, 1992 and penalty, if any, be not imposed under Section 15C, Section 15EB and Section 15HA of SEBI Act, 1992 for the alleged violations of the aforementioned provisions.

17. Noticee shall submit the reply to the Show Cause Notice supported by such documentary evidence, which he may like to adduce in support of the reply within fourteen (14) days from the date of receipt of this notice by him, to the undersigned at the address mentioned below. Further, a soft copy of the reply may also be sent via email at amitk@sebi.gov.in and dhavals@sebi.gov.in.

**Securities and Exchange Board of India,
SEBI BHAVAN- II, C-7, G- Block,
Bandra - Kurla Complex, Bandra (East),
Mumbai – 400 051.**

18. In case no reply is received from Noticee within the prescribed time mentioned above, it would be presumed that the Noticee has no submissions to make and the matter shall be proceeded with on the basis of material/ facts on record. A copy of PAN Card, contact details (contact person, phone number, email details, etc.) of Noticee may also be submitted along with the reply.

19. Noticee may note that if there is any change in his address during the period of the current Adjudication proceedings, he is required to inform the same to the undersigned, immediately.



20. Noticee may also note that a settlement mechanism is provided under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018. If he wishes to avail the benefit of the settlement process, he may apply for the same in the manner provided in the said regulations under intimation to the undersigned.


AMIT KAPOOR
ADJUDICATING OFFICER

Digitally signed by
AMIT KAPOOR
Date: 2025.01.17
16:34:36 +05'30'

Encl:-

Annexure – 1	Copy of Order communicating appointment of Adjudicating Officer
Annexure – 2	Copy of sample videos
Annexure – 3	Copy of sample call recordings
Annexure – 4	Copy of cash vouchers recording payment of salary
Annexure – 5	Copy of Noticee's submission dated January 18, 2024
Annexure – 6	Copy of list of employees provided by the Noticee
Annexure – 7	Copy of client master submitted by the Noticee
Annexure – 8	Copy of appointment letters of Mr. Vivek Rana and Ms. Anjum Ansari
Annexure – 9	Copy of trading data
Annexure – 10	Copy of bank statement
Annexure – 11	Copy of emails wherein the PAN and bank details of family members of the Noticee were sought
Annexure – 12	Copy of SCORES complaints

Show Cause Notice in the matter of Rajiv Kumar Singh, Proprietor of Elite Investment Advisory Services



Annexure – 13	Details of observations made from analyzing SCORES complaints
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