

SECURITIES AND EXCHANGE BOARD OF INDIA

SETTLEMENT ORDER

IN RESPECT OF

Sr. No.	S.A. No	Applicant	PAN
1.	8217/2024	AXIS ASSET MANAGEMENT COMPANY LIMITED	AAHCA5892J
2.	8218/2024	AXIS MUTUAL FUND TRUSTEE LIMITED	AAHCA5893K
3.	8219/2024	CHANDRESH KUMAR NIGAM	AAEPC3462A
4.	8220/2024	DARSHAN KAPADIA	ANGPK8906N
5.	8221/2024	JINESH GOPANI	ACEPG7242C
6.	8222/2024	PAWAN JHANGIANI	AIBPJ1848G

IN THE MATTER OF AXIS ASSET MANAGEMENT COMPANY LIMITED

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1. Axis Asset Management Company Limited (hereinafter referred to as the “**AMC**”), Axis Mutual Fund Trustee Limited (hereinafter referred to as the “**Trustee**”), Chandresh Kumar Nigam, Darshan Kapadia, Jinesh Gopani and Pawan Jhangiani (collectively hereinafter referred to as “**Applicants**”) filed a *suo motu* settlement application in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”) proposing to settle, by neither admitting nor denying the findings of fact and conclusions of law, the enforcement proceedings that may be initiated against them for the alleged violation of:

Applicant	Regulations allegedly violated
Axis Asset Management Company Limited	Regulations 25 (6B) (a) and (b), Regulations 25 (6C) (a) and (b) along with Code of Conduct Clauses 1(a), 1(b), 1(c), 1(d) 1(e), 1(f), 1(g), 1(h), 1(j), 2(a), 2(b) 2(c) , 2(f) and 3.2(a) specified in Part B of Fifth Schedule of the SEBI (Mutual Fund) Regulations,1996 (hereinafter referred to as “MF Regulations”) along with Para 6.6.2.2 and Para 6.6.3.2 (f) of the SEBI Master Circular for Mutual Fund dated May 19, 2023 read with Regulation 25 (3) of the MF Regulations; Para 12.29.4 of SEBI Master Circular for Mutual Funds dated May 19, 2023. Regulation 24 (b) of the MF Regulations. Regulation 10(a) of the MF Regulations. Paras 8 and 20 of Annexure 6 of the SEBI Master Circular for Mutual Funds dated May 19, 2023 read with Regulation 25 (3) of the MF Regulations.
Axis Mutual Fund Trustee Limited	Regulation 18(9) read with Regulation 10 (a) of the MF Regulations.
Mr. Chandresh Nigam	Regulations 25(6A) (a) and 25(6A)(b) of the MF Regulations.
Mr. Darshan Kapadia	Regulation 18(4)(d) of the MF Regulations.
Mr. Jinesh Gopani	Para 6.6.2.2 of the SEBI Master Circular for Mutual Funds dated May 19, 2023.
Mr. Pawan Jhangiani	Code of Conduct prescribed under Part B of the MF Regulations read with Regulation 25 (6C)(b) of the MF Regulation and Clause 2 (b) of the Code of Conduct.

- Based on the examination of Forensic report conducted by Alvarez & Marshal India Pvt. Ltd., Deloitte Touche Tohmatsu India LLP, BDO India LLP along with the comments of the Board of the AMC; Board of the Trustee and also considering the ad Interim ex-parte order bearing number WTM/SM/ISD/ISD-SEC-3/24180/2022-23 dated February 28, 2023 issued by SEBI, the following violations were alleged to have been committed by the AMC:

- a. Failure to ensure adequate and effective control environment for the following dealing room activities:
- i. Access to the dealing room was not revoked for certain employees from other activities;
 - ii. Unauthorized access into the dealing room during market hours;
 - iii. Failure to ensure that the dealing room is used for activities related to trade execution only.
 - iv. Failure to monitor the communication of dealers and fund manager during market hours through the recorded modes/channel;
 - v. Entry into the dealing room of people by using someone else's access card;
 - vi. Discussion by Fund Managers and Dealers during market hours were not done through recorded mode;
 - vii. Access doors to the dealing rooms/ Investment areas being in released state for a long period i.e., anyone without access card could enter the dealing rooms;
 - viii. Failure of AMC to monitor the activities of the dealers resulting in front running of Axis Mutual Fund trade by Mr. Viresh Joshi.
 - ix. Failure of AMC to have a system based monitoring mechanism to ensure compliance with the requirements of dealing room.
- b. Furthermore, as the majority of the active trades of the AMC were concentrated with one dealer, namely, Mr. Viresh Joshi, the dealing room activities were with one dealer. In the absence of dealers, AMC had made a temporary arrangement with equity research analyst/ investment associate who could be assigned the role of alternate dealers.
- c. Dealers were negotiating with multiple brokers and engaging in trade negotiations on behalf of both Axis Mutual Fund and in the names of connected entities. Accordingly, the AMC was alleged to have failed to monitor that there are adequate checks and balances in dealing operations, which resulted in front running of the trades of Axis Mutual Fund.

- d. Further, employees of the AMC were alleged to be providing stock tips, divulging specific information about the scrips, details of the schemes of Axis Mutual Fund in which they took and /or squared off position and they were also alleged to have passed on information/advise/induce to buy/sell securities, which are being bought and/or sold by the Mutual Fund of which the AMC is the investment manager. Accordingly, the AMC is alleged to have failed to have adequate processes to prevent, detect and remediate non-compliance by its employees.
- e. The employees of AMC working in other activities of the AMC also shared emails recommending/discussing stocks. Thus, AMC is alleged to have failed to ensure that other activities are not in conflict with the activities of the mutual fund.
- f. The employees of AMC were alleged to be using personal email ID for business communication, sharing official data on personal email ID, sharing research reports on companies, using personal chat accounts for business communication and copying data to personal google drive. Accordingly, AMC failed to ensure that stringent supervision, monitoring and access restriction on its employees.
- g. In view of the above, AMC is alleged to have violated:
 - i. Regulations 25 (6B) (a) and (b), Regulations 25 (6C) (a) and (b) along with Code of Conduct Clauses 1(a), 1(b), 1(c), 1(d) 1(e), 1(f), 1(g), 1(h), 1(j), 2(a), 2(b) 2(c) , 2(f) and 3.2(a) specified in Part B of Fifth Schedule of the MF Regulations along with Para 6.6.2.2 and Para 6.6.3.2 (f) of the SEBI Master Circular for Mutual Funds dated May 19, 2023 read with Regulation 25 (3) of the MF Regulations;
 - ii. Para 12.29.4 of the SEBI Master Circular for Mutual Funds dated May 19, 2023.
 - iii. Regulation 24(b) of the MF Regulations,
 - iv. Regulation 10(a) of the MF Regulation,

- v. Para 8 and 20 of Annexure 6 of the SEBI Master Circular for Mutual Funds dated May 19, 2023 read with Regulation 25 (3) of the MF Regulations.
- h. Further, the Trustee is alleged to have violated Regulation 18(9) read with Regulation 10 (a) of the MF Regulations since the AMC failed to comply with various provisions of the MF Regulations.
- i. Mr. Chandresh Nigam, being the Chief Executive officer of the AMC also failed to ensure that the activities of the Mutual Fund are in compliance with the MF Regulations or Circulars/Guidelines issued thereunder and to ensure that the AMC has adequate systems in place to ensure that the Code of Conduct provided for Dealers or Fund Managers are adhered to in letter and spirit. Accordingly, he is alleged to have violated Regulations 25(6A) (a), 25(6A)(b) of the MF Regulations.
- j. Mr. Darshan Kapadia, being the compliance officer of the AMC also failed to monitor the compliance of the MF Regulations and various circulars issued thereunder, and is thus alleged to have violated Regulation 18(4)(d) of the MF Regulations.
- k. Mr. Jinesh Gopani, being the Head of Equity at the AMC is alleged to have passed on information /advise/induce to buy/sell securities which were being bought and/or sold by the Mutual Fund of which the AMC is the investment manager resulting in the violation of Para 6.6.2.2 of the SEBI Master Circular for Mutual Funds dated May 19, 2023.
- l. Mr. Pawan Jhangiani, being Dealer at the AMC had allegedly used mobile phone during market hours and also failed to ensure communication during market hours through recorded modes and channels only resulting in the violation of Code of Conduct provided under Part B of the MF Regulations read with Regulation 25 (6C)(b) of the MF Regulations and Clause 2 (b) of

Code of Conduct for not ensuring communication during market hours only through recorded modes and channels.

3. In view of the above, the Applicants filed the settlement application for the purpose of settling the proceedings that may be initiated against them for the aforementioned violations.
4. Pursuant to the receipt of the application, the Internal Committee of SEBI held a meeting with the authorized representatives of the Applicants on January 02, 2025, wherein the issues detailed above were deliberated along with the terms of the settlement.
5. Thereafter, vide email dated January 15, 2025, the Applicants proposed revised settlement terms of ₹ 6,27,30,000/- (Rupees Six crores twenty seven lakhs thirty thousand only) to be paid jointly and severally, in order to settle any enforcement proceedings that may be initiated against them for the violations as discussed at paragraphs 1 and 2.
6. The High Powered Advisory Committee (hereinafter referred to as “**HPAC**”) in its meeting held on January 29, 2025, considered the revised settlement terms proposed by the Applicants and recommended that the matter may be settled upon payment of ₹ 6,27,30,000/- (Rupees Six crores twenty seven lakhs thirty thousand only) to be paid jointly and severally by the Applicants as settlement amount towards the settlement terms.
7. The recommendation of the HPAC was accepted by the Panel of Whole Time Members of SEBI on February 17, 2025. Subsequently, a Notice of Demand was issued to the Applicants on February 25, 2025. The Applicants informed about the remittance of the aforesaid settlement amount on March 11, 2025 and SEBI confirmed credit of the same.
8. On the basis of the facts stated above, in exercise of the powers conferred under Section 15JB read with Section 19 of the Securities and Exchange Board of India Act, 1992 and in terms of Regulation 23 of the Settlement Regulations,

it is hereby ordered that any proceedings that may be initiated for the violations as mentioned at paragraph 1 and 2 above, are settled in respect of the Applicants on the following terms:

- i. SEBI shall not initiate any enforcement action against the Applicants for the said violations, and
- ii. passing of this Order is without prejudice to the right of SEBI under Regulation 28 and Regulation 31 of the Settlement Regulations to initiate appropriate action against the Applicants, if SEBI finds that:
 - (a) any representation made by the Applicants in the present settlement proceedings is subsequently found to be untrue;
 - (b) the Applicants have breached any of the clauses/ conditions of undertakings/ waivers filed during the present settlement proceedings; and
 - (c) there was a discrepancy while arriving at the settlement terms.

9. This Settlement Order is passed on this 24th day of March, 2025 and shall come into force with immediate effect.

10. In terms of Regulation 25 of the Settlement Regulations, a copy of this Order shall be sent to the Applicant and shall also be published on the website of SEBI.

Sd/-

ANANTH NARAYAN G.
WHOLE TIME MEMBER

Sd/-

KAMLESH C. VARSHNEY
WHOLE TIME MEMBER