

SECURITIES AND EXCHANGE BOARD OF INDIA

ENQUIRY ORDER

Under Regulation 27 and 35 of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 and Regulation 28 of Securities and Exchange Board of India (Investment Advisers) Regulation, 2013.

IN RESPECT OF:

NOTICEE	SEBI Registration No.	PAN
Manoj Jethanand Varyani Proprietor of Smart Financial	INA000015419 (ERSTWHILE)	ADRPV6762A

Manoj Jethanand Varyani, Proprietor of Smart Financial.

Background:

1. Mr. Manoj Jethanand Varyani, Proprietor of Smart Financial (hereinafter referred to as the '**Noticee**') was registered (Regn No. INA000015419) as Investment Adviser (**IA**) in individual capacity with the Securities and Exchange Board of India (hereinafter referred to as "**SEBI**"). The present proceeding is originating from the Enquiry Report dated February 28, 2025, submitted by the Designated Authority (hereinafter referred to as "**DA**"), in terms of the applicable provisions of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred as "**Intermediaries Regulations**").
2. SEBI had conducted an inspection of the Noticee, on August 18, 2023 at IA's registered address for the period from April 01, 2022 – July 31, 2023 (hereinafter also referred to as '**Inspection Period**' / '**IP**') to examine the possible violation of the provisions of SEBI (Investment Advisers) Regulations, 2013 (hereinafter also referred to as '**IA Regulations, 2013**') and SEBI Act, 1992.
3. During the inspection, SEBI observed and alleged the following;

- i. The Noticee while holding individual proprietorship registration (Regn. No. INA000015419) as an IA (Prop. Smart Financial) was functioning as a director (70% shareholding) of IA, Bestway Smart Financial Private Limited (SEBI Corporate Regn. No. INA000017392 and BASL member).
 - ii. Further, the Noticee was the Principal Officer in both, Smart Financial (holding individual proprietorship registration) and in Bestway Smart Financial Private Limited, which is also a registered IA.
4. Thus, the Noticee proprietor of Smart Financial has failed to maintain arm's length distance between its investment advisory activities and other business activities leading to the alleged violation of the provisions of Regulation 15 (3) of IA Regulations, 2013.
5. Accordingly, a DA was appointed to inquire into the matter under the Intermediaries Regulations and submit a report pertaining to the aforesaid allegations. The DA issued a show-cause notice (hereinafter referred to as "**SCN**") dated July 12, 2024 to the Noticee under Regulation 25(1) of the Intermediaries Regulations to show cause as to why appropriate recommendation should not be made under Regulation 23 of Chapter V read with Regulation 26 of the Intermediaries Regulations read with Section 12(3) of SEBI Act for the alleged violations.
6. After considering the allegations levelled in the SCN, reply filed by the Noticee, providing an opportunity of personal hearing and considering the material available on record, the DA, submitted the aforesaid Enquiry Report dated February 28, 2025 and made the following recommendation:
".... I recommend that the instant proceedings with respect to the Noticee i.e., Manoj Jethananad Varyani, SEBI Registration No: INZ000015419, be disposed of without any adverse action in terms of Regulation 26 (1) (i) of SEBI (Intermediaries) Regulations, 2008."

Post Enquiry Proceedings:

7. Thereafter, a Post-Enquiry Show Cause Notice dated March 13, 2025 (hereinafter referred to as “**Post Enquiry SCN**”) was issued by the Competent Authority to the Noticee enclosing a copy of the Enquiry Report dated February 28, 2025, while calling upon it to show cause in terms of Regulation 27 of the Intermediaries Regulations as to why actions as recommended by the DA or any other action should not be taken against the Noticee in terms of the said Regulations. This was followed by another SCN dated May 15, 2025 under Regulation 35 of the Intermediaries Regulations, which was issued by the Competent Authority to the Noticee, calling upon it to show cause as to why appropriate Direction(s) mentioned in Regulation 35 of the Intermediaries Regulations should not be taken against the Noticee as deemed fit.
8. I note that the said Post Enquiry SCN dated March 13, 2025 was issued to the Noticee through SPAD, which was duly delivered. The Noticee confirmed the receipt of the Post Enquiry SCN, vide reply dated April 21, 2025. Thereafter, the SCN dated May 15, 2025 was issued to the Noticee vide SPAD and e-mail dated May 15, 2025, which were duly delivered. The Noticee confirmed the receipt of the said SCN vide its reply dated June 09, 2025, in the matter to the Competent Authority. Subsequently, the Noticee was granted an opportunity of personal hearing on June 17, 2025 vide e-mail dated June 04, 2025. During the said personal hearing on June 17, 2025, the Noticee was requested to provide separate bank statements of Smart Financial, Bestway Smart Financial Pvt. Ltd. and the Principal Officer of both Smart Financial and Bestway Smart Financial Pvt. Ltd., for the period from January 01, 2021 to December 31, 2023. Accordingly, the Noticee sought two weeks’ time to file the relevant documents in the matter, which was granted. The Noticee has submitted the scan copies of the relevant documents vide e-mail dated July 01, 2025.
9. The summary of the replies dated April 21, 2025 and June 09, 2025 submitted by the Noticee are as under;
 - The Noticee accepts the DA’s recommendation

- The Noticee submitted that the delay in surrendering the Individual proprietorship registration (Regn. No. INA000015419), was due to operational transition. Abrupt discontinuation would have posed legal, ethical, reputational risks and clients also would have been affected.
- The Noticee stated that he had maintained regulatory obligations throughout the transition period.
- The Noticee also submitted that he had volunteered to surrender the Individual IA registration on 05.05.2024. However, it was accepted by SEBI only in June of 2024.
- No IA activities by Individual proprietorship registration (Regn. No. INA000015419) were conducted post 01.04.2023. Also, as PO of Bestway Smart Financial Pvt. Ltd., Strict segregation of advisory activities done to prevent conflict.
- The Noticee had reached out to SEBI SI Portal on 05.05.2023 but SI Portal was not operational for AI, therefore no response was received from SEBI.
- The Noticee submitted that both entities shared a proximate address but no operational overlap existed post April 2023. This was also informed to SEBI.

Consideration and Findings:

10. Considering the factual findings from the inspection, the allegations levelled against the Noticee in the Post Enquiry SCN dated March 13, 2025 including the Enquiry Report dated February 28, 2025 and SCN dated May 15, 2025, based on such findings and the submissions made by the Noticee through oral hearing and written replies in the matter, I find that the following issue requires consideration;

Whether the Noticee has failed to maintain arm's length distance between its investment advisory activities and business activities of Bestway Smart Financial Pvt Ltd. and has violated Regulation 15 (3) of IA Regulations, 2013?

11. Before dealing with the argument of the Noticee, first, it is important to bring out the import of what is arm's length distance.

12. The phrase arms-length is not defined in the IA Regulations, 2013. Regulation 2(2) of the IA Regulations, 2013, state that the words and expressions used and not defined in these regulations but defined in the Act, the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Companies Act, 1956 and 2013, or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations made thereunder.

13. Section 188 of the Companies Act, 2023 defines arms-length in the following words “the expression “arm’s length transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest”

14. Perusal of above definition shows that the term "arm’s length" refers to transactions between related parties that are conducted as if they were unrelated. The reason for conduct of the transactions as if they were unrelated is not to have any preferential terms which would be prejudicial or beneficial to one of the parties because of their relatedness which could be possible in view of the conflict of interest arising out the relationship.

15. The requirement to maintain arms-length relationship is specifically mentioned in Regulation 15(3) of the IA Regulations, 2013 in respect of the Investment Advisors, which is reproduced as under;

General Responsibility.

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

16. Regulation 15(3) mandates the investment adviser to maintain an arms-length relationship between its activities as an investment adviser and other activities.

17. This means the IA must operate with its other business activity as if it were dealing with an unrelated party. One of the underlying principles operating in the Regulation is the conflict of interest, which should not translate into affecting any of the aspects of IA while rendering its service.

18. In this regard, the first aspect that requires consideration is whether Bestway Smart Financial Pvt Ltd. is a related business to the Noticee.

19. It is noted that Smart Financial is the individual proprietorship investment advisory registration of Mr. Manoj Jethanand Varyani. Separately, Bestway Smart Financial Pvt Ltd. is a corporate entity also registered as an investment adviser,

in which Mr. Manoj Jethanand Varyani holds 70% of the shareholding and serves as one of its directors. Mr. Varyani is designated as the Principal Officer in both entities.

20. The overlapping control, ownership, between Smart Financial and Bestway Smart Financial Pvt Ltd. establishes that the latter constitutes another business operated by the same individual, under a different legal form. Given that both entities are investment advisers registered with SEBI, sharing the same Principal Officer, and are effectively directed by Mr. Varyani, of Bestway Smart Financial Pvt Ltd. makes it clear that Bestway Smart Financial Pvt Ltd. is not only “any other business” but also business related to Smart Financial.
21. The second aspect that needs consideration is the period of overlapping activities between the Noticee and the Bestway Smart Financial Pvt Ltd.
22. The allegation in the SCN dated May 15, 2025 is Mr. Manoj Jethanand Varyani continued to carry out investment advisory activities simultaneously through both his individual proprietorship and the corporate entity, Bestway Smart Financial Pvt Ltd., for a period of over 18 months. Although the corporate registration was granted on November 2022, the individual registration remained active and was not surrendered until May 2024 despite the undertaking given by the Noticee to surrender the same upon grant of the corporate registration.
23. In this regard, the Noticee has stated that there was no IA activities conducted by Smart Financial post April 01, 2023. Further, the Noticee also stated that the delay in transition was due to fulfilment of ongoing obligations and undertaking contractual renegotiations aimed at ensuring continued adherence to applicable regulatory frameworks and ethical standards.
24. Regarding the period of overlapping, I note that Bestway Smart Financial Pvt Ltd., was registered with SEBI on November 25, 2022 and the date of surrendering the registration of Smart Financial is on May 10, 2024. The date when the surrender

was accepted by SEBI is on June 21, 2024. Therefore, there is roughly around 18 month's period of overlap.

25. As regards, the Noticee submission that there was no IA activities conducted by Smart Financial post April 01, 2023, I note that the Noticee has not submitted any evidence in order to support the said statement by way of demonstration of the last date of the last transaction with clients by Smart Financial. During the hearing the Noticee was asked to provide copy of last investment advice given to clients and copy of bank statement of the Noticee identifying the last client's transactions to support his contention.

26. Upon perusal of the bank statements of Smart Financial submitted by the Noticee, I note that some transactions (e.g. March 24, 2023 transaction in the HDFC Bank account) have been highlighted by the Noticee without specifying what such transactions are meant for. In the absence of clear identification of client-related transactions or evidence substantiating the cessation of IA activity post April 01, 2023, the submission made by the Noticee stands unsupported. Thus, the Noticee's claim that no IA activities were undertaken by Smart Financial after the said date cannot be accepted on face value in view of no evidentiary support. Therefore, I find that there is an overlap of activities between Smart Financial and Bestway Smart Financial Pvt Ltd., from November 25, 2022 to May 10, 2024 as alleged in the SCN.

27. With the above finding, I proceed to consider the allegation of failure to maintain arm's length. It is alleged that during the period of overlap between these activities, the Noticee failed to maintain an arm's length relationship between his investment advisory service and other business activities, Bestway Smart Financial Pvt Ltd., as he was the Principal Officer in both Smart Financial and Bestway Smart Financial Pvt Ltd., and both operated from the same office. In other words, the Noticee has not dealt with Bestway Smart Financial Pvt Ltd., as if it were an unrelated party, given the shared Principal Officer, common office space, during the period of overlap between these activities.

28. In this context, it is relevant to apply the test for determining whether the shared Principal Officer, common office space between Smart Financial and Bestway Smart Financial Pvt Ltd. was conducted on an arm's length basis. I note that an arm's length relationship requires that each entity independently bears the cost of the resources it uses, as would occur between unrelated parties.
29. With respect to the shared Principal Officer, if the Noticee was acting as Principal Officer to both Smart Financial and Bestway Smart Financial Pvt Ltd., he should have received separate and appropriate remuneration from each entity for the personal services rendered. If the Principal Officer was compensated only by one entity while performing duties for both, it would mean that one business was effectively subsidising the other. This lack of independent cost bearing will indicate that the arrangement was not conducted at arm's length.
30. The same principle applies to the sharing of office space. If both entities were truly operating independently, each should either occupy separate premises, or pay their proportionate share of rent and other office-related expenses. If only one entity bore these costs while the other derived benefit without corresponding payment, it would indicate that the operations were not arm's length as unrelated party will not enter into such arrangement.
31. The requirement to maintain arm's length relationships serves multiple regulatory objectives. A few of them are ensuring transparency, preventing conflicts of interest, protecting client interest, and importantly, promoting the orderly development of the investment advisory market in the instant context.
32. In the case of related IAs operating under common control such as a proprietary IA and a corporate IA, failure to segregate costs like Principal Officer's salaries or office rent allows cross-subsidisation between entities. This has the potential to distort the actual cost of delivering advisory services. Even though SEBI's fee cap is present, such cross-subsidy enables one entity to underprice its services while being supported by the other.

33. This practice undermines market integrity. It stifles genuine competition, as independent IAs especially new entrants who bear their own full costs cannot compete with artificially cheap services backed by internal subsidies. Over time, this has the undesirable potential to create an uneven playing field where common group backed IAs thrive, eroding diversity and trust in the IA ecosystem. Therefore, in related-party IA setups, the arm's length requirement is not merely a matter of internal governance, it is an important regulatory tool to preserve the competitiveness and orderly development of the investment advisory industry. What is relevant is not the actual occurrence of cross-subsidy, but the potential for such mischief, which undermines market fairness and regulatory intent.

34. In the above context, the question that arises for consideration was whether Noticee has provided proof to support that that salary from both from Bestway Smart Financial Pvt Ltd. and Smart Financial has been received by Mr. Manoj Jethanand Varyani as the Principal Officer which would have a bearing on the allegation of non-maintenance of arm's length.

35. In this regard during the hearing, the relevant bank statements of the Noticee's personal bank account, Smart Financial and Bestway Smart Financial Pvt Ltd. between January 01, 2021 and December 31, 2023, were sought from the Noticee indicating the purpose for the same.

36. The Noticee gave copies of the statement of bank accounts pertaining to Bestway Smart Financial Pvt Ltd., Smart Financial and Personal for the respective periods. The details are tabulated below;

S.No.	Bank Name	Account No.	Bank Account Holder	Time period
1	Bank of Baroda	060XXXXXXXXX687	Manoj Jethanand varyani (Personal)	01/04/2022 to 31/03/2023
2	ICICI Bank	196XXXXXXXX845	Bestway Smart Financial Pvt Ltd.	01/04/2023 to 31/03/2024
3	HDFC Bank	502XXXXXXXXX028	Smart Financial	01/01/2021 to 31/12/2023
4	Axis Bank	920XXXXXXXXX587	Smart Financial	01/01/2021 to 31/12/2023

37. I note that the Noticee's personal bank account details reflects a credit of Rs. 2,00,000/- towards salary taken from Smart Financial on February 06, 2023. However, surprisingly there is no corresponding entry in the bank account statement of Smart Financial given by the Noticee. However, from the perspective of whether for the same period salary was given by Bestway Smart Financial Pvt Ltd., to the Noticee, what is required is the bank statements of the Bestway Smart Financial Pvt Ltd., for the corresponding period. However, the Noticee has not submitted any banks statements of Bestway Smart Financial Pvt Ltd., to prove that he has taken salary from Bestway Smart Financial Pvt Ltd., during the said period of February 2023. It is relevant to note that the period of February 2023 falls during the period of overlap even as per the case of the Noticee.

38. Perusal of the copy of the bank statement of ICICI Bank Account of Bestway Smart Financial Pvt Ltd., shows a debit of Rs. 25,000 on June 09, 2023 towards the Noticee, which appears to be salary though specifically not stated in reply filed by the Noticee after the hearing, possibly because it may not be salary as the amount of salary as shown in the previous para was Rs. 2,00,000/.

39. Without prejudice to that, bank statements of the Smart Financial was perused to see whether any payment for month of June 2023 is reflected as debit in Smart Financial. However, the Noticee has not submitted any proof of payment from Smart Financial for the period June 2023. The Noticee has neither identified any credit in his personal bank account for the respective period nor does examination for the respective period also indicate any receipt in the personal bank account submitted by the Noticee for the respective period.

40. Therefore, the Noticee has not provided proof to support that that salary from both from Bestway Smart Financial Pvt Ltd. and Smart Financial has been received by him. In view of the absence of proof, I am constrained to hold that sharing of the Principal Officer was not done on arms-length basis.

41. As regards the allegation of failure to keep arms-length for sharing the office space between Smart Financial and Bestway Smart Financial Pvt Ltd., the

Noticee has not provided any document for cost sharing. Further, the Noticee has admitted to the office space being shared. It was also not the case of Noticee that office space was shared and proportionate costs for the same were born by both Smart Financial and Bestway Smart Financial Pvt Ltd. Neither has the Noticee identified any payments in the bank statements of Bestway Smart Financial Pvt Ltd. and Smart Financial for the same period in his reply. In view of the absence of proof, I am constrained to hold that sharing of office space was done not on arms-length basis.

42. As already mentioned in the para 33 of this order, requirement of keeping arms' length distance is an important regulatory tool. Failure to observe the same should be visited with appropriate regulatory consequence. In view of the finding on the violation of the requirement of arm's length basis, therefore, I find that an appropriate direction under Regulation 35 of Intermediaries Regulations needs to be passed against the Noticee.

43. I note that the DA has recommended that "the proceedings be disposed without any adverse action" on the basis of the surrender of the individual IA registration by the Noticee on May 10, 2024 and SEBI's acceptance of the same on June 21, 2024. I also note that due to surrender of certificate of registration, issuing a regulatory censure under Regulation 27 of the Intermediaries Regulations in the matter would be appropriate.

Directions:

44. In view of the foregoing, in exercise of the powers conferred upon me in terms of Section 19 of SEBI Act, 1992 read with Regulation 27 and 35 of the Intermediaries Regulations, I, hereby issue the following directions to Mr. Manoj Jethanand Varyani (PAN: ADRPV6762A), Proprietor of Smart Financial;

44.1 Noticee is issued a regulatory censure.

44.2 Noticee is directed to desist from committing the violations found against him in this order, in respect of any of his subsisting registrations as intermediary with SEBI.

44.3 Noticee shall bring to notice of the Board of Companies where he is acting as director, in writing, the order of Censure within one week from the date of this order.

45. This order comes into force with immediate effect.

46. A copy of this order shall be forwarded to the Noticee.

DATE: July 31, 2025

PLACE: MUMBAI

**N. MURUGAN
CHIEF GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA**