

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under sub-section (3) of section 12 of the Securities and Exchange Board of India Act, 1992 read with regulation 27 of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

In respect of: -

Name of the <i>Noticee</i>	PAN/Registration details
Wealthmax Solution Investment Adviser (Proprietor- Piyush Jain)	PAN: ATCPJ2297H Investment Adviser (SEBI Registration No.: INA000010751)

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A. Background

1. The present proceedings are emanating from an Enquiry Report dated March 14, 2024, (hereinafter referred to as the “**Enquiry Report**”), submitted in terms of regulation 26 of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 (hereinafter referred to as “**Intermediaries Regulations**”) with respect to Wealthmax Solution Investment Adviser (Proprietor- Piyush Jain) (hereinafter referred to as “**Wealthmax**”/ “**Noticee**”.
2. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) had carried out inspection in respect of the *Noticee* during the period April 01, 2020 to January 31, 2023 (hereinafter referred to as the “**Inspection Period**”) and made certain findings/ observations during the course of inspection, which were communicated to the *Noticee* vide email dated March 10, 2023. After examining the reply submitted by the *Noticee* vide email dated March 20, 2023, SEBI alleged violation of the relevant provisions of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (hereinafter referred to as “**IA Regulations**”) and various SEBI Circulars.

B. Proceedings before Designated Authority

3. Pursuant to the findings/ observations made in the course of inspection, SEBI initiated proceedings under Chapter V of the Intermediaries Regulations against the *Noticee* by appointing a Designated Authority in the matter on October 09, 2023.
4. Based on the findings of facts, the Designated Authority issued a show cause notice dated November 03, 2023 to the *Noticee* under regulation 25 of the Intermediaries Regulations for the following alleged violations-
 - a) Sub-regulations (a) and (b) of regulation 13 of the IA Regulations and sub-regulation (9) of regulation 15 read with clause 1 and 8 of Code of Conduct as mentioned in schedule III of IA regulation, for not informing SEBI about material change in the information regarding change in registered office;

- b) Sub-regulations (2) of regulation 7 of the IA Regulations for failure to obtain requisite qualification and certification;
 - c) Sub-regulation (n) of regulation 6 and regulation 13 of the IA Regulations read with SEBI Circular No. SEBI/ HO / IMD/ IMD-I/ DOF1/P/CIR/2021/622 dated August 31, 2021 read with SEBI circular SEBI/ HO/ IMD/IMD-I/DOF1/P/CIR/2021/ 579 dated June 18, 2021 for failure to obtain membership of BSE Administration & Supervision Limited;
 - d) Sub-clauses (ii) and (vi) of clauses 2 of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020 and clause (d) of sub-regulation (1) of regulation 19 of the IA regulations for non-execution of agreement with clients;
 - e) Regulations 19 of the IA Regulations read with sub-clauses (ii) and (vi) of clause 2 of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020 and sub-regulation (9) of regulation 15 read with clauses 1, 2, and 8 of the Code of Conduct for Investment Advisers as specified under Third Schedule of the IA Regulations, for not maintaining the basic details and records of 5 clients; and
 - f) Sub-regulations (1) and (2) of regulation 25 of the IA Regulations for non-cooperation and submission of insufficient documents to the inspection team.
5. Thereafter, pursuant to transfer, another Designated Authority (hereinafter referred to as “**DA**”) was appointed vide order dated December 07, 2023. From the available record, it is noted that the *Noticee*, vide email dated February 05, 2023 had submitted its reply to the show cause notice dated October 09, 2023.
6. The DA, after conducting the enquiry proceedings in terms of the Intermediaries Regulations, observed in the Enquiry Report that certain irregularities alleged against the *Noticee* were established and the *Noticee* had failed to comply with the following provisions of law:

- a) Sub-regulations (a) and (b) of regulation 13 of the IA Regulations and sub-regulation (9) of regulation 15 read with clause 1 and 8 of Code of Conduct as mentioned in schedule III of IA regulation, for not informing SEBI about material change in the information regarding change in registered office;
 - b) Regulations 19 of the IA Regulations read with sub-clauses (ii) and (vi) of clause 2 of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020 and sub-regulation (9) of regulation 15 read with clauses 1, 2, and 8 of the Code of Conduct for Investment Advisers as specified under Third Schedule of the IA Regulations, for not maintaining the basic details/ records of clients, not executing agreements with clients and not adhering with Code of Conduct; and
 - c) Sub-regulations (1) and (2) of regulation 25 of the IA Regulations for non-cooperation and submission of insufficient documents to the inspection team.
7. In view of the above irregularities, the DA, *inter alia*, observed that even though the said non-compliances were technical in nature without any established impact on the clients, the *Noticee* was under a statutory obligation to abide by the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the “**SEBI Act**”), Rules and Regulations and Circulars/ directions issued thereunder, which it failed to do. Accordingly, the DA recommended that the *Noticee* may be issued a regulatory censure in terms of clause (vii) of sub-regulation (1) of regulation 26 of the Intermediaries Regulations.

C. Proceedings before Whole Time Member

8. It is noted that a post-Enquiry Show Cause Notice dated April 08, 2024 (hereinafter referred to as “**SCN**”), based on the violations in the Enquiry Report listed at paragraph 6, was issued to the *Noticee* in terms of sub-regulation (1) of regulation 27 of the Intermediaries Regulations, calling upon them to show cause as to why action as recommended by the DA or any other action in terms of the Intermediaries

Regulations, be not taken against it. The Enquiry Report was also enclosed along with the SCN that was served upon the *Noticee*. The SCN was sent to the registered address of the *Noticee* as well as to an alternate address. However, SCN could not be delivered to either of the addresses and the same were returned undelivered. Further, from the information available on record, it is noted that an officer from SEBI Indore Local Office had visited the location/ registered office address (as available with SEBI) and it was found that the office was unoccupied and neither any board nor nameplate of the *Noticee* was there. Thereafter, the SCN was sent through digitally signed email dated April 26, 2024 and the delivery of the same has been confirmed. However, I note that no reply to SCN has been submitted by the *Noticee*.

9. Subsequently, a personal hearing in the matter was scheduled on July 18, 2024 and the hearing notice was served on the *Noticee* through its registered email. On the day of hearing, no one appeared on behalf of the *Noticee*. I note from the records that the *Noticee* has neither filed any reply to the SCN nor has availed the opportunity of personal hearing granted to it. It would be appropriate here to note that the *Noticee*, during the proceeding before the DA, submitted regarding its intention to surrender SEBI Registration as an Investment Adviser. In light of the aforesaid factual position, I am of the opinion that sufficient opportunity has been provided to the *Noticee* and the principles of natural justice have been duly followed in the matter.
10. I now proceed to examine the matter, based on materials available on record. After going through all the material available on record, I find that the DA had issued show cause notice dated November 03, 2023 alleging irregularities on 6 counts as stated in paragraph number 4 above. However, after consideration, the DA, in the Enquiry Report, found that the allegations were found established against the *Noticee* only on 4 counts as stated in paragraph number 6 above.
11. In the extant proceeding, it is required to ascertain whether the *Noticee*, by its acts and conduct during the inspection period, has violated the applicable provisions of

securities law as mentioned in the enquiry report. However, before proceeding further, it is necessary to go through the relevant provisions of law and the same are reproduced here under for reference:

SEBI Act, 1992

Registration of stock brokers, sub-brokers, share transfer agents, etc.

12.(1) No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:

Provided that a person buying or selling securities or otherwise dealing with the securities market as a stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market immediately before the establishment of the Board for which no registration certificate was necessary prior to such establishment, may continue to do so for a period of three months from such establishment or, if he has made an application for such registration within the said period of three months, till the disposal of such application:

Provided further that any certificate of registration, obtained immediately before the commencement of the Securities Laws (Amendment) Act, 1995, shall be deemed to have been obtained from the Board in accordance with the regulations providing for such registration.

(2).....

(3) The Board may, by order, suspend or cancel a certificate of registration in such manner as may be determined by regulations:

Provided that no order under this sub-section shall be made unless the person concerned has been given a reasonable opportunity of being heard.

Delegation

19. *The Board may, by general or special order in writing delegate to any member, officer of the Board or any other person subject to such conditions, if any, as may be specified in the order, such of its powers and functions under this Act (except the powers under section 29) as it may deem necessary.*

SEBI (Intermediaries) Regulations, 2008

Cancellation or suspension of registration and other actions.

23. *Where any person who has been granted a certificate of registration under the Act or regulations made thereunder, –*

(a) fails to comply with any conditions subject to which a certificate of registration has been granted to him;

(b) contravenes any of the provisions of the securities laws or directions, instructions or circulars issued thereunder;

the Board may, without prejudice to any action under the securities laws or directions, instructions or circulars issued thereunder, by order take such action in the manner provided under these regulations.

Recommendation of action

26. *(1) After considering the material available on record and the reply, if any, the designated authority may by way of a report, recommend the following measures,–*

(i).....

.....

(vii) issuance of a regulatory censure to the noticee:

Order

27. (1)

(2).....

.....

(5) *After considering the facts and circumstances of the case, material on record and the written submission, if any, the competent authority shall endeavor to pass an appropriate order within one hundred and twenty days from the date of receipt of submissions under sub-regulation (2) or the date of personal hearing, whichever is later.*

SEBI (Investment Advisors) Regulations, 2013

Conditions of Certificate

The certificate granted under Regulation 9 shall, inter alia, be subject to the following conditions:

13(a) *the investment adviser shall abide by the provisions of the Act and these regulations;*

13(b) *the investment adviser shall forthwith inform the Board in writing, if any information or particulars 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.*

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.

General responsibility

15 (1).....

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

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 containing list of the clients, the date of advice, nature of the advice, the products/securities in which advice was rendered and fee, if any charged for such advice.*

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

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

(3) An investment adviser shall conduct yearly audit in respect of compliance with these regulations from a member of Institute of Chartered Accountants of India or Institute of Company Secretaries of India and submit a report of the same as may be specified by the Board.

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.*

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.

8. Compliance

An investment adviser including its partners, principal officer and persons associated with investment advice shall comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.

SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020

2. In addition to the above, Investment Advisers shall ensure compliance with the following guidelines:

(i).....

(ii) Agreement between IA and the client

- a. Regulation 19 (1) (d) of the amended 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 SEBI (Investment Advisers) Regulations, 2013 and amendments thereto as well as circulars issued thereunder.*
- 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.*
- d. IA shall enter into investment advisory agreement with its clients including existing clients latest by April 01, 2021 and submit a report, confirming the same to SEBI latest by June 30, 2021.*

(vi) Maintenance of record

Regulation 19 (1) of the SEBI (Investment Advisers) Regulations, 2013 provides that IA shall maintain records with respect to his activities as an investment adviser. 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.

D. Examination of Evidence

12. I have carefully perused the material available on record including the Enquiry Report submitted by DA and applicable provisions of law. As noted above, the *Noticee* has neither submitted any response to the SCN nor availed the opportunity of personal hearing. It would be relevant to first highlight the findings of the inspection carried out by SEBI and then delve into the evidence in support of the findings. I shall now proceed to deal with the violations as alleged in the Enquiry Report *in seriatim*.

I. Registered office not available

13. It is noted from the record that on the day of inspection, at the location mentioned as registered office of the *Noticee*, there was no one present and no office was found to be in existence in the name of Piyush Jain or Wealthmax Solution Investment Adviser.

It has been alleged in the SCN that the *Noticee* did not inform regarding change in material information i.e. registered office of the *Noticee*. Accordingly, the *Noticee* allegedly violated sub- regulation (a) and (b) of regulation 13, sub-regulation (9) of regulation 15 read with clauses 1 and 8 of Code of Conduct as mentioned in Third Schedule of the IA Regulations.

14. The DA, in the Enquiry Report, noted that the *Noticee* had given contradictory submissions in his reply to the inspection report and the show cause notice issued by the DA. In view of the same, the DA did not find merit in the submission of the *Noticee*.
15. It is pertinent to note that the *Noticee*, while replying to the inspection report, submitted that there was no change in the registered office address at any time and that in February 2020, it had ceased its operations and closed the office. Whereas, in the reply to the show cause notice issued by the DA, the *Noticee* made a contrary submission that it had changed the address and the same was informed to SEBI through SEBI Intermediary Portal (SI Portal). The DA also noted that the screen shot of the SI portal dated February 19, 2020 was submitted by the *Noticee*. Further, the *Noticee* had submitted before the DA that it had changed its address from *Sayaji Plaza* to *Vardhman Plaza* on February 26, 2020 wherein it operated for only a month and then it had closed its operations.
16. Upon examining the provision of sub-regulations (a) and (b) of regulation 13 of the IA Regulations (refer to page 8-9 of the order) , I note that an Investment Adviser is required to abide by the provisions of the SEBI Act and regulations made thereunder. Further, an Investment Adviser is, inter alia, required to inform SEBI in writing, any material change in the information already submitted. Further, sub-regulation (9) of regulation 15 (refer to page 9 of the order) read with clause 1 and 8 of Code of Conduct as mentioned in schedule III of IA regulation (refer to page 10-11 of the order), inter alia, casts general responsibility on the Investment Adviser to act honestly, fairly and in the best interests of it clients and integrity of the securities market and also act in

compliance with all the regulatory requirements applicable to the conduct of its business activities.

17. As per the above mentioned provisions, any material change in the registered office address of the *Noticee* should have been informed to SEBI in writing. Even if the submission of the *Noticee* before the DA, regarding intimation to SEBI through SI portal, is to be considered, it is to be seen whether the same is acceptable.
18. I note that SI portal was operationalized by SEBI for the intermediaries to submit all the registration applications online. As per available record in extant case, I note that the *Noticee* had submitted an application on the SI Portal on February 19, 2020 for change in address. However, it is observed the *Noticee* on March 09, 2020 was advised by SEBI to submit all the requisite documents physically including original SEBI Registration Certificate. As the *Noticee* failed to submit the requisite documents, the request for change in address was rejected and closed on SI Portal on June 26, 2020.
19. In view of the above, the submission of the *Noticee* with regard to intimation for change in address on SI Portal is not acceptable. I find that the allegation is established against the *Noticee*. Accordingly, I find that the *Noticee* has violated sub-regulations (a) and (b) of regulation 13 of the IA Regulations and sub-regulation (9) of regulation 15 read with clause 1 and 8 of Code of Conduct as mentioned in schedule III of IA Regulation.

II. Non-maintenance of records and non-execution of agreements with clients

20. It has been alleged that the *Noticee* has not maintained the basic details and records and that discrepancies were observed with respect to copy of agreement, KYC documents, invoices, Risk Profiling, email communications, call recordings etc. pertaining to all 8 clients. It has also been alleged that the *Noticee* had received fees from clients on 5 instances after April 01, 2021, without executing agreement. Further, details of the said discrepancies found during inspection have been elaborated below-

- a) **KYC**: The *Noticee* had not done KYC of 5 out of 8 clients and for these 5 clients, name of the clients was mentioned as 'AAAAAA', 'BBBBBBB' and 'CCCCC', indicating that the *Noticee* didn't have the basic details of the clients i.e. name, Phone number, email-id and PAN. The *Noticee* had submitted copy of PAN card and Aadhar card of remaining 3 out of 8 clients.
- b) **Agreement**: The *Noticee* had not executed agreements with 5 clients out of 8 clients. The *Noticee* had received fees from clients on 5 instances after April 01, 2021, without executing agreements. Further, with respect to the agreement with remaining 3 clients, the same was not as per Annexure A of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020 which mandates an Investment Adviser to cover the terms and conditions provided in Annexure-A of the said circular.
- c) **Risk Profiling**: Out of 8 clients, the *Noticee* had not done Risk Profiling for 5 clients.
- d) **Invoices**: The *Noticee* had not submitted invoices with respect to any of the payments received by it.
- e) **Call Recording, Emails and Record of SMS messages**: The *Noticee* had not maintained call recordings, Emails and Record of SMS messages for the services rendered by it to its clients.

- 21. Accordingly, it has been alleged that the *Noticee* has violated regulations 19 of the IA Regulations read with sub-clause (ii) and (vi) of clause 2 of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020 read with clauses 1, 2 and 8 of the Code of Conduct for Investment Advisers as specified under Third Schedule read with sub-regulation (9) of regulation 15 of IA Regulations.
- 22. The DA, in the Enquiry Report observed that the *Noticee* had claimed to have maintained all records pursuant to the relevant regulations and could not provide the same due to demise of its compliance officer which resulted in non-submission / delayed submission of data to SEBI. However, in absence of any documentary proof provided by the *Noticee*, the DA found that the allegations were established against it.

23. I note that as per sub-regulations (1) of regulation 19 of the IA Regulations, an Investment Adviser shall maintain the records as provided therein. Further, as per sub-regulations (2) of regulation 19 of the IA Regulations, the record shall be maintained either in physical form or electronic form and should be preserved for a minimum period of five years. Further, as per Clause 1,2 and 8 of Code of Conduct for Investment Advisers as specified under the Third Schedule read with sub-regulation (9) of regulation 15 of IA Regulations, an investment adviser shall act honestly, fairly, and shall act with due skill, care and diligence in the best interests of its clients and in the integrity of the market and shall comply with all regulatory requirement.
24. I have perused the material on record and I note that inspection clearly highlighted the discrepancies in maintenance of records by the *Noticee*. With respect to the discrepancy pertaining to KYC details, I note that in case of 5 clients, the *Noticee* had not even mentioned proper names/ phone numbers/ email ids/ PAN of the clients. A Stock broker is required to comply with requirements of client account opening procedures. KYC is a regulatory and legal requirement to establish the unique identity of the investor and it has attained utmost importance in strengthening the securities market and its systems. Further, clause (a) of sub-regulation (1) of regulation 19 of the IA Regulations makes it mandatory for an IA to maintain KYC records of clients.
25. Further, I note that there was no record of any investment advisory agreements having been executed with 5 out of 8 clients. Additionally, the copy of the agreements executed with 3 clients (Dhawal Khatri, Navneet Patel and Prakash K Jadhav) did not conform to the provisions of the sub-clause (ii) of clause 2 of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020 (refer to page 11-12 of the order), which mandates an Investment Adviser to cover the terms and conditions provided in Annexure-A of the said Circular. I note that sub-clause (ii) of clauses 2 of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020, *inter alia*, makes it incumbent on an Investment Adviser to enter into investment advisory agreement with its clients before rendering any investment advice or charging fees from them. Any investment advisory agreement has to cover the terms and conditions

provided in Annexure A of the said Circular dated September 23, 2020. The said provision came into effect from April 01, 2021. On consideration of the material on record, I find that the *Noticee* had provided copies of agreement with 3 clients, but the same did not conform to the mandatory requirements as mentioned in Annexure A of SEBI Circular dated September 23, 2020.

26. Therefore, I find that the *Noticee* had received fees from clients without entering into agreement. Further, I note that the *Noticee* has not submitted any evidence/ document to show that the agreements were executed in compliance with the relevant provisions of law. I further note that as per clause (d) of sub-regulation (1) of regulation 19 of the IA Regulations (refer to page 9 -10 of the order), the *Noticee* is obligated to maintain copies of agreements with clients, incorporating the terms and conditions as may be specified by the SEBI.
27. I note that the *Noticee* has outright denied having done risk profiling for 5 out of 8 clients. Further, no records have been shown by the *Noticee* with respect to invoices. I note that clause (b) of sub-regulation (1) of regulation 19 of the IA Regulations makes it mandatory for an IA to maintain records of risk profiling and risk assessment of the client.
28. Similarly, I note that no evidence has been provided with respect to maintenance of call recordings/ emails and sms messages. As per sub-clause (vi) of clause 2 of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020, it is mandatory that IAs shall maintain all records, including call records, of interactions with its clients/ prospective clients from start of interactions till the completion of advisory services. I note that during inspection, the *Noticee* could not provide any record to show compliance with the above mentioned provisions.
29. I also note that the *Noticee's* claims of maintaining all records, has not been corroborated with evidence despite being provided with ample opportunity to file written submissions/ availing the opportunity of personal hearing in the extant proceeding. If the *Noticee* had maintained the records, it would have been able to provide them. I note

that it is the mandatory requirement for Investment Advisers to ensure that record/ data is maintained as per requirement of law. I also find that the *Noticee* has failed to act honestly, fairly, and with due skill, care and diligence in the best interests of its clients and in the integrity of the market.

30. In view of the above, I find that the *Noticee* has violated Regulation 19 of SEBI IA Regulations read with sub-clause (ii) and (vi) of clause 2 of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020 read with clauses 1, 2 and 8 of the Code of Conduct for Investment Advisers as specified under Third Schedule read with sub-regulation (9) of regulation 15 of the IA Regulations.

III. Non-co-operation and submission of insufficient documents to the inspection team

31. It has been alleged that during inspection the *Noticee* has submitted insufficient / incomplete response to Pre Inspection Questionnaire (PIQ) (inadvertently mentioned as Post Inspection Questionnaire by DA) and inspection team. Further, it has been alleged that the *Noticee* did not furnish net worth certificate to the inspection team during inspection. Accordingly, the allegation of violation of sub-regulations (1) and (2) of regulation 25 of the IA Regulations has been levelled against the *Noticee*.
32. As per sub-regulations (1) and (2) of regulation 25 of the IA Regulations (refer to page 10 of the order), an Investment Adviser shall 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.
33. From the material available before me, I note that SEBI, vide letter dated February 10, 2022, informed the *Noticee* that an inspection of its books of accounts/ records and other documents pertaining to its registration as an investment advisor would be carried out by SEBI. Vide said letter, the *Noticee* was also advised to send its reply to the PIQ lated by February 25, 2022. Subsequently, SEBI, vide email dated June 13, 2022 once

again reminded the *Noticee* to furnish the required information. Despite reminders, the *Noticee* did not submit documents and the documents which were submitted by it were deficient with respect to KYC, Client agreement, Risk Profiling, Invoices, call records etc. as mentioned in paragraph 34 above. Further, it is noted that the Networth Certificate was not provided during the inspection and the same was submitted subsequently. I also note that the *Noticee*, vide its email dated January 30, 2023, *inter alia*, informed the inspection team regarding its inability to submit full details of PIQ, Client agreement, Risk Profiling documents, call records, Net worth certificate etc. to SEBI inspection team due to death of the Chartered Accountant.

34. In this regard, I note that the *Noticee* has failed to discharge its obligations by not producing the requisite documents to the inspecting authority in connection with the inspection. Incomplete documents also cannot be accepted as compliance on the part of the *Noticee*. Accordingly, I find that the *Noticee* did not co-operate with SEBI nor furnished complete information sought as part of the inspection, which is violative of sub-regulations (1) and (2) of regulation 25 of the IA Regulations.
35. In view of the foregoing, I find that the *Noticee* has violated the following provisions-
- a) Sub-regulations (a) and (b) of regulation 13 of the IA Regulations and sub-regulation (9) of regulation 15 read with clause 1 and 8 of Code of Conduct as mentioned in schedule III of IA regulation, for not informing SEBI about material change in the information regarding change in registered office.
 - b) Regulation 19 of SEBI IA Regulations read with sub-clause (ii) and (vi) of clause 2 of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020 and sub-regulation (9) of regulation 15 read with clauses 1, 2, and 8 of the Code of Conduct for Investment Advisers as specified under Third Schedule of the IA Regulations, for not maintaining the basic details and records and not executing agreements with clients.
 - c) Sub-regulations (1) and (2) of regulation 25 of IA Regulations for non-cooperation and submission of insufficient documents to the inspection team.

E. Conclusion

36. Investment Advisers are expected to strictly comply with the provisions of the IA Regulations, both in letter and in spirit as they play an important role in retail and small investor participation in the securities market. For the reasons mentioned in the preceding paragraphs, I find that the *Noticee* has violated the provisions of the IA Regulations and SEBI Circular as indicated at paragraph 35 above. I also note that an adjudication order dated March 13, 2024 was passed against the *Noticee* with respect to identical allegations arising out of the same inspection, wherein a penalty of INR 7 Lakh has been imposed.
37. I have also noted that the *Noticee* has made a plea before DA that he has initiated the process of surrendering its registration to SEBI. Though nothing has been filed in this regard. I have also noted that his registration is not in force on account of non-payment of fees, non-renewal of NISM Certificates and non-membership of BASL. In this regard, appropriate action under summary proceedings may be taken by SEBI for these violations.
38. Having regard to the facts and circumstances of the instant proceeding, I agree with the recommendations given by the DA vide Enquiry Report dated March 14, 2024 that Regulatory Censure may be issued to the *Noticee* in terms of clause (vii) of sub-regulation (1) of regulation 26 of the Intermediaries Regulations.
39. I observe that the address of a registered intermediary is of vital importance as it not only helps an investor to validate its registration status, it is also relevant for the purpose of addressing all communications, statutory or otherwise, from the regulator or the investor. Thus, it is vital to intimate the change in registered address to the regulator, which is responsible to update the same at necessary places which is available in public domain. Further, the *Noticee* has also failed to maintain records which are mandatory as per the prevalent laws. The punishment of regulatory censure is issued keeping in mind the nature of violations, small scale operations of the *Noticee* and the penalty of INR 7 Lakh already imposed for such violations.

40. I note that in terms of sub-regulation (5) of regulation 27 of the Intermediaries Regulations, after considering the facts and circumstances of the case, material on record and the written submissions made by the entity, it would be endeavoured to pass the order in 120 days from the date of receipt of the submissions or personal hearing, whichever is later. Further, in terms of section 19 of the SEBI Act, 1992, the power to pass such order has been delegated to Whole Time Members of the Board. In the present case, the personal hearing was scheduled on July 18, 2024 and the present order is being passed within 120 days of personal hearing.

F. Order

41. I, in exercise of the powers conferred upon me under sub-section (3) of section 12 and section 19 of the SEBI Act, 1992 read with sub-regulation (5) of regulation 27 of the Intermediaries Regulations, hereby issue regulatory censure against Wealthmax Solution Investment Adviser (Proprietor- Piyush Jain) (SEBI Registration No. INA000010751).
42. A copy of this order shall be forwarded to the *Noticee*.

-sd-

DATE: OCTOBER 23, 2024

PLACE: MUMBAI

KAMLESH C. VARSHNEY

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA