

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[Adjudication Order: Order/SM/AS/2023-24/29817]**

**Under section 15-I of the Securities and Exchange Board of India Act, 1992
read with rule 5 of the Securities and Exchange Board of India (Procedure for
Holding Inquiry & Imposing Penalties) Rules, 1995**

**In respect of:
Equity99
(PAN- AAFFE4984L)
(SEBI Registration No- INA000005358)**

In the matter of Equity99-Investment Advisor

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted an inspection of Equity99 (hereinafter referred to as "**Noticee**"/ "**Equity99**"/ "**IA**"/ "**You**"), who is having SEBI Registration No. INA000005358. The inspection of the Noticee was conducted during September 26, 2022 till October 07, 2022 for the period of April 01, 2021 to August 31, 2022 (hereinafter referred to as "**inspection period**"). Thereafter, the findings of the aforementioned inspection were communicated to the entity vide email dated November 09, 2022. In response to the findings of the inspection report Noticee has filed its reply vide letter dated November 14, 2022.
2. A post inspection analysis based on the responses of the entity vis-à-vis the findings of inspection has been prepared and it has been observed that Noticee has allegedly violated certain provisions of securities law, the detail of the same is tabulated below:

Table No. 1

S.N.	Alleged Violation	Statutory Provisions
1	Qualification and Certification Requirements: Principal Officer of Equity 99 did not have valid NISM Certificate during the inspection period.	Regulation 15(13) r/w 7(2) of SEBI (Investment Advisers) Regulations, 2013 ("IA Regulations")
2	Condition of certificate: IA-Equity99 has not included word Investment Advisor in its name.	Regulation 13(a)(c) of SEBI IA Regulations 2013 r/w Clause 8 & 9 of Code of Conduct as specified in Third Schedule of IA Regulations.
3	Format of Agreement: IA-Equity99 has been collecting fees and rendering advice to the clients prior to execution of the agreement with its clients.	Regulation 19 (1) (d) of the SEBI IA Regulations, 2013 read clause (ii) c of SEBI circular SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020.
4	General Responsibility: Equity 99 has sold the research report to its telegram channel clients, by not obtaining a certificate of registration of Research Analyst from SEBI.	Regulation 15(9) of SEBI IA Regulations, 2013, r/w Clause 1, 2, 5, 8 & 9 of Code of Conduct as specified in Third Schedule of IA Regulations and Regulation 3 (1) of SEBI (Research Analysts) Regulations, 2014 ("RA Regulations").
5	Risk Profiling: Risk profiling of clients has not been done properly, appropriate category of risk and risk profiling scores has not been communicated to clients.	Regulation 16 (b) (iii) & 16 (e) of IA Regulations.
6	Suitability: Equity99 has recommended same service to clients falling under Low, Medium & High risk categories. Equity99 failed to maintain appropriate standards of conduct and failed act honestly, fairly and in the best interests of its clients and in the integrity of the market.	Regulation 17 (a), (c) and (d) read with Clause 1 and 9 of Code of Conduct under Regulations 15(9) of IA Regulations.
7	Redressal of client grievances: One Complaint of Mr. Arun Joshi is still pending to be resolved by IA-Equity 99 in SCORES and it has failed to redress client grievance promptly.	Regulation 21 (1) and (2) of the IA Regulations.
8	Regulation 15(8) and Circulars regarding Know your Client procedures: IA-Equity99 has not followed know your client (KYC) procedure properly and on-boarding the clients without verifying that Client is KYC Compliant or not with any KRA (KYC registration Agency).	Regulation 15(8) of IA Regulations.
9	Display of Mandatory Information: IA-Equity99 has not displayed in its office, the name and contact details of compliance officer to whom complaint may be made in case of grievance.	Clause 2 of SEBI Circular CIR/MIRSD/3/2014 dated August 28, 2014 and Regulation 15(9) of SEBI IA regulations 2013 read with Clause 8 of Code of Conduct as specified in Third Schedule of IA Regulations.
10	Display of investor charter: IA-Equity 99 has displayed incorrect details of investor complaints in the trend of annual disposal of complaints on its website.	Clause 3 of the SEBI circular SEBI/HO/IMD/IMD-II CIS/P/CIR/2021/0686 dated December 13, 2021.
11	Policy on Anti Money Laundering laws: *	SEBI Circular ISD/CIR/RR/AML/1/06 dated January 18, 2006 and ISD/CIR/AML/2/06 dated March 20,

IA Equity99 failed to adopt AML policy and failed to appoint Principal Officer and Designated Director during the inspection period and to communicate details of appointment of principal officer and designated director to FIU-IND. Equity99 thus fails to fulfil requirements of AML policy.	2006 and SEBI Master circular SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019.
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**I find it pertinent to mention that SCN has inadvertently mentioned allegations which are not part of the communique dated August 04, 2023 appointing the undersigned as Adjudicating Officer in the present enquiry proceedings. Thus, aforesaid allegation against the Noticee as mentioned under head "Policy on Anti Money Laundering laws" is being dropped.*

APPOINTMENT OF ADJUDICATING OFFICER

3. Vide communiqué dated August 04, 2023, it has been informed that the competent authority in SEBI is satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violations as specified above against Noticee and appointed the undersigned as Adjudicating Officer under Section 15I (1) of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**") read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") to inquire into and adjudge the aforesaid alleged violations by the Noticee as specified in Table no. 1, under Section 15EB of the SEBI Act. The said provision of the SEBI Act read as under:

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.*

4. A Show Cause Notice (hereinafter referred to as "**SCN**") dated September 26, 2023, was issued to Noticee under rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be held against you and penalty, if any, should not be imposed upon you under section 15EB of the SEBI Act, for the aforesaid alleged violations as mentioned in Table No 1.
5. The whole process of the present adjudication proceeding with respect to Noticee has been mentioned below in tabular form:

Table No 2

SCN delivered		Hearing Notice Delivered		Hearing Notice Delivered	Adjournment Requested	Reply of the Noticee	Hearing Concluded
Email	SPAD	Email	SPAD				
Digitally signed email dated September 27, 2023* email dated October 19, 2023**	undelivered	Oct 12, 2023	Delivered	October 12, 2023 by digitally signed email	October 19, 2023	November 03, 2023	November 06, 2023

*email id- ninfo@equity99.com **Email id- info@equity99.com; rahul@equity99.com

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

6. As the inquiry in the matter has been completed, I now proceed to decide the case on the basis of SCN issued, reply made by the Noticee and material available on record. I note that the issues that arise for consideration in the present case are:

Issue No I Whether Noticee is liable under section 15EB of the SEBI Act for the violation as specified in Table no. 1 of this order?

Issue No. II If yes, whether the failure, on the part of the Noticee would attract monetary penalty under Section 15EB of the SEBI Act?

Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticee, taking into consideration the factors stipulated in Section 15J of the SEBI Act read with rule 5(2) of the Adjudication rules?

Issue No I Whether Noticee is liable under section 15EB of the SEBI Act for the violation as specified in Table no. 1 of this order?

7. The allegations levelled against Noticee, and findings in respect of the same are dealt with in the subsequent paragraphs of this report.

8. Qualification and Certification Requirements

- 8.1. It was observed that Rahul Sharma's National Institute of Securities Markets ("NISM") certificate had expired on 01/04/2022. Thus, it was observed that Mr. Rahul Sharma being the principal officer of Equity99 was providing investment advice during inspection period without having valid NISM

certificates. Thus, it has been alleged that Noticee has violated provisions of Regulation 15(13) read with Regulation 7(2) of IA Regulations.

Reply

- 8.2. *Mr. Rahul Sharma, Principal Officer, had NISM certifications in 2017, validity of the same was extended till April 01, 2022 by NISM in view of the Covid Scenario. We inadvertently missed appearing for the NISM exams to renew the certification. However, in May 2022, as soon as we realized that the requisite certification is not renewed, we stopped on-boarding any new client for our advisory services.*

Findings

- 8.3. In the instant case, I note that Noticee has admitted that Rahul Sharma (Principal Officer of Equity 99) failed to renew the relevant NISM certification which had expired on April 01, 2022. The details of the same are given below-

Principle officer of Equity 99	Certification	Certificate validity	
Rahul Sharma	Investment Advisor Level- 1	08/07/2017	01/04/2022
	Investment Advisor Level- 1	09/12/2017	01/04/2022

- 8.4. Thus, I find that Noticee has contravened regulation 7(2) of IA Regulations which states that principal officer of a non-individual investment adviser must have at all times a certification on financial planning or fund or asset or portfolio management or investment advisory services- (a) from NISM; or (b) from any other organization or institution including Financial Planning Standards Board of India or any recognized stock exchange in India provided such certification is accredited by NISM.
- 8.5. Further, I also note that Noticee claimed that it had taken corrective action promptly by not on-boarding any new clients. However, Noticee has failed to produce any document to support such claim. Thus, I am not inclined to accept such contention of Noticee. Further, I note that Noticee has not produced required NISM certification before me till the date of this report.

- 8.6. In view of above, I find that allegation in SCN with respect to the Noticee for violation of Regulation 15(13) read with Regulation 7(2) of IA Regulations stands established.

9. Condition of certificate

- 9.1. It was observed that Noticee had not included word 'Investment Advisor' in its name. Thus, it has been alleged that Noticee has violated Regulation 13(a) and (c) of SEBI IA Regulations 2013 r/w Clause 8 & 9 of Code of Conduct as specified in Third Schedule of IA Regulations.

Reply

- 9.2. *It is to note that Equity99 is registered with SEBI as an investment adviser in the form of Partnership firm. At Equity99, we have established a structured framework to ensure the effective segregation of functions and responsibilities within our organization. Our aim is to maintain strict compliance with SEBI regulations while delivering quality investment advisory services to our clients. To this end, we have divided our operations into separately identifiable divisions named as Investment Advisory Division, Compliance Division, and Administrative Division. Further, At the time of submitting our Investment Adviser (IA) registration application, the name "Equity99" was provided to SEBI as part of the application process. Notably, during the review of our application, no contentions or observations were raised by SEBI regarding our organization's name. Subsequently, our IA registration application was approved without any reservations or objections.*

Findings

- 9.3. Regulation 13 (a) and (c) given below:

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

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

(c) the investment adviser, not being an individual, shall include the words 'investment adviser' in its name:

Provided that if the investment advisory service is being provided by a separately identifiable department or division or a subsidiary, then such separately identifiable department or division or subsidiary shall include the words 'investment adviser' in its name;

- 9.4. I note that regulation 13(c) of IA Regulations categorically states that an investment adviser, not being an individual, shall include the words '**investment adviser**' in its name. In its reply, Noticee has submitted that the

name "Equity99" was provided to SEBI as part of the application process and no review of its application or observations were raised by SEBI regarding its name. In this regard, I note that as per the certificate of registration granted to Noticee in Form B under First Schedule of IA Regulations, the name of applicant is used only to signify that registration has been granted to that particular entity. As such, it is clearly mentioned in Form B that such certificate is subject to conditions as specified in IA regulations, one of which is encapsulated in Regulation 13(c) of IA Regulations. Thus, I find that the aforesaid contention by Noticee is not tenable. Further, Noticee's contention that their operations are divided into separately identifiable divisions which include the words "investment advisor" is not acceptable, since Noticee has failed to produce any documentary evidence in support of the aforesaid claim.

- 9.5. Considering the aforesaid, I find that, in the instant case, Noticee being a partnership firm has the obligation to include the term 'investment adviser' in its registered name. Thus, I find that allegation against Noticee for violation of Regulation 13(a) and (c) of IA Regulations read with Clauses 8 and 9 of Code of Conduct as specified in Third Schedule of IA Regulations.

10. Format of Agreement

- 10.1. It was observed that Noticee had collected money from two clients viz Mr. Arun Joshi & Mr. Nikhil Jawahire, while their agreement/KYC was yet to be completed. Thus, it was observed from the process followed by Noticee that the clients had paid the fee to IA first and then all formalities of agreement/KYC were completed.

- 10.2. In view of above, it is alleged that Noticee has violated Regulation 19 (1) (d) of IA Regulations read with Clause (ii)(c) of SEBI Circular no. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020.

Reply

- 10.3. *As a standard practice, our clients were not provided with advisory services prior to fee collection, execution of agreements, and risk profiling. This deviation from standard practice occurred inadvertently in two cases due to a misunderstanding*

on the part of our onboarding staff. The same has been validated by the inspecting team as well. In light of these lapses, we have taken immediate corrective measures to prevent any recurrence. We have introduced a "maker and checker" concept in our process, ensuring that advisory services are not delivered to clients before all necessary compliance requirements are met. We are committed to upholding the highest standards of professionalism and compliance, and we consider this process enhancement a crucial step in that direction. We would like to emphasize that these lapses occurred in only two out of the many client onboarding processes we manage. While this is no excuse for any oversight, we want to assure you that our commitment to the highest levels of service remains unchanged. We want to highlight the fact that These lapses were not intentional practices adopted by our organization but rather inadvertent occurrences, stemming from misunderstandings on the part of our onboarding staff and We have taken corrective steps to rectify the situation and ensure that such incidents do not repeat in the future. We want to assure you that these isolated occurrences do not reflect our standard practice for client servicing.

Findings

10.4. I note that it Noticee has admitted that there was deviation from standard practice i.e., they were providing advisory services only after fee collection, execution of agreements and risk profiling, which occurred inadvertently in two cases due to a misunderstanding on the part of its onboarding staff. I find that Clause 2(ii)(c) of SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020 clearly prohibits an investment advisor to render any investment advice or charge any fee until the client has signed the agreement and a copy of signed agreement is given to the client. Thus, in view of Noticee's own admission, I find that allegation with respect to the Noticee for violation of Regulation 19 (1) (d) of the IA regulations read with Clause 2(ii)(c) of SEBI Circular no. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020 stands established.

11. General Responsibility

11.1. It was observed that the website of Noticee had a tab "Research Report" which, *inter-alia*, mentions as under:

"Professional Research

Our Professional Research Analysts are well qualified in each key area of Technical and Fundamental Research with extensive experience in equity

analysis. When it comes to investment, fundamental and technical analysis as well as research is highly important.”

11.2. Further, it mentions that *“following all due-diligence and compliance procedure as per SEBI regulations and run by team of qualified CAs and CFAs(US) with rich experience in investment analysis and portfolio management”*

11.3. Noticee in its reply dated September 29, 2022, to the clarification sought by SEBI regarding team members having CA and CFA(US) qualification, had submitted that: *“Thank you for pointing out, Equity99 had 2 employees earlier back in 2018 so at that time the website was updated mentioning CA/CFA. Now we have updated the Page & have corrected the same, Kindly Check updated page now <https://www.equity99.com/equity-research>”*

11.4. Hence, it was observed that Noticee had displayed incorrect information of preparation of research report by professional research analysts and having CA and CFA(US) as team members, on its website and sold research report to individuals without having registration of research analyst and without making disclosures in this regard to individuals to whom research report was sold.

11.5. Further, vide email dated October 13, 2022 to SEBI, Noticee confirmed that during inspection period, it had sold Research Reports to individuals (who are not clients but are members of telegram channel of IA-Equity99) for Rs. 46,67,427/-. The research reports were also provided as complimentary as part of HNI membership, to existing clients. Hence, it was observed that as Noticee was selling the research reports and earning consideration from it, this transaction cannot be categorized as *“issuing research report to public”*. In view of aforesaid, it was observed that Noticee sold research report to its clients without obtaining SEBI Research Analyst registration.

11.6. In view of above, it has been alleged that Noticee has violated Regulation 15(9) of IA Regulations read with Clauses 1,2 5,8 & 9 of Code of Conduct as

specified in Third Schedule of IA Regulations and Regulation 3 (1) of RA Regulations.

Reply

11.7. *In accordance with the SEBI (Research Analysts) Regulations, we note the following provision:*

"3. (1) On and from the commencement of these regulations, no person shall act as a research analyst or research entity or hold itself out as a research analyst unless he has obtained a certificate of registration from the Board under these regulations: Provided that any person acting as research analyst or research entity before the commencement of these regulations may continue to do so for a period of six months from such commencement or, if it has made an application for a certificate of registration under sub-regulation (2) within the said period of six months, till the disposal of such application:

Provided further that an investment adviser, credit rating agency, asset management company, or fund manager, who issues a research report or circulates/distributes a research report to the public or its director or employee who makes a public appearance, shall not be required to seek registration under regulation 3, subject to compliance with Chapter III of these regulations."(emphasis supplied)

11.8. *Based on our interpretation of the regulations, an Investment Adviser (IA) is permitted to distribute research reports to the public for a fee without the necessity of obtaining a Research Analyst Registration. The distribution process includes the provision of services on a chargeable basis. As a result, we provide our research reports to the public. This distribution is facilitated through our public Telegram channel, which is open for the public to join. Our Telegram channel serves as a platform to communicate our research report offerings to the public, and interested individuals voluntarily subscribe to access our research reports. In SEBI order WTM/SKM/54/201-22 dated January 12, 2022, by Hon'ble Whole Time Member Shri S. K. Mohanty, the Whole Time Member had observed that- As part of its many novel features, Telegram allows creation of public channels wherein large number of subscribers can be added to be part of it..... In view of the above, distribution of reports to telegram subscribers are nothing but distribution of reports to public, which is specifically allowed as per the regulation mentioned above.*

Findings

11.9. In its reply, Noticee has submitted that distribution of research report is facilitated through its public Telegram channel, which is open for the public to join and its Telegram channel serves as a platform to communicate their research report offerings to the public and includes providing research report on payment of fees. Noticee has further submitted that an IA is permitted to distribute research reports to the public for a fee without the necessity of obtaining a Research Analyst Registration. Thereby, Noticee has contended

that distribution of reports to telegram subscribers are nothing but distribution of reports to public, which is specifically allowed as per the Regulation 3 (1) of RA Regulations. I am of the view that in the instant case, Noticee is using the Telegram Application as a platform to communicate to public about the research report offerings to the public. As such, I find that Noticee is not offering its research reports to public but is only advertising about its research report through Telegram channel and these reports are made available to only those subscribers who pay the requisite fees.

11.10. In view of above, I note that the act of selling research reports to specific persons on payment of prescribed fees cannot be considered as circulation or distribution of research reports to public. Therefore, the exemption in the proviso to Regulation 3 of RA Regulations is not applicable to Noticee, i.e., Noticee has to obtain Research Analyst registration from SEBI. Thus, the allegation that Noticee has contravened Regulation 3 of RA Regulations stands established.

11.11. As regards the allegation of displaying incorrect information on its website, I note that it is an admitted position that during inspection, Noticee's website had mentioned incorrect information regarding qualification of its research analysts. In this context, I also note that Noticee rectified the same later, however this can be considered only as a mitigating factor.

11.12. In view of above, I find that allegations with respect to the Noticee for violation of Regulation 15(9) of IA Regulations read with Clauses 1, 2, 5, 8 & 9 of Code of Conduct as specified in Third Schedule of IA Regulations and Regulation 3(1) of RA Regulations stands established.

12. Risk Profiling

12.1. As per the submission of Noticee for Post Inspection Questionnaire ("PIQ"), Risk profiling assessment was done using Risk profiling questionnaire,

based on which risk score of the client is determined and depending on the risk score, client risk tolerance was categorized as Low, moderate or High which was communicated to the clients over email as per Noticee. Further, based on risk profile assessment, suitability assessment was done and services were offered to the client based on their risk profile.

12.2. On perusal of the submission of Noticee for PIQ, it was observed that there are 7 (seven) questions in the Risk Profile Questionnaire framed by Noticee for its clients. Through the risk profiling questionnaire, Noticee obtains information such as age, income details, liability/borrowing details, existing investment details, investment objective including the time for which the client wish to stay invested, purpose of investment etc. The risk profiling questionnaire also has questions to assess clients' willingness to accept the risk of loss of capital.

12.3. From the risk profiling Questionnaire Analysis Process document provided by Noticee, it was observed that the clients would come under any of the following three categories after their risk profiling is carried out by it.

- a) Low risk category client: Scoring less than 9.
- b) Medium risk category client: Scoring between 9 to 14.
- c) High risk category client: Scoring more than 14 to 21.

12.4. On examination of risk profiling questionnaire filled up by few of clients, it was observed that even if a client had scored less than or equal to 14, it had been categorized under High risk client. Therefore, it was observed that the risk profiling of clients was not done properly by Noticee. Further, as per their *"risk profiling Questionnaire Analysis process"* risk profiling is done twice, once before offering a free trial and then again at the time of service subscription. However, no such documents were produced during inspection, which could prove that risk profiling was also done at the time of offering free trial. In addition to that, IA, vide email dated October 27, 2022 submitted that no free trial is offered to client. Therefore, it was observed that Noticee is providing contradicting statements with regard to *"risk profiling Questionnaire Analysis process"*.

12.5. Further, Noticee had submitted that risk profiling score was communicated to client through email. In order to check the veracity of claim made by IA, the Noticee was advised to provide the record of such communication for three clients. However, Noticee vide email dated October 27, 2022 had submitted that the assessment score is immediately communicated to client via phone. Therefore, it was observed that no such communication was given to clients, as IA was unable to submit any evidence in this regard.

12.6. In view of above, it has been alleged that Noticee has violated Regulation 16 (b) (iii) & 16 (e) of IA Regulations.

Reply

12.7. As per the RA Regulations-

16 (b)(iii) appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers.

16 (e) risk profile of the client is communicated to the client after risk assessment is done;

Noticee submitted that Appropriate weights have been assigned to the questions asked to the clients as part of their risk profiling questionnaire. Risk profiling is done at the time of on-boarding the clients for services.

12.8. *Risk profiling is done based on the risk profile questionnaire and interaction with the individual. Based on his current financial situation and risk tolerance level, a particular risk appetite is assigned to the clients. The same is communicated and explained to the client and only after the client agrees to the same, the service is given to the client. The same may clearly be observed from the declarations mentioned on the risk profile questionnaire (as reiterated below), which is signed and acknowledged by the client itself-*

“Investment adviser has communicated to me the risk appetite score calculated from the risk profile questionnaire. The risk score and corresponding appetite has been explained to me by the investment advisor. I understand the risks involved with the investment advice provided by the Investment Adviser.

I have all the information about the products, risk factors etc., and have gone through all the relevant information about the product being advised and have sought clarification about the same.

I intend to subscribe to the services, as offered by the investment adviser after understanding all the risk factors and my risk appetite.”

13. Suitability

13.1. It was observed that Noticee uses a risk profiling form for the purpose of risk profiling of its clients. The risk profiling form comprises a set of questions that helps Noticee to assess the risk of the client. On examination of risk profiling questionnaire filled up by few clients, it was observed that even if a client had scored less than or equal to 14, he was categorized as High risk client. Therefore, it was observed that the risk profiling of clients was not done properly by Noticee and thus, advice offered by Noticee under “high risk category” to such clients were not suitable to the risk profile of the clients. Thus, it has been alleged that IA has violated Regulation 17 (a), (c) and (d) of IA Regulations read with clauses 1 and 9 of Code of Conduct under Regulation 15(9) of IA Regulations.

Reply

13.2. *Our risk profiling questionnaire is completed by our clients and is signed by them. It is important to note that the same signed copy of the risk profiling questionnaire by our clients also includes the following key points:*

- *We have communicated the risk appetite score calculated from the risk profile questionnaire to our clients.*
- *The risk score and corresponding risk appetite are explained to our clients by our investment advisor.*
- *Our clients acknowledge that they understand the risks associated with the investment advice provided by our Investment Adviser.*
- *Our clients confirm that they have been provided with all the necessary information about the products, including risk factors, and have reviewed all relevant information about the product being advised. They also state that they have sought clarification on any aspects they require.*
- *Clients express their intention to subscribe to our services after understanding all the risk factors and their risk appetite.*

13.3. *Our suitability assessment of advice is based on the risk appetite of our clients and is communicated to them before the commencement of our services. The signed risk profile questionnaire serves as validation for this process. Services are explained to our clients in conjunction with their risk appetite, and all queries and concerns expressed by our clients regarding the product's suitability, their risk appetite, and other related matters are addressed. Only after these clarifications are provided do we proceed with delivering our services to the clients.*

13.4. *It is essential to recognize that the suitability of advice is not solely a function of risk appetite; it also takes into account the client's current financial condition and risk*

tolerance. Clients with the same risk appetite may have different levels of risk tolerance. Therefore, the suitability of advice is not a constant function based on a single variable. As an example, consider two investors with different attributes regarding risk appetite:

- Investor A is in their 20s, has a variable income source, moderate risk appetite, has just started earning, a long working horizon, and no significant financial responsibilities. Equity investment is suitable for them.*
- Investor B is in their 40s, has a stable, fixed salary, a high-risk appetite, and a secure job. Equity investment is also suitable for them based on their high, stable current income.*

In this example, despite having different risk appetites, both investors find the same product suitable based on their respective financial situations and goals. Suitability assessment.

13.5. It is imperative to understand that suitability assessment is inherently a subjective process, and each adviser employs their distinct methodology for analysing the suitability of advice provided. There are no standardized, fixed criteria for suitability assessment explicitly outlined in regulatory texts or guidelines.

13.6. The subjective nature of suitability assessment allows for the consideration of a wide range of factors, such as a client's financial situation, goals, risk appetite, and risk tolerance. This flexibility ensures that the advice provided is tailored to the unique circumstances and preferences of each client. The absence of strict, predefined criteria acknowledges the complexity of the financial advisory landscape and the need for a personalized approach.

13.7. At our organization, we employ a diligent and client-centric approach to suitability assessment, taking into account the individual attributes and requirements of each client. We are committed to ensuring that the advice we render aligns with the client's best interests and financial objectives.

Findings

13.8. Considering the overlapping nature of allegations against Noticee under the heads "Risk Profiling" and "Suitability", I find it appropriate to deal with the aforementioned allegations together.

13.9. I note that Regulation 16 (b) (iii) & 16 (e) of IA Regulations states as under:

"16. Investment adviser shall ensure that, -

(b) it has a process for assessing the risk a client is willing and able to take, including:

(iii) appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers.

(e) risk profile of the client is communicated to the client after risk assessment is done;”

13.10. Noticee in its reply has contended that it has done risk profiling based on the risk profile questionnaire and interaction with clients and the same has been communicated and explained to the client and only after the client has agreed to the same, the service has been given to the client. In this regard, I note that SCN has not alleged that Noticee had not done any risk profiling. The case against Noticee is that it had not done risk profiling properly and also it had improperly categorized the risk appetite of the client.

13.11. I note from the material available on record that according to Noticee's risk profile procedure, a client is categorized as "high risk" only if he/she has scored more than 14 to 21 in its risk profile questionnaire. However, I note from risk profile questionnaire filled up by few clients of Noticee, which are available on record that Noticee has categorized some of these clients as "high risk", even though they have scored less than or equal to 14 in their risk profile questionnaire. For illustration, one of the clients, Vijay Rameshlal Lalwani had scored 12 in his risk profiling questionnaire, however he still was categorized as a high risk client. Further, I note that in support of its contention, Noticee has annexed a copy of its risk profiling questionnaire and a risk profiling questionnaire of one of its clients namely Mr. Sunil Kumara. On perusal of aforesaid documents, I note that as per its own risk profiling policy, a client can be scoring a risk profile score between 9-14 is to be categorized as a "medium risk category client". However, the questionnaire of Sunil Kumara shows that even though his risk is 14, he had been categorized as "High risk appetite client" which is contrary to own risk profiling analysis process. Thus, I find that Noticee's own evidence clearly demonstrates that Noticee failed to do the risk profiling of its clients properly. Therefore, I am unable to accept the aforesaid contention of the Noticee.

13.12. As regards the allegation that Noticee was doing the risk profiling process twice i.e. once before offering a free trial and at the time of service subscription, I find that Noticee has not offered any comments and therefore, it can be taken as acceptance of the same by the Noticee.

13.13. In light of the aforesaid, it is clear that Noticee was not appropriately interpreting client responses to questions. Further, Noticee has also not disputed the allegation in the SCN that it has made contradictory statements with respect to risk profiling questionnaire analysis process. In light of the above observations, I find that allegation in the SCN that Noticee has violated Regulation 16 (b) (iii) of IA Regulations stands established.

13.14. As regards the allegations that Noticee did not communicate risk profiling scores to its clients, Noticee has contended that the clients' risk appetite is explained to them and only after the clients agree to the same, the service is provided. In support of the aforesaid contention, Noticee has drawn attention to the declaration provided by the client, Mr. Sunil Kumara in its risk profiling questionnaire which states that Noticee has communicated risk appetite score to him. In this regard, I note that during the inspection by SEBI, Noticee had failed to furnish any evidence of communication of risk profiling score to the sample clients, merely stating that such communication done was via phone calls. However, the contention being made by Noticee in the present proceedings clearly shows the contradiction in its stand in this regard. Moreover, Noticee has only submitted one sample document in support of its claim. In view of foregoing, I do not find the aforesaid contention to be tenable. Therefore, I find that allegation in the SCN that Noticee has violated 16 (e) of IA Regulations stands established.

13.15. Regulation 17 (a), (c) and (d) of IA Regulations states as under:

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;*
- (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.*

13.16. In its reply, Noticee has contended that suitability assessment is inherently a subjective process, and each adviser employs their distinct methodology for analysing the suitability of advice provided. Noticee has further stated that there are no standardized, fixed criteria for suitability assessment explicitly outlined in regulatory texts or guidelines and that the subjective nature of suitability assessment allows for the consideration of a wide range of factors, such as a client's financial situation, goals, risk appetite, and risk tolerance. Further, Noticee has contended that risk profiling questionnaire is completed by its clients and is signed by them and that Noticee's suitability assessment of advice is based on the risk appetite of its clients and is communicated to the clients before the commencement of its services.

13.17. It has already been established in the preceding paragraphs that the Noticee had wrongly classified certain clients as "high risk" and also had failed to do the risk profiling of its clients properly. Consequently, it follows that Noticee was offering high risk products to customers, who in fact did not have such high risk appetite. Thus, Noticee's argument that suitability assessment of advice was based on the risk appetite of its clients does not hold ground as Noticee has been selling high risk product to its clients by wrongly classifying them as "high risk" clients. In light of the fact that Noticee

had been classifying certain clients as “high risk” even though by their own internal risk assessment standard they would not fall within the aforementioned “high risk” category, I am not inclined to accept the contention of Noticee regarding subjective nature of suitability assessment. Further, Noticee’s contention that a signed risk profile questionnaire acts as a validation for this process is also misplaced since during the inspection, Noticee had failed to furnish any evidence of communication of risk profiling score in respect of the sample clients, merely stating that such communication was via phone calls. Therefore, the contention being made by Noticee in the present proceedings clearly shows the contradiction in its stand in this regard. Moreover, Noticee has only submitted one sample document in support of its claim. In view of foregoing, I do not find the aforesaid contention to be tenable.

13.18. Clause 1 of the Code of Conduct under Regulation 15(9) of IA Regulations states that *“An investment adviser shall act honestly, fairly and in the best interests of its clients and in the integrity of the market”*. I note that conduct of Noticee as detailed above is clearly not in the best interest of its clients. In light of the same, I find that Noticee has violated Regulation 17 (a), (c) and (d) of IA Regulations read with clauses 1 and clause 9 of Code of Conduct under Regulation 15(9) of IA Regulations.

14. Redressal of client grievances

14.1. It was observed that one complaint was received against Noticee during the inspection period, which is still pending in SCORES. The complaint was lodged by Mr. Arun Joshi regarding loss incurred on the recommendations given by Noticee. On perusal of the complaint and submission made by Noticee during inspection, it was observed that the recommendation of stocks was made to Mr. Arun Joshi, without carrying out risk profiling/KYC/agreement. It was further observed that the said complaint is yet to be resolved by Noticee.

14.2. In view of above, it was observed that Noticee was providing recommendation of stocks to Arun Joshi without carrying out risk profiling &

entering into clients' agreement and the complaint is still pending to be resolved. Thus, it is alleged that Noticee has failed to redress client grievance promptly in terms of Regulation 21 (1) and (2) of IA Regulations.

Reply

14.3. Screenshot of complaint history on SCORES portal is as below-

2.	FORWARD TO DEALING OFFICER	01 Jun 2022	Forwarded To Dealing Officer	CFD-SEC-5 (1613)	WRO (1955)	
3.	NOT PERTAINING TO THIS DIVISION	01 Jun 2022	The registered office address of the Investment Adviser is A Wing, 91 2 Dalamal Tower, 9th Floor, Free Press Journal Marg, Nariman Point, Mumbai, Maharashtra. Therefore, the said complaint is being forwarded for necessary action at your end.	WRO (1955)	CFD-SEC-5 (1613)	
4.	TRANSFER TO OTHER DIVISION	01 Jun 2022	The registered office address of the Investment Adviser is A Wing, 91 2 Dalamal Tower, 9th Floor, Free Press Journal Marg, Nariman Point, Mumbai, Maharashtra. Therefore, the said complaint is being forwarded for necessary action at your end.	CFD-SEC-5 (1613)	WRO (1955)	
5.	TRANSFER TO OTHER DIVISION	12 Jul 2022	It is noted from the SEBI's website that the Registered Office Address of the intermediary is in Mumbai.	WRO (1955)	MIRSDRACDoR1 (1087)	
6.	FORWARD TO SUBORDINATE ORGANISATION	13 Jul 2022	Please file ATR on the complaint.	MIRSDRACDoR1 (1087)	EQUITY99 (IADE0012)	
7.	SEND ACTION TAKEN REPORT	08 Aug 2022	Please find ATR attached with complete details for ongoing investigation.	EQUITY99 (IADE0012)	DoS-3 (2435)	View Interm Reply
8.	SEEK CLARIFICATION FROM INVESTOR	06 Oct 2022		MIRSD-SEC-5 (2435)	INVESTOR (INVSTR)	View Clarification Sought

14.4. Timeline of the complaint-

- Complaint received from SEBI for Resolution- July 13, 2022
- ATR filed by us on SCORES- August 08, 2022
- Complaint sent to complainant for clarification- October 06, 2022

14.5. From the above datapoints, it can be clearly observed that we have received the complaint for resolution on July 13, 2022 and the ATR was filed from our side on August 08, 2022. Please note that the ATR was filed withing SEBI prescribed **timeline of one month**. Post filing ATR from our side, SEBI forwarded it to the investor for clarification on which no clarifications was received from the complainant. We also tried connecting with the complainant for responding to the clarifications, but the complainant did not respond.

14.6. In view of the above, it can be clearly observed from the SCORES portal that the Complaint is pending at complainant's end and not at our end.

Findings

14.7. I note that under the present head, SCN specifically alleged that Noticee failed to resolve the grievance of Noticee in terms of Regulation 21 of the IA regulations. As per Regulation 21 of the IA Regulations, it is mandatory on the part of the Noticee to redress client grievances promptly. In the instant

case, I note from the records show the following timelines with respect to the processing of complaint of Arun Joshi by Noticee-

- a) Complaint received from SEBI for Resolution- July 13, 2022.
- b) Action Taken Report (ATR) filed by us on SCORES- August 08, 2022.
- c) Complaint sent to complainant for clarification- October 06, 2022.

14.8. Considering the aforesaid timelines wherein Noticee filed ATR within 1 month and thereafter, the complaint was pending due to non-submission of clarification by complainant, I am inclined to take the view that Noticee has tried to redress the client grievance and promptly submitted its ATR in terms of Regulation 21 (1) and (2) of IA Regulations. Thus, I find allegation against the Noticee for violation of Regulation 21 (1) and (2) of IA Regulations does not stand established.

6. Regulation 15(8) and Circulars regarding Know your Client procedures

14.9. It was observed that since taking registration from SEBI in year 2016, Noticee had not obtained registration with CDSL Ventures Limited and NSDL Database Management Limited (NDML), and KYC Registration Agencies (KRAs), which was mandatory for following the Know Your Client procedure as specified by SEBI from time to time. Thus, it has been alleged that Noticee has violated provisions of Regulation 15(8) of IA Regulations.

Reply

14.10. *Upon onboarding our clients, we diligently collected their KYC (Know Your Customer) documents based on our previous understanding of the requirements. It has come to our attention that there were certain additional KYC registration requirements that were not initially addressed.*

14.11. *In light of this awareness, we have taken immediate corrective measures:*
NDML Registration: We have successfully completed the NDML (National Depository Services Limited) registration process as required.
CKYC Registration: The CKYC (Central Know Your Customer) registration process is currently underway, and we are actively working to fulfil this obligation.

14.12. *We acknowledge the importance of full compliance with regulatory KYC requirements. Our commitment to upholding the highest standards of professionalism and compliance remains unwavering, and we take this matter seriously.*

Findings

14.13. I note from the perusal of the reply of Noticee dated November 03, 2023, that Noticee has admitted that at the time inspection, Noticee did not have NDML and CKYC registration. Thus, I find that allegation against Noticee regarding not having registration with CDSL Ventures Limited and NDML stands established. Thus, I find that Noticee has violated provisions of Regulation 15(8) of IA Regulations.

14.14. However, I also note that Noticee has now taken the NDML registration and has also stated that CKYC registration is also underway. Considering the aforesaid fact, I am of the view that Noticee has taken corrective action and the same is being considered as mitigating factor.

15. Display of Mandatory Information

15.1. It was observed during visit of the registered office of Noticee that during inspection, Noticee had not displayed the name and contact details of the compliance officer in its office as required under provisions of SEBI circular CIR/MIRSD/3/2014 dated August 28, 2014. Thus, it is alleged that Noticee has violated Clause 2 of SEBI Circular CIR/MIRSD/3/2014 dated August 28, 2014 and Regulation 15(9) of IA regulations read with Clause 8 of Code of Conduct as specified in Third Schedule of IA Regulations.

Reply

15.2. *It is with self-effacement that we acknowledge our previous lack of awareness about certain regulatory requirements, including the display of the name and contact details of the compliance officer in our office. However, we have taken swift corrective action to rectify this oversight by ensuring that the compliance officer's information is now prominently displayed.*

15.3. *We want to emphasize that while we acknowledge that our prior unawareness is not an excuse for the oversight, the ultimate objective of this regulatory requirement is to ensure that our clients are informed about the grievance redressal process. It is essential to provide our clients with the means to raise queries or complaints effectively through proper communication channels.*

15.4. *To this end, we have established a Grievance Redressal Mechanism page on our website. This page not only outlines the redressal process within our organization*

but also provides details about the SCORES portal for filing complaints. Same may be accessed through below link- <https://www.equity99.com/Investor-Grievances-Redressal>

- 15.5. *We believe that this comprehensive approach ensures that our clients have clear and accessible avenues to address any concerns or grievances.*
- 15.6. *Our objective is to maintain the highest standards of professionalism, regulatory compliance, and client satisfaction. We are dedicated to ensuring that our clients are well-informed about their rights and have access to efficient grievance redressal mechanisms.*

Findings

15.7. From the perusal of reply dated November 03, 2023 of the Noticee, I find that Noticee has admitted that at the time of the inspection Noticee had not displayed the name and contact details of the compliance officer in its office as required under provisions of SEBI circular CIR/MIRSD/3/2014 dated August 28, 2014 due to lack of awareness about said circular. Thus, I find the allegation against Noticee for the violation of Clause 2 of SEBI Circular CIR/MIRSD/3/2014 dated August 28, 2014 and Regulation 15(9) of IA regulations read with Clause 8 of Code of Conduct as specified in Third Schedule of IA Regulations stands established.

15.8. I also highlight the fact that Noticee has now submitted the evidence of corrective action taken by it and is now prominently displaying the information related to compliance officer. The aforesaid facts and circumstances are therefore being considered as mitigating factor while issuing the recommendation with respect to the Noticee in the instant matter.

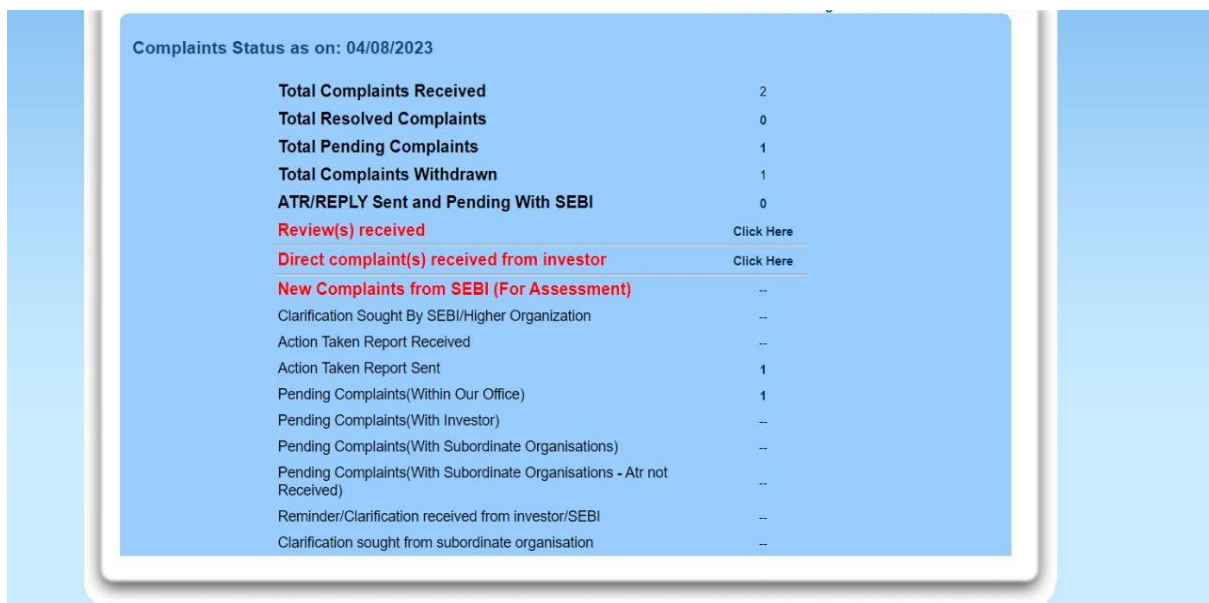
16. Display of investor charter

16.1. On examination of website of Noticee, it was observed that it had displayed the investor charter and details of the investor complaints. However, under the heading "*Trend of annual disposal of complaints,*" it has displayed 0 complaints from 2018-2021. However, SEBI share portal shows receipt of one complaint in 2018 and two complaints in 2019. Thus, it is alleged that

Noticee has violated clause 3 of the SEBI circular SEBI/HO/IMD/IMD-II CIS/P/CIR/2021/0686.

Reply

16.2. As per the inspection report, it was noted that one complaint was filed in 2018, and two complaints were filed in 2019. However, when cross-referencing these figures with the SCORES portal records (Screenshot pasted below for records), we identified only two complaints that were filed against our IA during the entire tenure of our registration.



Complaints Status as on: 04/08/2023	
Total Complaints Received	2
Total Resolved Complaints	0
Total Pending Complaints	1
Total Complaints Withdrawn	1
ATR/REPLY Sent and Pending With SEBI	0
Review(s) received	Click Here
Direct complaint(s) received from investor	Click Here
New Complaints from SEBI (For Assessment)	--
Clarification Sought By SEBI/Higher Organization	--
Action Taken Report Received	--
Action Taken Report Sent	1
Pending Complaints(Within Our Office)	1
Pending Complaints(With Investor)	--
Pending Complaints(With Subordinate Organisations)	--
Pending Complaints(With Subordinate Organisations - Atr not Received)	--
Reminder/Clarification received from investor/SEBI	--
Clarification sought from subordinate organisation	--

16.3. Upon closer examination, it was discovered that one of the two complaints, which was withdrawn by the complainant without any response from us, should not be considered a valid complaint filed against us. The complaint was due to an inadvertent mistake by a third party and not a legitimate complaint against our IA. Considering this, the withdrawn complaint should not be counted for disclosure purposes.

16.4. The remaining complaint, which was received by us on July 12, 2022, stands as the sole valid complaint against our IA during the specified period.

16.5. In view of the corrected information, there were no valid complaints filed against our IA during the fiscal years 2018-2021. Throughout the registration tenure, only one

complaint was filed against us and the same was during FY 2022-23. The information is correctly displayed on our website under below URL- <https://www.equity99.com/admin/pdf/IA-Monthly-disclosures-of-investors-complaints-october23.pdf> Screenshot of the same is also pasted below for reference:

Trend of annual disposal of complaints

Sr. No	FIN - Year	Carried forward from previous year	Received	Resolved*	Pending#
1	2018-19	0	0	0	0
2	2019-2020	0	0	0	0
3	2020-2021	0	0	0	0
4	2021-2022	0	0	0	0
5	2022-2023	0	1	0	1

*Inclusive of complaints of previous years resolved in the current year.
#Inclusive of complaints pending as on the last day of the year.

16.6. Therefore, we respectfully assert that the alleged violation related to the display of complaints during this period does not hold ground.

Findings

16.7. SEBI share portal shows receipt of one complaint in 2018 and two complaints in 2019 against Noticee. The details of the same are given below:-

 Complaint(s) of EQUITY99 - Received								
Back								
Selected Filters: From Date: 11/12/2018 To Date: 12/31/2021 Category: IAD Entity: IADE0012 Status: All Complaints Received Complaint Type: All Complaints								
Sr. No	Registration No.	VIP	Complainant Name	Complaint Against	Category	NOC	Received Date	Pending With
1	SEBIEMP19/0001900/1	No	Pavan	EQUITY99	Investment Adviser	--	05-Aug-2019	Closed
2	SEBIEMP19/0001902/1	No	Pavan	EQUITY99	Investment Adviser	--	05-Aug-2019	Closed
3	SEBIEMP18/0001970/1	No	ankita jain	EQUITY99	Investment Adviser	--	26-Jun-2018	Closed

16.8. In this regard, Noticee has submitted that total two complaints were filed against Noticee during the entire tenure of its registration and there was only 1 complaint in the time period 2018-2021, as shown hereunder (screenshot- as provided by Noticee):

Complaints Status as on: 04/08/2023	
Total Complaints Received	2
Total Resolved Complaints	0
Total Pending Complaints	1
Total Complaints Withdrawn	1
ATR/REPLY Sent and Pending With SEBI	0
Review(s) received	Click Here
Direct complaint(s) received from investor	Click Here
New Complaints from SEBI (For Assessment)	—
Clarification Sought By SEBI/Higher Organization	—
Action Taken Report Received	—
Action Taken Report Sent	1
Pending Complaints(Within Our Office)	1
Pending Complaints(With Investor)	—
Pending Complaints(With Subordinate Organisations)	—
Pending Complaints(With Subordinate Organisations - Atr not Received)	—
Reminder/Clarification received from investor/SEBI	—
Clarification sought from subordinate organisation	—

16.9. Considering the mis-match between the total number of complaint against Noticee, I am of the view that benefit of doubt can be given to the Noticee with respect to the total complaints pending against it. Thus, I find that only 1 complaint was pending against Noticee during the period 2018-2021. In this regard, Noticee has contended that since the complaint was withdrawn without any response from it, the same should not be considered as valid complaint filed against it. In this regard, I am of the view that it was obligatory on the part of the Noticee to disclose the investor complaints filed against it. No exemption has been provided for those complaints which are withdrawn later by complainants in the extant provisions of law.

16.10. Thus, considering the aforesaid, I find that allegation in the SCN that Noticee has failed to submit the correct detail of investor complaints stands established and thus, Noticee has violated clause 3 of the SEBI circular SEBI/HO/IMD/IMD-II CIS/P/CIR/2021/0686 dated December 13, 2021.

Issue No. II If yes, whether the failure, on the part of the Noticee would attract monetary penalty under Section 15EB of the SEBI Act?

17. Hon'ble Supreme Court of India in the matter of **SEBI vs. Shri Ram Mutual Fund** [2006] 68 SCL 216 (SC) which held that- "*In our considered opinion, penalty is*

attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established...”

18. Considering the aforementioned judgment of Hon'ble Supreme Court and violations as established in above paras, I find that Noticee is liable to pay the monetary penalty under section 15EB of SEBI Act for the violation of:

- i. Regulation 15(13) read with 7(2) of IA Regulations.
- ii. Regulation 13(a) and (c) of IA Regulations 2013 read with Clauses 8 & 9 of Code of Conduct for Investment Advisor as prescribed under Third Schedule of IA Regulations.
- iii. Regulation 19 (1) (d) of the IA Regulations read with Clause (ii)(c) of SEBI circular SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020.
- iv. Regulation 15(9) of IA Regulations, read with Clauses 1,2 5,8 & 9 of Code of Conduct as prescribed under Third Schedule of IA Regulations and Regulation 3(1) of RA Regulations.
- v. Regulation 16(b)(iii) & 16(e) of IA Regulations.
- vi. Regulation 17 (a), (c) and (d) read with Clauses 1 and 9 of Code of Conduct under Regulation 15(9) of IA Regulations.
- vii. Regulation 15(8) of IA Regulations.
- viii. Clause 2 of SEBI Circular CIR/MIRSD/3/2014 dated August 28, 2014 and Regulation 15(9) of IA regulations read with Clause 8 of Code of Conduct for Investment Adviser specified in Third Schedule to the IA Regulations.
- ix. Clause 3 of the SEBI circular SEBI/HO/IMD/IMD-II CIS/P/CIR/2021/0686 dated December 13, 2021.

Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with rule 5(2) of the Adjudication rules?

19. I note that while determining the quantum of penalty under sections 15EB of SEBI Act, factors listed in section 15J of SEBI Act read with Rule 5(2) of the Adjudication Rules are to be considered, which are as under:

- a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

- b) the amount of loss caused to an investor or group of investors as a result of the default;
- c) the repetitive nature of the default.

20. Further, Supreme Court in its judgment **SEBI vs Bhavesh Pabari** (2019) 18 SCC 246 held that *“We, therefore, hold and take the view that conditions stipulated in clauses (a), (b) and (c) of Section 15J are not exhaustive and in the given facts of a case, there can be circumstances beyond those enumerated by clauses (a), (b) and (c) of Section 15J which can be taken note of by the Adjudicating Officer while determining the quantum of penalty.”* Therefore, in the light of Bhavesh Pabri (Supra) judgment, I have taken into account the various mitigating factors as already discussed in the aforesaid paras. Further, I note from the reply of the Noticee that corrective steps have been taken and it is being considered as mitigating factor wherever these steps are backed by valid documents.

Order

21. After taking into consideration the nature and gravity of the violations established in the preceding paragraphs as well as considering the aforementioned mitigating factors I, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Adjudication Rules, hereby, impose following monetary penalty of on Noticee *i.e.* Equity99 under section 15EB of SEBI act:

Noticee	Penalty Attracted under section	Penalty Amount
Equity99	15EB of SEBI Act	3,00,000/- (Rupees Three Lakh Only)

22. I find that aforementioned penalty is commensurate with the violation committed by the Noticee as mentioned in the above paras to meet the ends of justice in the present matter.

23. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the SEBI website

www.sebi.gov.in on the following path by clicking on the payment link.

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

24. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

25. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

Date: November 29, 2023

Place: Mumbai

Soma Majumder

Adjudicating Officer