

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER No.: Order/GR/BM/2022-23/18393]

**UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA
ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING
INQUIRY AND IMPOSING PENALTIES) RULES, 1995, IN RESPECT OF:**

Name of the Entity	Registration Number	PAN
Banayantree Services Limited (Investment Adviser)	INA100006898	AAGCB7486G

In the matter of "Inspection of Banayantree Services Limited, Investment Adviser"

1. The Securities and Exchange Board of India (hereinafter referred to as **“SEBI”**) had conducted an inspection of M/s Banayantree Services Limited, registered Investment Adviser (**“IA”**) under the IA Regulations, having SEBI Registration No. INA100006898, since January 06, 2017 (hereinafter referred to as **“BSL/Noticee/IA”**) with the registered address at Express Building, 9-10, Bahadurshah Zafar Marg, New Delhi -110002” and having a website with the address <https://www.etmoney.com> and an app with the name of ET Money. The said inspection was done during the year 2018-2019 in terms of Regulation 23 of SEBI (Investment Advisers) Regulations, 2013 and section 11(2)(i) of SEBI Act, 1992. The focus of inspection was to look into, inter alia the practices and systems put in place by the Noticee in respect of client onboarding, internal controls, delivery of services, acceptance and redressal of investor grievances and check compliance in respect of SEBI Regulations/Directives/Circulars etc.

2. The aforesaid inspection *prima facie* revealed that the Noticee failed to conduct internal audit, failed to maintain infrastructure and Qualifications/Certification Requirements and being an Investment Adviser botched to segregate his IA activities from his other business/activities, thereby violating the provisions of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (hereinafter referred to as the "IA Regulations").
3. Accordingly, the findings of the inspection were communicated to the Noticee vide letter dated April 30, 2020, pursuant to which the Noticee, vide email dated May 20, 2020 submitted its reply.
4. Based on the submitted reply, following alleged violations were observed in the IR:
 - a) Regulations 19 (3) and Clauses 8 & 9 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of SEBI IA Regulations, 2013
 - b) Regulation 6 (c) and (g), 7 (1) and (2), 15 (13) and Clauses 3, 8 and 9 of Code of Conduct as specified in Third Schedule under regulation 15(9) of IA Regulations;
 - c) Regulations 15 (3), 15 (4), Regulation 22, and Clauses 5, 7, 8 and 9 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations; and
 - d) Regulations 16, 17 and 19 (1) and Clauses 1, 2, and 4 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations.

5. In view of the above, Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') initiated adjudication proceedings under Section 15EB of SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**") against the Noticee for the aforesaid alleged violations of various provisions of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (hereinafter referred to as the "**IA Regulations**") by the Noticee.

APPOINTMENT OF ADJUDICATING OFFICER

6. In this regard, the undersigned has been appointed as the Adjudicating Officer ("**AO**") by SEBI, vide order dated August 25, 2021, under Sub-section 1 of Section 15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure of Holding Inquire and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") to inquire into and adjudge under Section 15EB of the SEBI Act for the various alleged violations of IA Regulations by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

7. Show Cause Notice No. EAD-4/ADJ/GR/BM/OW/14963/1/2022 dated April 05, 2022 (hereinafter referred to as "**SCN**") was issued to the Noticee under rule 4 of the Adjudication Rules, to show cause as to why an inquiry should not be held and penalty be not imposed under section 15EB of the SEBI Act for the aforesaid alleged violations.
8. The said SCN was served on the Noticee via SPAD and also through email dated April 06, 2022. The proof of service is on record. Pursuant to this, the Noticee submitted its reply to the said SCN vide email dated April 19, 2022. Further, in the interest of natural justice

and in order to conduct an inquiry in terms of Rule 4(3) of the Adjudication Rules, an opportunity of personal hearing was granted on July 06, 2022 vide Hearing Notice dated June 23, 2022 served through email on the same day. In response, the Authorized Representatives (ARs) of the Noticee attended the said hearing and reiterated the submissions made vide its reply dated April 19, 2022. The submissions made by the Noticee are reproduced hereunder:

- a) *The clients are not advised in any manner and no fee is received from them for investment advisory operations since the advisory operations have not been initiated yet.*
- b) *The Noticee believed that the intent of the Internal Audit is to ensure that the advisory business operations and processes are in accordance with the regulatory framework during the IA operations. Hence, the process of yearly audit has not been initiated for FY 2018-19 with the understanding that during the period, BSL has neither advised clients on any of the financial products nor charged any fee from the clients under the investment advisory segment. However, an yearly audit before the commencement of our Active Investment Advisory services was done for the period FY 2020-2021.*
- c) *The infrastructure and capabilities including systems and processes have been increased. With respect to certification and Qualification requirements, it is submitted that Mr. Ajit Kumar, a Senior official of Banayantree Services Limited whose details were presented at the time of registration resigned in January 2019 and remain under employment till February 2019. Another employee namely Mr. Neeraj Fartyal was also holding similar certification of Mr. Ajit Kumar during the entire audit period. Thus, Noticee held the requisite requirements during the entire audit period.*
- d) *Times Internet Limited (TIL) and Money Goals Solutions limited (MGSL) are the holding companies of Banayantree Services Limited which is registered with SEBI as Investment Advisor and the holding*

companies don't offer any financial services. BSL services are getting offered through the ET Money platform only. Further digital gold is not offered by either TIL or MGSL or BSL to the clients.

- e) BSL holds various licenses with SEBI, IRDA, AMFI and PFRDA. Each business is separately maintained at the entity level. The Investment Advisory business under the Brand umbrella "ET Money Genius" is exclusively segregated with respect to data, services, resources etc.*
- f) Further, we would like to confirm that there is no intermingling of IA and MFD business. The Fresh orders under the MFD business is defunct since September 11, 2018, and all new orders are routed with the RIA code only. To serve old SIP orders under the MFD segment initiated before September 10, 2018, the MFD license is still in continuation. Hence no new clients have been registered or no new orders have been accepted after September 10, 2018, in MFD segment.*
- g) The statement that "we distribute MF under direct code" was referring to that we offer our execution services under Direct plans of Mutual Funds with RIA Code only.*
- h) Further, we humbly draw your attention to the SEBI circular dated October 04, 2013, specifying the use of the stock exchange mechanism is in addition to the existing channel of mutual funds distribution.*
- i) BSL is registered with SEBI as (Investment Advisor(LA) and Stock broker), with IRDA (as a Corporate Agent) and with PFRDA (as PoP). We would like to state that the segregation is being maintained as required for segregation of different business verticals including license for investment Advisor. Investment advisory services are being offered through a separately identifiable division under the platform called "ET Money Genius" which is our separate identifiable Brand for IA services. Hence, we would like to submit that the proper segregation is maintained for IA and other businesses as per the requirement.*

9. Taking into account the aforesaid facts, I am of the view that principles of natural justice have been duly followed in the matter by granting the Noticee, an opportunity for replying to the SCN and of being heard. Therefore, I deem it appropriate to decide the matter on the basis of facts/material available on record and replies submitted by the Noticee.

CONSIDERATION OF ISSUES AND FINDINGS: -

10. I have carefully perused the written submissions made, the documents available on record, and the issues that arise for consideration in the present case are:

Issue No. I: Whether Noticee has violated the following provisions of SEBI IA Regulations, 2013?

- a) Regulations 19 (3) and Clauses 8 & 9 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations.
- b) Regulation 6 (c) and (g), 7 (1) and (2), 15 (13) and Clauses 3, 8 and 9 of Code of Conduct as specified in Third Schedule under regulation 15(9) of IA Regulations;
- c) Regulations 15 (3), 15 (4), Regulation 22, and Clauses 5, 7, 8 and 9 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations; and
- d) Regulations 16, 17 and 19 (1) and Clauses 1, 2, and 4 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations.

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

Issue No. III: If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act?

11. Before proceeding further, I would like to refer to the relevant provisions of law:

Relevant provisions of SEBI (Investment Advisors) Regulations, 2013

Consideration of application and eligibility criteria

6. For the purpose of the grant of certificate the Board shall take into account all matters which are relevant to the grant of certificate of registration and in particular the following, namely:

(c) in case the applicant is a body corporate, the principal officer and all persons associated with investment advice of the applicant are appropriately qualified and certified as specified in regulation 7.

(g) whether the applicant has the necessary infrastructure to effectively discharge the activities of an investment adviser

Qualification and certification requirement

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

- a) A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognized by the Central Government or any State Government or a recognised foreign university or institution or association or a professional qualification by completing a Post Graduate Program in the Securities Market (Investment Advisory) from NISM of a duration not less than one year or a professional qualification by obtaining a CFA Charter from the CFA Institute;*
- b) An experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management;*

c)Persons associated with investment advice shall meet the following minimum qualifications, at all times –

- (i) a professional qualification as provided in clause (a) of sub-regulation (1) of regulation 7; and*
- (ii) an experience of at least two years in activities relating to advice in financial products or securities or fund or asset or portfolio management*

Provided that investment advisers registered under these regulations as on the date of commencement of these regulations shall ensure that the individual investment adviser or principal officer of a non-individual investment adviser registered under these regulations and persons associated with investment advice comply with such qualification and experience requirements within three years:

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

(2) An individual investment adviser or principal officer of a non-individual investment adviser, registered under these regulations and persons associated with investment advice shall have, at all times a certification on financial planning or fund or asset or portfolio management or investment advisory services-

(a)from NISM; or

(b)from any other organization or institution including Financial Planning Standards Board of India or any recognized stock exchange in India provided such certification is accredited by NISM:

Provided that fresh certification must be obtained before expiry of the validity of the existing certification to ensure continuity in compliance with certification requirements:

Provided further that fresh certification before expiry of the validity of the existing certification shall not be obtained through a CPE program.

General responsibility

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

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

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

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

Risk profiling

16. *Investment adviser shall ensure that,-*

(a) *it obtains from the client, such information as is necessary for the purpose of giving investment advice, including the following:-*

(i) *age;*

(ii) *investment objectives including time for which they wish to stay invested, the purposes of the investment;*

(iii) *income details;*

(iv) *existing investments/ assets;*

(v) *risk appetite/ tolerance;*

(vi) *liability/borrowing details.*

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

(i) *assessing a client's capacity for absorbing loss;*

(ii) *identifying whether client is unwilling or unable to accept the risk of loss of capital;*

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

- (c) where tools are used for risk profiling, it should be ensured that the tools are fit for the purpose and any limitations are identified and mitigated*
- (d) any questions or description in any questionnaires used to establish the risk a client is willing and able to take are fair, clear and not misleading, and should ensure that:*
 - (i) questionnaire is not vague or use double negatives or in a complex language that the client may not understand;*
 - (ii) questionnaire is not structured in a way that it contains leading questions.*
- (e) risk profile of the client is communicated to the client after risk assessment is done;*
- (f) information provided by clients and their risk assessment is updated periodically.*

Suitability

17. Investment adviser shall ensure that,-

- (a) All investments on which investment advice is provided is appropriate to the risk profile of the client;*
- (b) It has*
 - a documented process for selecting investments based on client's investment objectives and financial situation;*
- (c) It understands the nature and risks of products or assets selected for clients;*
- (d) It has a reasonable basis for believing that a recommendation or transaction entered into:*
 - (i) meets the client's investment objectives;*
 - (ii) is such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance;*
 - (iii) is such that the client has the necessary experience and knowledge to understand the risks involved in the transaction.*
- (e) Whenever a recommendation is given to a client to purchase of a particular complex financial product, such recommendation or advice is based upon a reasonable assessment that the structure and risk reward profile of financial product is consistent with clients experience, knowledge, investment objectives, risk appetite and capacity for absorbing loss*

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.*

(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.

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.

3. Capabilities

An investment adviser shall have and employ effectively appropriate resources and procedures which are needed for the efficient performance of its business activities.

4. Information about clients

An investment adviser shall seek from its clients, information about their financial situation, investment experience and investment objectives relevant to the services to be provided and maintain confidentiality of such information.

5. Information to its clients

An investment adviser shall make adequate disclosures of relevant material information while dealing with its clients.

6. Conflicts of interest

An investment adviser shall try to avoid conflicts of interest as far as possible and when they cannot be avoided, it shall ensure that appropriate disclosures are made to the clients and that the clients are fairly treated.

7. Compliance

An investment adviser including its 85[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.

8. Responsibility of senior management

The senior management of a body corporate which is registered as investment adviser shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the body corporate.

Power to adjudicate.

15-I.

(1) For the purpose of adjudging under sections 15A, 15B, 15C, 15D, 15E, 15F, 15G, 15H, 15HA and 15HB, the Board shall appoint any officer not below the rank of a Division Chief to be an adjudicating officer for holding an inquiry in the prescribed manner after giving any person concerned a reasonable opportunity of being heard for the purpose of imposing any penalty.

(2) While holding an inquiry the adjudicating officer shall have power to summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document which in the opinion of the adjudicating officer, may be useful for or relevant to the subject-matter of the inquiry and if, on such inquiry, he is satisfied that the person has failed to comply with the provisions

of any of the sections specified in sub-section (1), he may impose such penalty as he thinks fit in accordance with the provisions of any of those sections.

Issue No. I: Whether the Noticee is in violation of following provisions of SEBI IA Regulations 2013?

- a) Regulations 19 (3) and Clauses 8 & 9 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations.
- b) Regulation 6 (c) and (g), 7 (1) and (2), 15 (13) and Clauses 3, 8 and 9 of Code of Conduct as specified in Third Schedule under regulation 15(9) of IA Regulations;
- c) Regulations 15 (3), 15 (4), Regulation 22, and Clauses 5, 7, 8 and 9 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations; and
- d) Regulations 16, 17 and 19 (1) and Clauses 1, 2, and 4 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations.

a) Failure to conduct internal audit:

- 12. In respect of the aforesaid alleged violation against Noticee, I note from the Inspection Report (IR) and reply of the Noticee to the SCN that Noticee had not undertaken necessary Internal Audit from the date of Registration (January 09, 2017) as IA till the end of inspection period (April 01, 2018 to March 31 2019) which was mandatory as per the IA Regulations.
- 13. In this regard, Noticee has submitted that it has yet to start the investment advisory operations and it is not offering any investment advisory service and accordingly fees are not being charged from the clients. I note that the said contention of the Noticee is not acceptable as the requirement to conduct the audit was a necessary requirement, irrespective of scale of its operations and further Regulation does not grant exemption to any entity from conducting audit on the basis of it being non-operational/entities awaiting initiation of operation after registration as an IA.

14. The above admitted facts established that by not conducting internal audit, Noticee has failed to comply with the provisions of Regulation 19(3), Clauses 8 and 9 of Code of Conduct as specified in Third Schedule under Regulation 15(9) of the IA Regulations.

b) Failure to maintain infrastructure and qualification/certification requirements:

15. I note from the IR that the Noticee in its IA registration application filed with SEBI in August 2016, had mentioned its infrastructure details for the proposed IA activities as 4000 square feet of office space, 15 laptops, software for research (own software for fundamental analysis), office cars, 15 officials and Mr. Ajit Kumar as its representative with requisite qualification and NISM certification. I further note that based on consideration given to the above proposal made to SEBI, Noticee was granted IA registration. However, it was noted from the submission of the Noticee during inspection, that it did not maintain the required infrastructure as submitted during registration as well as qualification / certification requirements of its representatives for IA activities.
16. Further, it was also noted that till the completion of the said inspection, Noticee did not inform SEBI about changes, if any, from the above stated information submitted to SEBI with regards to its infrastructure, details of its representatives and their qualification / certification status, and regarding change / suspension of its plan to undertake IA activities. In this regard, I note that the Noticee in its reply to the SCN, without denying to the aforesaid allegation, submitted that another employee Mr. Neeraj Fartyal was having similar certification during the inspection period. However, it is noted that this information was not given to the inspection team and no certificate has been provided in support of the aforesaid claim of the Noticee.
17. In view of the above, it is established that the Noticee has not maintained the required infrastructure, qualification/certification requirements which were a pre-condition for registration granted to it as an IA and has violated the provisions of Regulation 6 (c), 6 (g), 7(1), 7 (2), 15(13) and Clauses 3, 8 and 9 of Code of Conduct as specified in Third Schedule under regulation 15(9) of IA Regulations.

c) Non-segregation of IA activities/operations from other business/activities:

18. I note that the Noticee has been alleged to have failed to keep its activities as a registered IA segregated from its various other operational activities. It is also alleged that the Noticee did not undertake risk profiling of clients and has accordingly violated provision of Regulations 16, 17 and 19 (1) and Clauses 1, 2, and 4 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations.

19. In this regard, I note from the IR that after receipt of IA registration, Noticee had been running a web/mobile platform with the name "ET Money" through which Noticee provided execution services, and the same also included making recommendations to investors of direct plan(s) of mutual funds. I further note from SEBI circular Cl/MRD.DSA/32/2013 dated October 4, 2013, that a mutual fund distributor can buy/sell the direct plans of the Mutual Funds on behalf of its clients, provided that the same is undertaken through stock exchange platform after due approval of Stock Exchange and adherence of code of conduct.

I also note that though Noticee, in its application for seeking IA registration, had made undertaking / declaration that *"Banayantree Services Limited hereby declare that company would execute execution services through a separately identifiable platform and brand"*, several associated entities viz. Times Internet Ltd, Moneygoals Solutions Ltd. etc operated under the same brand name of ETMONEY, and through this platform various services such as MF distribution, Insurance, Loans, digital gold, etc. were also provided.

It is also noted that, Noticee, on its website www.etmoney.com, mentioned SEBI IA registration number along with the AMFI Registration Number (ARN) and on its mobile app bearing name ET Money, it referred itself as SEBI registered Investment Advisor along with its registration number. I note that the above representation by the Noticee is highly misleading to clients / users of the ET Money in terms of services (MF distribution or IA services) they are availing from the Noticee.

20. The aforesaid facts clearly establish that Noticee failed to keep segregation among its role / activities being undertaken as a registered IA and its other business activities as the same were being undertaken under common platform.

21. The Noticee, in its reply to pre-inspection questionnaire and updated write-up submitted during inspection, submitted that it has not commenced its IA activities, and presently it is only involved in mutual fund distribution activities. It has further submitted that it is only using the IA registration number to get the reverse feeds from Mutual Funds / AMCs in relation to its clients to whom it provides mutual fund distribution services. Noticee had further submitted that it distributes mutual funds through Direct Code, however, I note that no details have been provided by it.
22. In this regard, I note from the submission of the Noticee that, as a Mutual Fund Distributor, it used its Investment advisor registration number for getting reverse feed from the AMCs for providing consolidated statements to the users of their (ET Money) app. This confirms that the Noticee has gathered information from the AMCs/MFs which was meant to be accessed by the Noticee as registered IA for its clients. Further, from the agreements entered with AMCs, like HDFC AMC, I note that the Noticee declared that the clients entered into an agreement with it for availing of services provided by it through online platform. This clearly establish that the Noticee was indulged into investment advisory services to its clients as against its claim of not commencing IA activities.
23. From the above, it is noted that though the Noticee claimed that it did not provide IA services, however, the manner of its operations showed that it failed to keep its activities as a registered IA segregated from its various other operational activities. Considering the above facts, I hold that the Noticee has violated the provisions of regulations 15 (3), 15 (4), Regulation 22, and Clauses 5, 7, 8 and 9 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations. Further, by not undertaking risk profiling of clients, the Noticee have violated provision of Regulations 16, 17 and 19 (1) and Clauses 1, 2, and 4 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations.

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

24. As it has been established that the Noticee has violated various provisions of the SEBI IA Regulations 2013:

- a. Regulations 19 (3) and Clauses 8 & 9 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as “**IA Regulations**”);
- b. Regulation 6 (c) and (g), 7 (1) and (2), 15 (13) and Clauses 3, 8 and 9 of Code of Conduct as specified in Third Schedule under regulation 15(9) of IA Regulations;
- c. Regulations 15 (3), 15 (4), Regulation 22, and Clauses 5, 7, 8 and 9 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations; and
- d. Regulations 16, 17 and 19 (1) and Clauses 1, 2, and 4 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations.

I am of the view that Noticee is liable for imposition of monetary penalty under Section 15EB of the SEBI Act, which is reproduced hereunder:

SEBI Act, 1992:

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.

Issue No. III: If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act?

25. While determining the quantum of penalty under Section 15EB of the SEBI Act, 1992, it is important to consider the factors stipulated in Section 15J of the SEBI Act, 1992 which reads as under:

SEBI Act, 1992

15J

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely

(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.

26. I observe, that the material available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticee and the losses, if any, suffered by the investors due to such violations on the part of the said Noticee. From the document available on record, it is not ascertainable whether the acts of the Noticee are repetitive in nature. However, it is pertinent to that the role of an investment advisor is crucial to the

development of the securities market, especially for the entry of the small investors who may rely on the advice of such IAs. In this regard, the role of an IA is crucial as a facilitator of small investors into the securities market. So, it is of utmost importance that every IA assigns high priority to investor grievances and takes all necessary steps to redress the complaints received from investors at the earliest. The non-compliance on the part of the Noticee as brought out in the preceding paragraphs clearly shows that it has failed in its fiduciary duties owed to its clients.

ORDER

27. Accordingly, taking into account the aforesaid observations and in exercise of power conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, 1995, I hereby impose following penalty under Section 15EB of the SEBI Act, 1992 on Noticee for violation of the following provisions of the SEBI IA Regulations by the Noticee:

- a) Regulations 19 (3) and Clauses 8 & 9 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of SEBI IA Regulations, 2013
- b) Regulation 6 (c) and (g), 7 (1) and (2), 15 (13) and Clauses 3, 8 and 9 of Code of Conduct as specified in Third Schedule under regulation 15(9) of IA Regulations;
- c) Regulations 15 (3), 15 (4), Regulation 22, and Clauses 5, 7, 8 and 9 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations; and
- d) Regulations 16, 17 and 19 (1) and Clauses 1, 2, and 4 of Code of Conduct as specified in Third Schedule under regulation 15 (9) of IA Regulations.

Name of Noticee	Penal provisions	Penalty
Banayantree Services Limited	Section 15EB of the SEBI Act, 1992	Rs 3,00,000/- (Rupees Three Lakhs Only)

28. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, OR through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW

29. The said demand draft or forwarding details and confirmations of e-payments made (in the format as given in table below) should be forwarded to “The Division Chief, Enforcement Department (EFD1 – DRA IV), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C –4 A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051.

1. Case Name:	
2. Name of the Noticee:	
3. PAN No. of the Noticee	
3. Date of payment:	
4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	

7. Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount etc.)	
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30. 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, 1992 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

31. 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: August 22, 2022

Place: Mumbai

G RAMAR

ADJUDICATING OFFICER