

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER No: Order/SBM/KL/2021-22/13301-13304]

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

Wealth Management Research
(PAN: AACFW2166P)

Mr. Rahul Nagar
(PAN: AKVPN7603H)

Mr. Ratan Patel
(PAN: BKAPP7491P)

Ms. Suhanika Chourey
(PAN: AYRPC5674K)

In the matter of
Wealth Management Research
111, 1st Floor, Bansi Trade Centre,
581/5, M.G.Road, INDORE,
Madhya Pradesh - 452001

FACTS OF THE CASE

1. Based on a complaint dated February 29, 2016 received by Securities and Exchange Board of India ('**SEBI**') against Wealth Management Research (hereinafter referred to as '**WMR**'/'**Noticee no. 1**') in respect of the unregistered investment advisory activities carried out by WMR, SEBI conducted an examination in the matter and observed that WMR and its partners viz. Mr. Rahul Nagar (hereinafter referred to as '**Mr. Rahul**'/'**Noticee no. 2**'), Mr. Ratan Patel (hereinafter referred to as '**Mr. Ratan**'/'**Noticee no.3**') and Ms. Suhanika Chourey (hereinafter referred to as '**Ms. Suhanika**'/'**Noticee no. 4**'), were engaged in providing investment advisory

services/activities by ensuring profits to its clients/investors through the website www.wealthmanagementresearch.com. It was observed during the course of examination by SEBI that WMR had carried out investment advisory activities during the period January 28, 2016 to May 30, 2016 (hereafter referred to as '**examination period**') without being registered with SEBI as an Investment Advisor. It was further observed during the course of examination that WMR offered investment advisory services in the cash, options & futures, commodity derivatives segment of the securities market. As it appeared that the unregistered Investment advisory activities conducted by Noticee nos. 1 to 4 (hereinafter collectively referred to as '**Noticees**') through their website were to allure investors to avail the investment advisory services being offered by the Noticees without holding any registered Investment Advisor certificate from SEBI, it is alleged that the activities of the Noticees were in the nature of 'fraud'. It is therefore alleged that the Noticees have violated the provisions of Section 12(1) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') read with Regulation 3(1) of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as '**IA Regulations**') and also the provisions of Regulations 3 (a) (b) (c) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**') read with Sections 12A (a) (b) (c) of the SEBI Act.

2. In view of the above reasons, adjudication proceedings were initiated against the Noticees under the provisions of Section 15HA and Section 15HB of the SEBI Act.

APPOINTMENT OF ADJUDICATING OFFICER

3. The undersigned has been appointed as the Adjudicating Officer in the matter vide order dated February 26, 2021 under Section 19 of the SEBI Act read with Section 15-I of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under sections 15HA and 15HB of the SEBI Act, the aforementioned alleged violation of the provisions of law by the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. Show Cause Notice ('SCN') ref: SEBI/EAD1/SBM/KL/10337/2021 dated May 14, 2021 was issued to the Noticees in terms of Rule 4 (1) of the Adjudication Rules read with Section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against the Noticees and why penalty be not imposed on them in terms of the provisions of sections 15HA and 15HB of the SEBI Act for the violations alleged to have been committed by the Noticees. The SCN, *inter-alia*, alleged the following :-

- a. SEBI received a complaint dated February 29, 2016 against Noticee no.1, in respect of its involvement in unauthorized Investment advisory activities. Thereafter, the aforementioned complaint was referred to Special Task Force – Madhya Pradesh Police by SEBI vide letter dated February 10, 2017, to take legal actions against Noticee no. 1.
- b. In this context, the website of Noticee no.1 i.e. www.wealthmanagementresearch.com was perused for information (obtained from web.archive.org) and it is observed that Noticee no. 1 had claimed the following regarding its Investment advisory activities.

"Wealth Management Research Advisory Firm which undergoes in providing you Trading tip calls about the Indian stock markets with intense analysis done by our Team of Analysts, we have been providing Tips to our clients through various modes.

Wealth Management Research Firm believes in building trust and solid relationship with you as a client. Also, to deliver fairness and professionalism by committing to high standards of excellence in all services that we provide. We are by the phones, ready to take your call. We know how urgent your finances are to you, that's why we have a professional and qualified staff ready to help at a moment's notice. Call right now and be connected with one of our friendly and helpful representatives.

WMR is created with the goal of empowering our client in every aspect of their financial lives. We provide high touch, personalized service to clients. We strive to create financial stability and security for each of our clients.

Wealth management Research provides you accurate tips related to the stock and share market with great accuracy percentile. Our expert teams work dedicatedly in order to make intense researches and then give you calls to stock traders in NSE and BSE ensuring your profit."

- c. Further, it is observed that Noticee no.1, on its website viz. www.wealthmanagementresearch.com, stated that it was offering services in respect of the following :
- a. Stock Cash
 - b. Stock Option
 - c. Stock Future
 - d. Commodity

- d. Based on the information above, an examination was conducted by SEBI and the major observations made therein are summarized in the table below:

Table-1

Sl no.	Particulars	Remarks										
1	Name of Complainant	Mr. Ramesh Kannan										
2	Date of complaint	February 29, 2016										
3	Name of the entity against which the complaint was lodged	Wealth Management Research (WMR)/Noticee no.1										
4	Allegations made in the Complaint (in brief)	Complainant had alleged that WMR has cheated him by taking Rs. 51,000/- and his id and password fraudulently without his knowledge. It is also stated that WMR made repeated calls to him and requested not to escalate the matter to SEBI.										
5	Name of Proprietor/ Partners of WNR	1. Mr. Rahul/Noticee no.2 2. Mr. Ratan/Noticee no. 3 3. Ms. Suhanika/Noticee no. 4										
6	Whether the entity is registered with SEBI as an Investment Adviser?	WMR is not registered with SEBI. Database of share portal has been checked and it is observed that WMR is not registered with SEBI in the capacity of Investment adviser or Research Analyst.										
7	Whether the website of Noticee no.1 of the entity is still live?	No. The website is not live.										
8	Details of payment gateways through which payment was made into the bank accounts of the entity.	The complainant vide email dated February 29, 2016, provided details of payment gateway i.e. having made a payment of Rs. 51,000 /- via 'PayU Money' payment gateway as advisory fee to WMR. Accordingly, SEBI vide letter dated March 28, 2016, requested PayU Payments Pvt Ltd (PayU) to provide KYC details, details of business of WMR and its PayU transaction details since October 2013 etc., to which, PayU submitted the documents on March 28, 2016										
9.	Observations from KYC documents and the account statements received from the Payment Gateway (PayU).	PayU vide email dated March 28, 2016 provided the following details of WMR: <table><tr><td>Name</td><td>Wealth Management research</td></tr><tr><td>Merchant Representative</td><td>Mr. Rahul / Noticee no. 2</td></tr><tr><td>Email</td><td>rahulnagar@gmail.com</td></tr><tr><td>Contact number</td><td>9977458199</td></tr><tr><td>Bank Name</td><td>ICICI Bank</td></tr></table>	Name	Wealth Management research	Merchant Representative	Mr. Rahul / Noticee no. 2	Email	rahulnagar@gmail.com	Contact number	9977458199	Bank Name	ICICI Bank
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Email	rahulnagar@gmail.com											
Contact number	9977458199											
Bank Name	ICICI Bank											

		<table><tr><td>Branch Name</td><td>New Palasia INDORE</td><td></td></tr><tr><td>IFSC Code</td><td>ICIC00006570</td><td></td></tr><tr><td>Account Number</td><td>657005600947</td><td></td></tr><tr><td>Business Name</td><td>Wealth Management Research</td><td></td></tr><tr><td>PAN ID</td><td>AACFW2166P</td><td></td></tr></table>	Branch Name	New Palasia INDORE		IFSC Code	ICIC00006570		Account Number	657005600947		Business Name	Wealth Management Research		PAN ID	AACFW2166P						
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		As per the account statements provided, it is observed that the total amount received from PayU to WMR, from January 02, 2016 to March 02, 2016 is Rs. 4,69,874.88 /-																				
10	Bank Account Details	Following bank account details are available from website screenshots of WMR. <table><tr><td>Bank</td><td>Account name</td><td>Account no.</td><td>IFSC</td><td>Branch name</td></tr><tr><td>Axis Bank</td><td>Wealth Management Research</td><td>916020009863783</td><td>Not Available</td><td>Bicholi Hapsi, Indore</td></tr><tr><td>ICICI Bank</td><td>Wealth Management Research</td><td>657005600947</td><td>ICIC000006570</td><td>New Palasia Indore</td></tr><tr><td>HDFC Bank</td><td>Wealth Management Research</td><td>50200015466395</td><td>HDFC0003886</td><td>Indore</td></tr></table>	Bank	Account name	Account no.	IFSC	Branch name	Axis Bank	Wealth Management Research	916020009863783	Not Available	Bicholi Hapsi, Indore	ICICI Bank	Wealth Management Research	657005600947	ICIC000006570	New Palasia Indore	HDFC Bank	Wealth Management Research	50200015466395	HDFC0003886	Indore
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- e. Pursuant to the examination and the findings as mentioned in the table above, SEBI vide letter dated May 19, 2016, sought clarification from the Noticees in respect of unregistered Investment advisory activities of Noticee no.1. In reply, the Noticees vide letter dated May 30, 2016, submitted that they were running business since January 2016, without obtaining registration certificate from SEBI (required under SEBI Act) and that they committed the mistake due to non-awareness and limited knowledge of the SEBI Act. Further, Noticees submitted that they had closed all their business activities as they became aware of the fact that running of Investment advisory business without obtaining registration from SEBI is not permissible and also closed the webpage of their business viz. www.wealthmanagementresearch.com., all current accounts of WMR, went for dissolution of their partnership firm and were also in the process of refunding its several clients.

- f. *In this context, SEBI obtained KYC, Bank statements and Account Opening Forms of Noticee no. 1, from Axis Bank, HDFC Bank and ICICI Bank in respect of its business activities. It is observed that Noticee no.2 to 4 were the authorized signatories in the aforementioned bank accounts. Further, from the account statements provided by PayU, it is also observed that the total amount received from PayU to WMR in respect of its business activities, from January 02, 2016 to March 02, 2016 is Rs. 4,69,874.88 /-.*
- g. *In view of the above, it prima facie appeared that Noticee no. 1 and its partners viz. Noticee no. 2 to 4, were involved in Investment advisory activities during the period from January 2016 to May 2016, without obtaining registration from SEBI as required under Section 12(1) of SEBI Act read with Regulation 3(1) of IA Regulations.*
- h. *Further, it is alleged that the Noticees, without holding a registered Investment advisory certificate, offered Investment advisory services in respect of cash, options, futures and commodity derivatives and promised profits to prospective investors and put them at risk by misleading them. Therefore, the aforementioned activities of the Noticees are prima facie appeared to be fraudulent, which are covered within the definition of 'fraud' as defined under Regulation 2(1)(c) of PFUTP Regulations:*
- i. *It is observed that prima facie fraudulent activities/ dealings of the nature discussed above are prohibited under the provisions of Regulations 3 (a) (b) (c) and (d) of PFUTP Regulations and Section 12A (a) (b) (c) of SEBI Act. Therefore, it appears that the unregistered Investment advisory activities conducted by the Noticees are in the nature of fraud and thus it is alleged that the Noticees have violated the provisions of Regulations 3 (a) (b) (c) and (d) of PFUTP Regulations read with Section 12A (a) (b) (c) of SEBI Act.*
- j. *Based on the discussions above, it is alleged that the Noticees have violated the provisions of Section 12(1) of SEBI Act read with Regulation 3(1) of IA Regulations and Regulations 3 (a) (b) (c) and (d) of PFUTP Regulations read with Section 12A (a) (b) (c) of SEBI Act.*

5. Vide email dated May 29, 2021, Noticees submitted their reply to the SCN, details of which are as follows: -

- a. *This has reference to the captioned letter wherein it has been alleged that I had complied the following with a delay:*
 - i. *I, Suhanika Chourey on behalf of the firm Wealth Management Research and its Partners, Ratan Patel and Rahul nagar would hereby like to address following points in reply to Show Cause Notice:*

- ii. *As stated in the reply dated 30th May, 2016 to the then Assistant General Manager of SEBI Indore Local Office, Ms. Dipali Dixit Madam, that we had committed the mistake of running business of investment advisory without obtaining registration from SEBI due to non-awareness and limited knowledge of the SEBI Act.*
- iii. *Since, becoming aware of the said fact that it is not permissible to run investment advisory business without obtaining registration from SEBI, we had immediately closed the webpage of our business and also stopped all the business activities.*
- iv. *In the said reply, we also had attached a copy of discontinuation of the bank account along with a copy of dissolution of the partnership.*
- v. *Further, via letter dated 16th June, 2016, we had submitted to the then Assistant General Manager of SEBI Indore Local Office, Ms. Dipali Dixit Madam, that as directed by the then SEBI Officers to refund the amount to the clients, we had refunded the fees received to clients whose services were running and also attached the list of clients whom we had refunded the amount.*
- vi. *As a law abiding citizens, we accept that we had committed the mistake in the past, but as soon as we became aware, we rectified our mistake and stopped all the business activities and refunded the money to the clients. The said business just ran for only 4 months. Apart from that we were not involved in any wrongdoings.*
- vii. *On the basis of above mentioned points, I Suhanika Chourey on behalf of the firm Wealth Management Research and its Partners, pleads you to not to initiate any proceedings / inquiry against us as the said act was committed due to non-awareness and limited knowledge of the SEBI Act. There was no intention of any fraud or malpractice.*

6. In the interest of natural justice and in terms of the Adjudication Rules, Noticees were provided with an opportunity of personal hearing in the matter on July 05, 2021 through the online webex platform. Ms. Suhanika Chourey appeared as the Authorized

Representative (hereinafter referred to as 'AR') on behalf of the Noticees on the stipulated date of hearing and reiterated the submissions made by the Noticees in their email dated May 29, 2021. Further, vide email dated July 15, 2021, the following additional submissions were made by the Noticees in the matter.

- i. *In reference to the documents submitted by the us to SEBI vide letter dated May 30, 2016 w.r.t the list of clients along with fees charged by the firm. As we are advised to submit the total amount collected by WMR from the investors/clients from the date of its incorporation till the date of its dissolution, We have submitted list of documents in hard copy as follows to local office in May, 30 2016*
 - 1 *List of all clients whose services been expired and running at the point of time when SEBI Local office called us to present,*
 - 2 *Amount collected as fee charged*
 - 3 *Partnership deed*
 - 4 *Deed of partnership dissolution*
 - 5 *Bank account statement for whole period business ran*
 - 6 *List of bank account closed with closing balance statement*
 - 7 *List of amount refunded and client mail sent for same*
- ii. *As per your query dated 05 July 2021*
 - a) *The date of initiation of business activities of Wealth Management Research (WMR) was January 28, 2016*
 - b) *The total number of clients to whom the investment advisory services were offered by WMR, 100 approx.*
 - c) *The total amount collected by WMR from the investors/clients from the date of its incorporation till the date of its dissolution was almost 1671000/- in the span of 4 months.*
 - d) *Total amount refunded is 182000 by WMR to its clients along with the details of such clients.*
- iii. *No intention of fraud – we were barely college pass out that time and just started Business activities, Short time of 4 month – we ran this business activities only 4 month as we received Notice to close this activities we closed right away, PFA Clarification*
- iv. *ITR for Both financial Year- For the month of February and March 2016 and April and May 2016 we have already filled ITR in the year 2016, PFA ITR*
- v. *Asked to refund to running client - we have charged amount from our client as service fee but for same have provided them services as well by the way of SMS and research recommendation we have refunded amount as process suggested by ma'am, PFA REFUND*
- vi. *Please go through our reply for latter IMD/DF/ILO/DD/OW/1/14570/1/2016 DATED MAY 19 2016 – we were guided by ma'am clearly that we need to refund the service charge to all the clients whose service tenure is not expired as on 25/05/2016 and for same we got receiving by SEBI office dated 30 may 2016*
- vii. *We sent mail to all running -clients for discontinuation of services and refund and given appropriate time to mail us back for refund*
- viii. *Further processes refund by online mode and at last as we need to wind up accounts so we refunded few in cash deposit for same we have screen shots of mail received by our*

- client for the receiving of amount,
- ix. Closure of website and web mail – we have closed our website and our webmail as we done with our refund process Please check attached copy of screenshot of closed web and mail id,
 - x. Only one complaint- we were not informed for complaint of Mr. Ramesh kannan as we already closed our mail id and phone numbers thus Mr. Kannan could not reach us and as SEBI local office Got Mr. Kannan complaint by February 26, 2016, PFA 29 feb 2016
 - 1- Forfeit of Rent Deposited as Advance or security
 - 2- It is well known fact that any business needs at least 6-month tenure to stand by, we expanses a lot for business and could not even recover that we put 300000/- capital at the time of starting that too we lost which we taken on loan.
 - xi. Before 5 years we did what SEBI asked us to do now... We are at the stage we could not do anything as already suffered losses in all this process. Thus requesting Kindly grant us from this overall matter as it was done unintentionally,
 - xii. You may also check our statement of receipt of payments and expenses which is for period of FEB 1, 2016 to May 30 , 2016 far same ITR been Served at 2016

Receipt of WMR – between February to May 2016

Expenses	Amount	Receipt	Amount
salary exp online	695355	Receipt	1671342
Salary Exp Cash	200000		
office exp	106690		
Electricity Exp	5944		
Mobile & Telephone Exp	56997		
Rent	100000		
Accounting charges	31650		
Rent of Computer	112000		
Software exp	25000		
Ac Purchase	48500		
Computer Purchase	40000		
Calling Server	20000		
Return of client online	95000		

Return of client cash	87000		
Conveyance exp	48825		
Loss	-1619		
total	16,71,342		16,71,342

- xiii. *At last, I would like to plead with you, kindly set aside these proceedings against us as we didn't have any intention of malpractice or fraud. Whatever business activity we had earlier carried out was with an intention to educate and provide good services to our clients. None of our clients had complained to us about any deficiencies in our services. All our clients were highly satisfied with our services. Though we offered the services without the required SEBI license, it was due to a lack of knowledge or awareness of the prevailing law of SEBI.*

CONSIDERATION OF ISSUES AND FINDINGS

7. I have carefully perused the allegations leveled against the Noticees in the SCN, the replies of the Noticees and also the documents/evidence on record.

The issues that arise for consideration in the present matter are:-

- I. Whether the Noticees have violated the provisions of Section 12(1) of SEBI Act read with Regulation 3(1) of the IA Regulations and Regulations 3 (a) (b) (c) and (d) of the PFUTP Regulations read with Sections 12A (a) (b) (c) of the SEBI Act ?
 - II. If yes, whether the violation would attract monetary penalty upon the Noticees under the provisions of Sections 15HA and 15HB of the SEBI Act?
 - III. If yes, what should be the quantum of monetary penalty?
8. Before moving forward, the relevant provisions of the SEBI Act, IA Regulations and the PFUTP Regulations allegedly violated by the Noticees are mentioned as under:

SEBI Act

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

12. (1) *No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser*

and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:

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

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

IA Regulations 2013

3. (1) *On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations:*

Provided that a person acting as an investment adviser immediately 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 under sub-regulation (2) within the said period of six months, till the disposal of such application

PFUTP Regulations 2003

2. (1) *In these regulations, unless the context otherwise requires:*

(c) "fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent

while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

- (1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;*
- (2) a suggestion as to a fact which is not true by one who does not believe it to be true;*
- (3) an active concealment of a fact by a person having knowledge or belief of the fact;*
- (4) a promise made without any intention of performing it;*
- (5) a representation made in a reckless and careless manner whether it be true or false;*
- (6) any such act or omission as any other law specifically declares to be fraudulent,*
- (7) deceptive behavior by a person depriving another of informed consent or full participation,*
- (8) a false statement made without reasonable ground for believing it to be true.*
- (9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.*

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

SEBI Act

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. *No person shall directly or indirectly—*

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

ISSUE I. Whether the Noticees have violated the provisions of Section 12(1) of the SEBI Act read with Regulation 3(1) of the IA Regulations and Regulations 3 (a) (b) (c) and (d) of the PFUTP Regulations read with Sections 12A (a) (b) (c) of SEBI Act?

ISSUE II. If yes, whether the violation would attract monetary penalty upon the Noticees under the provisions of Sections 15HA and 15HB of the SEBI Act?

9. It is noted that as per Regulation 2(m) of the IA Regulations, “investment adviser” *means any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called. The term “investment advice” has been defined under regulation 2(l) as advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning.*
10. It is imperative that any person carrying out investment advisory activities has to necessarily obtain a certificate of registration from SEBI and conduct his/her/its activities in accordance with the provisions of the SEBI Act and the Regulations framed in this regard. Section 12(1) of the Securities and Exchange Board of India Act, 1992 (“SEBI Act”) reads as under:

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

11. Further, in terms of Regulation 3(1) of the IA Regulations, the registration of investment advisers is a mandatory requirement. It provides that, *“On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations”*.
12. I note that WMR (Noticee no.1) on its website www.wealthmanagementresearch.com advertised itself to be a firm that believes in trust and solid relationship with its clients by offering accurate tips related to stock market investment and stock market trades with great accurate percentile and ensuring profit to its clients. The website stated that ***“Wealth Management Research Advisory Firm which undergoes in providing you Trading tip calls about the Indian stock markets with intense analysis done by our Team of Analysts, we have been providing Tips to our clients through various modes”***.

“Wealth Management Research Firm believes in building trust and solid relationship with you as a client. Also, to deliver fairness and professionalism by committing to high standards of excellence in all services that we provide. We are by the phones, ready to take your call. We know how urgent your finances are to you, that’s why we have a professional and qualified staff ready to help at a moment’s notice. Call right now and be connected with one of our friendly and helpful representatives.”

“WMR is created with the goal of empowering our client in every aspect of their financial lives. We provide high touch, personalized service to clients. We strive to create financial stability and security for each of our clients.”

“Wealth management Research provides you accurate tips related to the stock and share market with great accuracy percentile. Our expert teams work dedicatedly in order to make intense researches and then give you calls to stock traders in NSE and BSE ensuring your profit.”

13. I find that the above mentioned website i.e www.wealthmanagementresearch.com was created by the Noticees on January 16, 2016 and the said website was closed on June 7, 2016. Admittedly, Noticees had collected an amount of Rs 16,71,000/- from various investors/clients towards their investment advisory activities during the period January

28, 2016 to May 25, 2016. I find that these services were being offered by the Noticees in lieu of a consideration, which could be paid by the clients/investors through the Bank accounts of the Noticees viz. Axis Bank, ICICI Bank, HDFC Bank and also through the PayU payment gateway. Upon perusal of the aforementioned website of WMR and also upon examining the details/records obtained during the course of examination by SEBI, it is observed that during the examination period, the Noticees were providing guaranteed profit making share market tips through their website and claimed that such investment tips were provided on the basis of intense analysis by their team of analysts. Further, upon examination of the website, it is seen that the Noticees had used terms such as 'accurate tips', 'great accuracy percentile', 'trading tip calls to stock traders at NSE and BSE ensuring your profit' etc. I note that the Noticees were assuring guaranteed profits / returns on execution of the stock tips and were offering stock tips/ investment advisory services in the segments of the stock market such as Equity, Option &, Futures, NIFTY, Agri and Commodity etc. In view of the above, it goes without saying that gullible investors would have been easily lured by the contents mentioned in the Noticees' website and would have made investment decisions in the stocks for which the tips were provided by the Noticees. I also note that the contents mentioned in the website of WMR leads to a visual misrepresentation made to the clients who invest in the stocks for which the tips were offered by the Noticees. Further, I hold that the terms used by the Noticees in their website, as mentioned above, clearly imply that the Noticees were engaged in providing 'investment advisory services' to their clients within the meaning of the IA Regulations.

14. Further, I note that the following bank account details were provided by the Noticees on their website in relation to the payments from the investors/clients against the investment advisory services/activities.

<i>Bank</i>	<i>Account name</i>	<i>Account no.</i>	<i>IFSC</i>	<i>Branch name</i>
<i>Axis Bank</i>	<i>Wealth Management Research</i>	<i>916020009863783</i>	<i>Not Available</i>	<i>Bicholi Hapsi, Indore</i>
<i>ICICI Bank</i>	<i>Wealth Management Research</i>	<i>657005600947</i>	<i>ICIC000006570</i>	<i>New Palasia Indore</i>

HDFC Bank	Wealth Management Research	50200015466395	HDFC0003 886	Indore
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In this regard, SEBI obtained the KYC, Bank statements and Account Opening Forms of WMR (Noticee no. 1) from Axis Bank, HDFC Bank and ICICI Bank and also obtained the account statements of WMR (Noticee no.1) with PayU payment gateway, in respect of its business activities and the transactions. From the perusal of the aforementioned documents, it is observed that Noticee nos.2 to 4 were the authorized signatories in respect of the aforementioned bank accounts. Further, it is noted that the total amount credited in the above bank accounts of WMR (Noticee no.1) aggregated to Rs. 18 Lakh approximately. It is also seen that the total amount transacted by the clients/investors through the PayU payment gateway with WMR (Noticee no.1) during the examination period aggregated to Rs. 4,69,874/- (Rupees Four Lakh Sixty-Nine thousand eight hundred and seventy four approximately). I also note that, vide letter dated May 30, 2016, the Noticees submitted a list of clients along with the fees charged from them towards the investment advisory services rendered by the Noticees during the examination period. As per the information submitted by the Noticees, there were about 100 clients/investors who had availed the services of the Noticees during the examination period. It is observed that the Noticees collected an amount of Rupees Eighteen Lakh (Rs. 18 Lakh), including the refunded amount of Rs 1,82,000, which was made by the Noticees to about 12 clients/investors during the examination period. Further, the Noticees also submitted the following additional information pertaining to their activities, vide email dated July 15, 2021.

- i. The date of initiation of business activities of Wealth Management Research (WMR) was January 28 2016
- ii. The total number of clients to whom the investment advisory services were offered by WMR was 100 approximately.
- iii. The total amount collected by WMR from the investors/clients from the date of its incorporation till the date of its dissolution was almost Rs 16,71,000/- in the span of 4 months.

iv. Total amount refunded by WMR to its clients were to the tune of Rs. 1,82,000/- and Noticee also submitted the details of the clients to whom monies were refunded.

15. I note that WMR was registered as a partnership firm on January 28, 2016 vide partnership deed dated January 28, 2016. The partners of WMR were Mr Rahul Nagar (Noticee No. 2), Mr Ratan Patel (Noticee No. 3) and Ms Suhanika Chourey (Noticee no. 4). It is noted that WMR was dissolved as a partnership firm on May 25, 2016 as per the partnership dissolution deed enclosed by the Noticees. I note that the instant proceedings have been initiated against Noticee nos. 2 to 4 in their capacity as the partners of WMR during the relevant examination period. In this context, I note that in terms of The Partnership Act, 1932, "Partnership" is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all. Further, persons who have entered into the partnership with one another are called individually as "partners" and collectively "as a firm", and the name under which the business is carried on is called the "firm name". Thus, in terms of section 4 of the Partnership Act, the firm is nothing but all partners acting together. In view of the above, the partners of WMR (Noticee no.1) i.e Noticee Nos 2 to 4 are jointly and severally liable for the misconduct of WMR in respect of providing unregistered investment advisory services to clients/investors during the examination period.
16. From the above observations, it can be reasonably concluded that the Noticees collected/solicited money from their clients/investors through the website www.wealthmanagementresearch.com towards the investment advisory services offered by them to the clients/investors in the securities market during the examination period. I note that the Noticees have also not disputed the above fact regarding the collection of money from their clients/investors towards the investment advisory activities. The details of the monies collected from the clients/investors by the Noticees are already discussed in the pre-paragraphs. From the aforesaid facts, it is abundantly clear that Noticees were engaged in the business of providing 'advice' to their clients/investors through the electronic or telecommunications medium *inter alia* relating to investing in, buying or selling or otherwise dealing in securities or investment products, for a

consideration, and the same has resulted in the Noticees undertaking the activities as '*Investment Adviser*' within the meaning of Regulations 2(l) and 2(m) of the IA Regulations.

17. Further, it is observed that the Noticees were not registered with SEBI in their capacity as investment advisor and the characteristic features of their business activity carried out by them, as discussed in the preceding paragraphs, leads to the conclusion that they were providing the services of an investment adviser without appropriate registration from SEBI. Thus, the activities of the Noticees *have* resulted in the violation of Section 12(1) of SEBI Act read with Regulation 3 (1) of the IA Regulations. In my view, an unregistered investment advisor, as observed in the instant case, can put the investors/clients to great risk by misleading them and alluring them to invest in the securities market for which the tips were offered by the Noticees. The investment in securities market such as stocks, derivatives, commodity derivatives, etc. in respect of which the *Noticees* were offering investment advice to their clients/investors are subject to market risk, however, the Noticees were falsely promising unrealistic assured returns on the investments made by investors/clients and such contents were disclosed on the website of the Noticees. In fact, I note that Noticees closed their website only upon SEBI pointing out the irregularities to them during the course of examination. In view of the above observations/findings, I hold that Noticees have violated the provisions of section 12(1) of the SEBI Act and Regulation 3(1) of the IA Regulations.
18. The *modus operandi* adopted by the Noticees discussed hereinabove shows that they were actually indulging in fraudulent investment advisory activity as the same were done without the registration certificate from SEBI. From the findings of the examination, it is evident that the Noticees were running a pre-meditated device, plan or scheme where under, the gullible investors were lured by the unrealistic profit commitments made on their website. The monies were collected by the Noticees from their investors/clients in the name of investment advisory fee/ subscription fee etc .
19. I find that the SCN has also alleged that Noticees have violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act read with Regulations 3(a) to (d) of the PFUTP Regulations, which *inter alia* prohibit employment of any manipulative/deceptive device,

scheme or artifice to defraud in connection with the dealings in securities; engaging in any act, practice, course of business which operates or would operate as a fraud or deceit upon any person in connection with the dealing in securities. The above discussed deceptive activities of the Noticees are, *prima-facie*, fraudulent and are covered under the definition of 'fraud' in terms of regulation 2(1)(c) of the PFUTP Regulations, which provides as under:

“(c) “fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

(3) an active concealment of a fact by a person having knowledge or belief of the fact;

(4) a promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false;

(6) any such act or omission as any other law specifically declares to be fraudulent,

(7) deceptive behaviour by a person depriving another of informed consent or full participation,

(8) a false statement made without reasonable ground for believing it to be true.

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And “fraudulent” shall be construed accordingly

.....”

20. It is on record that Noticees provided “investment advice” to their clients through their website by offering tips to their clients/investors in the securities market for a consideration/fee and, *inter alia*, promised assured profits on their investments made. During the examination period, the Noticees were not registered with SEBI to undertake the Investment Advisory activities. The investments in the securities market are speculative in nature and involve market risks and assured profits can never be guaranteed. However, Noticees through their website were alluring the investors with assured profits on their investments. Therefore, in my assessment, the collection of fee/consideration from the clients/investors coupled with the claim made by the Noticees on their website of assured profits on the investments made by clients/investors indicate a deceitful practice and misrepresentation made to the clients/investors by the Noticees

through their website. As a result of such false and deceitful representation made by the Noticees through their website, the investors were allured to make investments in the securities market. Therefore, Noticees have clearly solicited and induced clients/investors to deal in the securities market on the basis of 'investment advice' provided to them through the website. Accordingly, I conclude that Noticees have violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act r/w the provisions of Regulations 3 (b) to (d) of the PFUTP Regulations.

21. In this context, it is pertinent to draw reference to the *Order dated October 25, 2016 passed by Hon'ble SAT (in Appeal No. 126 of 2013) in the matter of Pan Asia Advisors Limited vs SEBI* wherein it was held by Hon'ble SAT that - “ *From the aforesaid definition of 'fraud' it is absolutely clear that if a person by his act either directly or indirectly causes the investors in the securities market in India to believe in something which is not true and thereby induces the investors..... to deal in securities, then that person is said to have committed fraud on the investors....*”
22. In this context, the Noticees have contended that there was no intention of fraud on their part and the business ran only for short period of four months. They also pleaded that due to ignorance of law they had undertaken these activities and completely stopped the activities and closed the website immediately upon the facts brought to their notice by SEBI. The above contentions of the Noticees are without any merit and cannot be accepted. In this context, I note that Hon'ble SAT in the matter of *Best Stock Solutions vs SEBI* (in appeal no. 33 of 2017) decided on July 03, 2017, has held that “*Authorized representative of the appellant fairly stated that the appellant had acted as an Investment Adviser without any registration. However, it is submitted by the authorized representative of the appellant that the said acts were done inadvertently, that too for a very small consideration and immediately after applying for registration, the appellant had voluntarily stopped the said activity. In these circumstances, it is submitted by the authorized representative that the AO of SEBI ought to have taken lenient view and ought not to have imposed exorbitant penalty of Rs.12 lakh.*”

We see no merit in the above contentions. In the present case, fact that the appellant functioned as an Investment Adviser without seeking registration from SEBI is not in

dispute. Thus, in the fact of present case, finding recorded by the AO of SEBI that the appellant violated the SEBI Act and the Investment Advisors Regulations cannot be faulted. However, after taking into consideration all mitigating factors, the AO of SEBI has imposed a penalty of Rs.12 lakh which cannot be said to be unreasonable or excessively harsh.’ In the result, we see no merit in the appeal and the same is hereby dismissed with no order as to costs.”

23. In view of the above, I hold that Noticees have violated the provisions of Section 12(1) of the SEBI Act read with Regulation 3(1) of IA Regulations and also the provisions of Regulations 3 (b) to (d) of PFUTP Regulations read with sections 12A (a) (b) (c) of the SEBI Act.
24. The Hon^{ble} Supreme Court of India in the matter of SEBI Vs Shri Ram Mutual Fund (2006) 68 SCL 216 (SC) 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 and hence the intention of the parties committing such violations becomes wholly irrelevant”* .
25. In view of the above, I am convinced that it is a fit case to impose monetary penalty on the Noticees under the provisions of sections 15HA & 15HB of the SEBI Act, which reads as follows :-

SEBI Act

PENALTIES AND ADJUDICATION

Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided,

shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.

ISSUE 3: If yes, what should be the quantum of monetary penalty?

26. For the purpose of adjudication of the penalty, it is relevant to mention that under section 15I of the SEBI Act, imposition of penalty is linked to the subjective satisfaction of the Adjudicating Officer. The guidelines in this regard are provided by the legislature in section 15J of the SEBI Act. As per the explanation appended to section 15J, vide Part VIII of Chapter VI of the Finance Act, 2017, which was brought after the Judgment of Hon'ble Supreme Court in the matter of Roofit Industries, while adjudging the quantum of penalty, the adjudicating officer has discretion and such discretion should be exercised having due regard to the factors specified in section 15J of the SEBI Act, which reads as under:-

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 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.*

Explanation. —For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

27. I find that the material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticees and the loss suffered by them as a result of their default. I observe that the Noticees in their submissions made to SEBI have confirmed that they had generated revenue of Rs 16 lakh during the examination period from the investment advisory activities. I am of the firm opinion that the activities undertaken by unregistered intermediaries in the securities market seriously compromise the regulatory framework and are detrimental to the interest of the investors

in the securities market. The interest of the investors and orderly development of the securities market requires that perpetrators of such activities should be suitably penalized. I cannot lose sight of the fact that the Noticees have functioned as an unregistered Investment Adviser in the securities market and allured investors to make investments in the securities market on the basis of misrepresentations and deceitful information provided through their website. Such activities are detrimental to the interest of the investors in the securities market and have to be appropriately penalized.

ORDER

28. Considering all the facts and circumstances of the case and in exercise of the powers conferred upon me under section 15 I of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby impose a total penalty of Rs. 7,00,000/- (Rupees Seven Lakh only) on the Noticees viz. Wealth Management Research, Mr. Rahul Nagar, Mr. Ratan Patel and Ms. Suhanika Chourey under the provisions of sections 15 HA & 15 HB of the SEBI Act for their violation of the provisions of section 12(1) of the SEBI Act read with Regulation 3(1) of the IA Regulations and Regulations 3 (b) (c) and (d) of PFUTP Regulations read with Sections 12A (a) (b) (c) of SEBI Act. The said amount of penalty shall be paid jointly and severally by the Noticees. In my view, the said penalty is commensurate with the violation committed by the Noticees in this case.
29. The Noticees shall remit / pay the said total amount of penalty within 45 days of the receipt of this order either by way of Demand Draft in favour of "SEBI- *Penalties Remittable to Government of India*", payable at Mumbai, or by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT > Orders > Orders of AO > PAY NOW; OR by using the web link <https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html>. In case of any difficulties in payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in.
30. The said confirmation of e-payment made in the format as given in table below should be sent to "The Division Chief, EFD1-DRA-IV, Securities and Exchange Board of India,

SEBI Bhavan, Plot no. C- 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in

1. Case Name:	
2. Name of payee:	
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 and legal charges along with order details)	

31. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticees viz. Wealth Management Research, Mr. Rahul Nagar, Mr. Ratan Patel and Ms. Suhanika Chourey and also to the Securities and Exchange Board of India.

Date: August 31, 2021

Place: Mumbai

Suresh B Menon

ADJUDICATING OFFICER