BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER Ref. No. ORDER/NH/RJ/2024-25/31017]

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

MIR UNISERV
Proprietor Mr. Saurabh Shukla
PAN BAZPS8398M
Registration Number INH100007639

In the matter of Mir Uniserv – Research Analyst

A. BACKGROUND

1. Mir Uniserv (hereinafter referred to as '**Noticee'**) is a proprietorship firm owned and run by Mr. Saurabh Shukla. Noticee has been registered with Securities and Exchange Board of India (hereinafter referred to as '**SEBI'**) as a Research Analyst (hereinafter referred to as '**RA'**) having registration number INH100007639.

2. SEBI had conducted an inspection of the Noticee for the period from April 01, 2022 to December 31, 2023 (hereinafter referred to as **'inspection period'**). The findings of the said inspection were communicated to the Noticee vide letter dated March 05, 2024. In response to the findings in the inspection report, Noticee submitted a reply vide letter dated March 27, 2024.

3. Based on the findings of the inspection of the Noticee and considering the reply of the Noticee, SEBI initiated adjudication proceedings against the Noticee for alleged violation of the following provisions:

3.1. Sections 12 A (c) of the SEBI Act, 1992 (hereinafter referred to as '**SEBI Act**'),

3.2. Regulations 2 (1) (b), (c), 3 (a), (d), 4 (1), 4 (2) (k), (o) and (s) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations'**), 3.3. Regulation 16 of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011,

3.4. Regulations 26B(1), 29 (1) and 29 (2) of the Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (hereinafter referred to as '**RA Regulations, 2014'**),

3.5. Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulations 13(i) and 32 of RA Regulations 2014,

3.6. SEBI Circular no. ISD/CIR/RR/AML/1/06 dated January 18, 2006 (hereinafter referred to as '**SEBI Circular dated January 18, 2006'**),

3.7. SEBI Circular no. ISD/CIR/AML/2/06 dated March 20, 2006 (hereinafter referred to as '**SEBI Circular dated March 20, 2006'**),

3.8. SEBI Circular no. MIRSD/SE/CIR-21/2011 dated October 05, 2011(hereinafter referred to as '**SEBI Circular dated October 05, 2011'**),

3.9. SEBI Circular no. CIR/MIRSD/24/2011 dated December 15, 2011 (hereinafter referred to as '**SEBI Circular dated December 15, 2011'**),

3.10. SEBI Circular no. CIR/OIAE/1/2014 dated December 18, 2014 (hereinafter referred to as '**SEBI Circular dated December 18, 2014'**),

3.11. SEBI Master Circular no. SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019 (hereinafter referred to as '**SEBI Master Circular dated October 15, 2019'**),

3.12. Clauses 45 and 49 of SEBI Master Circular no. SEBI/HO/OIAE/IGRD/P/CIR/2022/0150 dated November 07, 2022 (hereinafter referred to as '**SEBI Master Circular dated November 07, 2022'**) and

3.13. SEBI Master Circular no. SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated October 12, 2023 (hereinafter referred to as '**SEBI Master Circular dated October 12, 2023'**)

B. APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned was appointed as the Adjudicating Officer (hereinafter referred to as '**AO'**) vide communique dated August 23, 2024 under Section 15-I of 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 the alleged violations committed by Noticee as mentioned above.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

5. Show Cause Notice (hereinafter referred to as '**SCN**') bearing No. SEBI/HO/EAD2/NH/RJ/2024/29856 dated September 19, 2024, was issued to the Noticee under Rule 4 of Adjudication Rules to show cause as to why an inquiry should not be held and penalty be not imposed against the Noticee under Sections 15A(a), 15C, 15EB, 15HA, 15HAA(a) and 15HB of the SEBI Act for the aforesaid alleged violations.

6. The SCN dated September 19, 2024, *inter alia*, alleged the following:

"…

6.1. ***Know Your Customer***

*6.1.1. During the inspection, the Noticee provided the client master. From the said client master of the Noticee, it was observed that the Noticee has not done Know Your Customer (hereinafter referred to as '**KYC'**) for 573 clients out of 1270 clients.*

*6.1.2. Further, it was observed that the Noticee had submitted its PMLA and Client Due Diligence (hereinafter referred to as '**CDD'**) policies with the pre inspection questionnaire (hereinafter referred to as '**PIQ'**). However, it is observed that by not undertaking the KYC process, the Noticee has not adopted and followed the PMLA and CDD policies.*

6.1.3. In response, the Noticee has, inter alia, stated as under:

"… That, the allegations regarding KYC and PAN Card violations is false as though it is correct that the KYC from CKYC was not fetched for all clients in the earlier days of companies operations but the PAN details of all clients is available, it did happened that the respondent was unable to provide those details during the inspection as the respondent was unable to access the data due to some technical hiccup, however later the respondent has accessed the said data with help of Tech expert and the respondent can provide PAN details of all clients (barring a few) and

the same can be verified if needed and thus the violations of KYC regulations as per 2011 circular are unfound.

That, the allegations with regards to violation of (AML), (CFT), (PMLA) are totally unfound and there is not even a shred of evidence that the respondent has accepted any cash as fees leave alone above 10 lakh or even in foreign currency and thus the violations as mentioned above will in no way be attracted towards the respondent. Further the respondent does has all records of all transactions entered Into by his company and thus these violations can never be attracted towards the respondent.

That, the conclusion of para 2 where that the aforesaid violations attract the rigours of regulations 25(1) of RA regulations or violations of code of conduct as provided in schedule 3. The regulation 25 does not speaks of KYC or other similar records as alleged in the para 2 of findings. …"

6.1.4. In this regard, it is stated in the PIA that Noticee has admitted that KYC from CKYC was not fetched for all clients during the IP. It is stated in the PIA that the records of the Noticee had incomplete or no address and lacked PAN of clients. Accordingly, it is stated in the PIA that the response of Noticee cannot be accepted as it has not complied with KYC requirements by not maintaining records and by not complying with procedures. In this background, it is alleged that the Noticee has admitted that it has not done KYC for 573 clients.

6.1.5. Accordingly, the Noticee is alleged to have violated:

6.1.5.1. Regulation 16 of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011,

6.1.5.2. SEBI Circular dated October 05, 2011,

6.1.5.3. SEBI Circular dated January 18, 2006 and SEBI Circular dated March 20, 2006 read with SEBI Master Circular dated October 15, 2019,

6.1.5.4. SEBI Master Circular dated October 12, 2023 and

6.1.5.5. Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014.

6.2. ***Redressal of Investor Grievances***

6.2.1. *During the inspection, it was observed that Noticee was granted registration on June 24, 2020. However, the Noticee had obtained the SCORES ID only on July 05, 2022 which was two years after the grant of registration to the Noticee.*

6.2.2. *It was observed, from the SCORES complaints database, that the Noticee had received 16 complaints during the inspection period, out of which one complainant was not the client of the Noticee. In this regard, it was observed that the Noticee had resolved the following 12 complaints beyond the prescribed timelines of 30/21 days:*

S. No.	***SCORES Registration No.***	***Complainant Name***	***Date of Receipt***	***Date of closure***	***Days taken to resolve***
1.	*SEBIE/UP23/0001124/1*	*Veerpal Kaur*	*9/12/2023*	*11/13/2023*	*62*
2.	*SEBIE/UP23/0000708/1*	*Sudesh Kumar*	*6/30/2023*	*8/21/2023*	*52*
3.	*SEBIE/UP23/0000681/1*	*Prakash Kumar Sahu*	*6/25/2023*	*7/31/2023*	*36*
4.	*SEBIE/UP23/0000613/1*	*Suleman Ansari*	*6/12/2023*	*7/31/2023*	*49*
5.	*SEBIE/UP23/0000599/1*	*Sonam Amit Nevarekar*	*6/9/2023*	*7/10/2023*	*31*
6.	*SEBIE/UP23/0000479/1*	*Rashmi Bai*	*5/16/2023*	*6/27/2023*	*42*
7.	*SEBIE/UP23/0000463/1*	*Arun Kumar Yadav*	*5/8/2023*	*6/8/2023*	*31*
8.	*SEBIE/UP23/0000415/1*	*Arvind Kumar*	*4/25/2023*	*6/8/2023*	*44*
9.	*SEBIE/UP23/0000293/1*	*Gendar Verma*	*3/20/2023*	*5/10/2023*	*51*
10.	*SEBIE/UP23/0000283/1*	*Divyesh Pravinbhai Chikhaliya*	*3/17/2023*	*5/1/2023*	*45*
11.	*SEBIE/UP23/0000245/1*	*Amit Bharat Gawade*	*1/24/2023*	*4/28/2023*	*94*
12.	*SEBIE/UP23/0000213/1*	*Vishal Kale*	*2/22/2023*	*4/28/2023*	*65*

6.2.3. *In response, the Noticee has, inter alia, stated as under:*

> *"… That, allegations in para 6 for violations in respect of redressal of investor grievances in unsubstantiated and unfound as the circular dated 18 December 2014 only mandates to provide a Action Taken Report ATR within 30 days of receipt of complaint and not to resolve within 30 days as it is not practically possible for anyone even SEBI to resolve all issues in such a short timeline…."*

6.2.4. *It is stated in the PIA that the submission of the Noticee that the Circular dated December 18, 2014 only mandates to provide an Action Taken*

Report within 30 days of receipt of the complaint and not to resolve it within 30 days cannot be accepted.

6.2.5. Further, it is mentioned in the PIA that the Noticee has admitted that it has obtained a SCORES ID after two years of registration.

6.2.6. Hence, it is alleged in the PIA that the Noticee has failed to obtain SCORES ID within one month of the grant of registration and has failed to resolve the abovementioned 12 complaints within prescribed time period.

6.2.7. Accordingly, the Noticee is alleged to have violated:

6.2.7.1. SEBI Circular dated December 18, 2014,

6.2.7.2. Clauses 45 and 49 of Master Circular dated November 07, 2022 read with Regulation 26B(1) of RA Regulations, 2014 and

6.2.7.3. Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014.

6.3. ***Outsourcing of Core Business Activities***

6.3.1. During the inspection, Noticee was advised to provide details regarding the role of third parties, details of activities outsourced to them, records related to them and the amount paid for the same, vide SEBI emails dated January 11, 2024 and January 12, 2024. In response, the Noticee, vide email dated January 12, 2024, inter alia, submitted that:

> *"We have third party tie ups with some Marketing peoples on individual basis and we pay them assignment to assignment basis. The names of all such third party individuals viz. Vikram, Ranjana, Shivam, Ajay, Rajat, Rahul, Nikita etc. have also appeared in the SCORES complaints. We explain about our research analysis products and packages along with expected profits (with pre defined maximum and minimum losses and profits) to these third party individuals and thereafter, these third party individuals sources clients for us by cold calling prospective clients. After the aforesaid calling procedure if a client wishes to avail our services the aforesaid individuals on board the clients and guides them about payment procedure. Thereafter, these individuals send us the details of the onboarded clients after which we start providing our research recommendations to the clients over SMS and WhatsApp. The aforesaid*

third party individuals also regularly interacts with the already on-boarded clients for renewal/upgradations of services and packages."

6.3.2. *From the aforesaid submission of the Noticee, it was observed in the inspection report that the Noticee had outsourced the core function of onboarding and servicing the clients to various third party marketing associates/telecallers and the role of Noticee was limited to sending research recommendations through SMS/WhatsApp. Further, it was observed that the Noticee has neither executed written contracts / agreements /set out terms and conditions with these associates nor has made any outsourcing policy. It was observed in the inspection report that the details of organization structure and the details of designations, roles and responsibilities of employees submitted by the Noticee corroborate this fact. Based on the said details, it was observed that none of the employees of Noticee were servicing the clients.*

6.3.3. *Further, it was observed that the Noticee, in its submission in the PIQ, mentioned that the interactions with clients were done by telesales agent/team and these telesales teams or agents provide the necessary service support and guidance to clients. In this regard, it was observed that the first-hand account of the SCORES complainants also established this fact, as in all the said complaints the service is offered and provided to the complainants by telecallers. It was seen from the SCORES complaints that the complainants were unable to reach the Noticee on the phone. Further, in one instance, even after repeated emails (Prakash Kumar Sahu), the complaint was addressed only after it was raised in the SCORES portal.*

6.3.4. *It was, also, observed from the details of the payment done to each of the third party associates during the inspection period that the Noticee has admittedly paid an amount of Rs. 2,54,72,612.00/- for the outsourced activities to his third party associates during the inspection period. Accordingly, it was observed that the Noticee has outsourced core activities and compliance functions of client onboarding, servicing and KYC processes to various third parties engaged on a commission basis. Further, the Noticee has not made any written contracts / agreements /set out terms and conditions with these associates and has not made any outsourcing policy.*

6.3.5. In response, the Noticee, inter alia, stated as follows:

"…That allegations in para 7 are unfound as the provision of section 18(10) specifically says that the employees in research are separate from employees who are in sales etc and thus having a separate sales team cannot be said to be outsourcing of core business as the core business is Research and not sales, further these sales teams were on rolls of MIR Uniserv and thus as entities the business was not outsourced. Thus such allegations are unsubstantiated.

That, the respondent did submitted that some persons have used their name and RA number without their approval and legal notices have been sent to them and further proceedings are pending. Thus violations alleged in para 7 are not attracted. …"

6.3.6. It is stated in the PIA that Regulation 18(10) of RA Regulations, 2014, as cited in the Noticee's reply, is not applicable in the case of an individual research analyst. Moreover, the submission of the Noticee that these entities were on the roll of Noticee was not acceptable, as Noticee itself had provided a detailed list of employees and these entities were not included in that list. Based on available material, it is stated in the PIA that Noticee had outsourced the activities (client onboarding, KYC process, servicing) and had not made written contracts/ agreements and has not made any outsourcing policy.

6.3.7. It is, further, mentioned in the PIA that Noticee has submitted that it has ties with these entities and has provided details of payments made to these entities on a commission basis. Hence, it is alleged that the submission of the Noticee that these entities were its employees was false, misleading and a mere afterthought. Thus, it is alleged that Noticee has outsourced its core functions, i.e. client onboarding, servicing and KYC processes to third parties.

6.3.8. Accordingly, the Noticee is alleged to have violated Circular dated December 15, 2011 and Clauses 2, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014.

6.4. ***Promise of Assured Returns***

6.4.1. During the inspection, the Noticee had, inter alia, submitted that:

"…We explain about our research analysis products and packages along with expected profits (with pre-defined maximum and minimum losses and profits) to these third party individuals and thereafter, these third party individuals sources clients for us by cold calling prospective clients. The aforesaid third party individuals also regularly interacts with the already on-boarded clients for renewal/upgradations of services and packages…."

6.4.2. In this regard, it was observed that Noticee was assuring returns by pre-defining maximum, minimum losses and expected profits for his prospective clients while onboarding them through his third party associates/telesales agent/team. It was further observed that once the clients were on board, these third party associates regularly interacted with the clients for servicing and further sales of the Noticee. These submissions of the Noticee were also corroborated by the first-hand accounts of the following SCORES complainants:

Sr. No.	***SCORES Registration No.***	***Complainant Name***	***Brief Details (as mentioned in PIA)***
1.	*SEBIE/UP23/0001124/1*	*Veerpal Kaur*	*Complainant subscribed to option pro combo package and paid Rs. 1.96 Lakhs for same in multiple tranches. The complainant was inter-alia assured of a fixed risk-reward ratio. The complainant was attended by tele callers and was not able to connect to the research analyst.*
2.	*SEBIE/UP23/0001027/1*	*Shweta Jaiswal*	*Person named Shiv approached the complainant assuring profits and told his company name as options experts. Complainant paid Rs. 35000 in multiple tranches for the promised services. The complainant was attended by multiple tele callers thereafter and was never able to connect with the research analyst. Further, the RA has submitted that the website www.optionsexperts.in was having his registration details and was created by his marketing associate.*
3.	*SEBIE/UP23/0000799/1*	*Divyesh Pravinbhai Chikhaliya*	*The complainant had been assured of loss recovery and he had paid around Rs. 46000 to the RA for Option Pro Combo services.*
4.	*SEBIE/UP23/0000708/1*	*Sudesh Kumar*	*Ranjana and Shivam approached the complainant and assured profits to the tune of Rs. 50-60,000 per month. The complainant paid Rs. 1.93 Lakhs for option pro combo services of the RA in multiple tranches.*

5.	*SEBIE/UP23/0000681/1*	*Prakash Kumar Sahu*	*Complainant is approached by Akshay and Gautam. He paid Rs. 3000 to RA for a weekly subscription. He was provided with research recommendations over calls on which the complainant made losses. Thereafter, Akshay and Gautam started inducing the complainant to subscribe for the yearly plan for Rs. 1.96 Lakhs promising recovery of losses. Thereafter, the complainant wrote multiple emails to the RA highlighting deficiencies, however, as observed he had not got any response and filed complaint in SCORES.*
6.	*SEBIE/UP23/0000613/1*	*Suleman Ansari*	*Complainant is approached by Akshay and Gautam. He was provided with research recommendations over calls on which the complainant made losses. Thereafter, the complainant wrote multiple emails to the RA highlighting deficiencies, however, he had not got any response and filed complaint in SCORES.*
7.	*SEBIE/UP23/0000599/1*	*Sonam Amit Nevarekar*	*The complainant was assured with returns on investments after which she paid Rs. 71000 to RA and incurred losses.*
8.	*SEBIE/UP23/0000479/1*	*Rashmi Bai*	*Complainant is approached by Nikita, Shivam and Rajat and was assured with returns on investments and recovery of subscription amount after which Rs. 1,96,000 is paid to RA in multiple tranches and the complainant incurred losses.*
9.	*SEBIE/UP23/0000463/1*	*Arun Kumar Yadav*	*Complainant is approached by Rahul and Rajat and was assured with returns on investments after which he paid Rs. 92,000 in multiple tranches to the RA and incurred losses.*
10.	*SEBIE/UP23/0000415/1*	*Arvind Kumar*	*Complainant is approached by Ajay and Rajat and was assured with returns on investments after which he paid Rs. 92,000 in multiple tranches to the RA and incurred losses.*
11.	*SEBIE/UP23/0000293/1*	*Gendar Verma*	*The complainant was assured with returns on investments after which he paid Rs. 160000 to RA in multiple tranches and incurred losses.*
12.	*SEBIE/UP23/0000245/1*	*Amit Bharat Gawade*	*The complainant paid Rs. 30000 to RA for quarterly subscription and incurred losses. Thereafter, demands from the side of RA was made pushing for subscription for services worth Rs. 1.96 Lakhs assuring recovery of losses and the subscription amount within 15 trading sessions.*

6.4.3. Accordingly, it was observed in the inspection report that the Noticee disseminated false and misleading information and misrepresented it to the public by assuring return. It was observed that the Noticee has concealed the risk associated while dealing in securities under his *recommendations and also misrepresented regarding offering an advisory. The same has been done with an apparent objective to enhance income and influence the decision of investors, as these disseminations were observed to be done by third party associates of the Noticee engaged on a commission basis over phone/webpages. It was observed that Noticee had paid Rs. 3,71,18,164/- to these third party associates out of the total income of Rs. 5,00,57,060.50/- generated during the inspection period.*

6.4.4. In response, the Noticee has stated as under:

> *"… That, the allegations of assured returns based on minimum and maximum losses is totally unfound as the allegations that if someone mentions minimum returns or maximum loss it self says that there is a possibility of loss, further the tips were always with SL that is stop loss thus it itself says volumes about the clarity that RA offered its clients that the clients may either suffer loss if SL is triggered or achieve profit if Target is achieved.*
>
> *That, the allegations about the SCORES complaints is unfound as all these complaints are resolved and they have been closed on SCORES by SEBI the notice dated 18/12/2014 in point number 12 says that a complaint is closed only when SEBI is satisfied and mere resolution by both parties do not entitle the parties to close the complaint and thus once SEBI has presided over such complaints it cannot again raise these issues as it is barred by principal of Res-Judicata."*

6.4.5. It is mentioned in the PIA that the closure of the SCORES complaint by SEBI does not indicate that assured returns were never promised. It is stated that SCORES complaints are part of records and corroborate the findings with respect to returns promised by Noticee. Further, it is stated that the Noticee has not denied promising returns.

6.4.6. With regard to the submission of Noticee that the mention of a minimum return and maximum loss shows that Noticee was being transparent with the client cannot be accepted, it is stated that the mere mention of stop loss cannot serve any purpose. It is stated that the clients may simply be carried away by the assured returns promised by the Noticee and its team.

6.4.7. Therefore, it is alleged that Noticee has disseminated false and misleading information and misrepresented the public by assuring returns and offering *advisory services. It is alleged that the Noticee did so while concealing the associated risk while dealing in the said securities with the objective of enhancing income. Accordingly, it is alleged in the PIA that in view of Regulations 2 (1) (b) and (c) of the PFUTP Regulations, 2003, the Noticee has violated the provisions of Regulations 3 (a) and (d), 4 (1) and 4 (2) (k), (o) and (s) of the PFUTP Regulations read with Section 12 A (c) of the SEBI Act and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations.*

6.5. ***<u>Violations in respect of obligation of research analyst on inspection</u>***

6.5.1. During the inspection, the Noticee was, inter alia, advised to provide details of payments made to third parties along with the purpose of the said payment. It was observed that the Noticee has submitted 'NIL' information in respect of the same. However, upon perusal of the P/L statement provided by the Noticee, the names of certain entities, viz. Banknifty Expert and Chetan Dhokiya, were observed. Upon further perusal, it is observed that BankNifty Expert is a proprietorship firm of the proprietor of the Noticee. It is also observed that Banknifty Expert had a website, namely www.banknniftexpert.in and had research analyst related products, viz. Equity Future Tips, Nifty and Bank Nifty Tips, Ultra Short Term Tips, etc. listed on it. Further, it was observed that an entity namely Options Experts based in Mahape, Navi Mumbai was offering advice/tips for intraday, NIFTY and BankNifty through the website www.optionsexperts.in, Shivam, Ajay, Rajat, Rahul, Nikita, Shiv, Akshay and Gautam. Further, upon a random Google search, details of the proprietor of the Noticee, viz. banners with his name, registration number, website, etc. were observed on the Facebook page of the entity, MCXcommodityresearch and on the YouTube channel, Tradepix Investment Planner.

6.5.2. It was observed that the details of the aforementioned entities were not disclosed by the Noticee any time while or after seeking registration and the same was concealed in the PIQ as well.

6.5.3. It is stated that the Noticee provided the relevant information in respect of payments made to third parties, along with the purpose only on January 12, 2024. It is stated that the reason for the same was the fact that during the onsite inspection he was confronted with the aforementioned details of *the undisclosed entities and webpages/websites. Further, the Noticee was again advised to provide the role of third parties, details of activities outsourced to them, records related to them and the amount paid for the same vide emails dated January 11, 2024 and January 12, 2024.*

6.5.4. It was, also, observed that the Noticee has updated his website on January 08, 2024 i.e. on the same day when he submitted the PIQ. It is stated that the Noticee has removed all the contents of his website, due to which the inspection team was not able to check compliances of SEBI Regulations and Circulars in respect of compliances related to Noticee.

6.5.5. In view of the above, it is observed that the Noticee has failed to provide the relevant information, books, accounts and other documents available with him pertaining to his conduct and affairs as a research analyst. Further, it was observed that the Noticee has knowingly concealed/destroyed the electronic records available with him and as contained in his website so as to impede, obstruct, or influence the inspection. Accordingly, it was observed that the Noticee has also failed to provide all such assistance and cooperation as required in connection with the inspection.

6.5.6. In response, the Noticee has submitted as under:

> *"… That, the allegations in para 8 are totally unsubstantiated, firstly, it is a repetition of earlier allegations, Secondly, these parties were not disclosed in PIQ as they were associated prior to 01/04/2022 it is submitted that the finding that RA has knowingly destroyed data is totally false and frivolous as the same was on internet which is a public platform the website was updated only because the website was transformed from Godaddy to Hostinger the host of website was changed as the expiry date has arrived and it was not done with any malafide intention. …"*

6.5.7. In this regard, it is stated in the PIA that based the payment sheet provided by Noticee, the Noticee's submission that these entities were associated prior to April 01, 2022 was not accepted. It is mentioned that the inspection team was not able to access the website of the Noticee till March 31, 2024. Further, it is stated in the PIA that the Noticee has not provided any records indicating necessary disclosures on its website. Hence, the Noticee's reply *that it had only an updated website and that it was on a public platform has not been accepted as the website was not accessible to the inspection team.*

6.5.8. In this regard, it is alleged in the PIA that the violations in respect of the obligation of the Noticee during inspection persist. Further, it is stated in the PIA that the failure of the Noticee to provide the relevant information, involvement in concealing/ destroying records, and failure to provide cooperation in inspection are to be viewed seriously.

6.5.9. Accordingly, it is alleged that Noticee failed to provide the relevant information, books, accounts, and other documents available with the Noticee pertaining to its conduct and affairs as a research analyst. Further, it is alleged that the Noticee knowingly concealed or destroyed records pertaining to the websites and failed to provide all such assistance and cooperation as required in connection with the inspection. Accordingly, the Noticee has allegedly violated the provisions of Regulations 29 (1) and 29 (2) and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations..…"

7. The Noticee was advised to submit its reply to SCN within 14 days from the date of receipt of the SCN. In response, the Noticee, vide emails dated October 03, 2024 and October 28, 2024, requested further time to submit its reply to the SCN. The said request of the Noticee was accepted in the interest of natural justice.

8. Subsequently, the Noticee, vide letter dated November 03, 2024, *inter alia,* submitted the following reply to the SCN:

"…

8.1. *That, the violations alleged in para 1 are denied in toto for being false, frivolous, capricious and unsubstantiated.*

8.2. *That, para 2 to 5 of the SCN are formal in nature and need no specific reply, however any incriminating averments made therein are denied in toto for being false, frivolous and unsubstantiated.*

8.3. *That, allegations in para 6.1 and its sub paragraphs with regards to KYC details of clients are false, arbitrary and capricious as noticee has already stated that he has the PAN details of all the clients, at the time of inspection due to technical difficulties the entire data was not accessible at that time however later most of the data was recovered and only some data is lost, even in the excel sheet provided at the time of inspection the data of 573 clients which was not available was later found to be repetition of clients name as multiple payments was received and when the data was reconciled only 190 names were found without KYC in the said excel sheet, this data is also recovered to a large extent and some data is lost and respondent is unable to recover the entire data.*

8.4. *That, it is not the case that the noticee has never done KYC of clients, the fact of the case is that due to technical fault the data got corrupted and the noticee was unable to provide the entire data when asked, at the cost of repetition it is further stated that the data was maintained but as the device got corrupted it could not be produced before SEBI, however technical glitch or problem with server is not a human error or mistake an example is MCX having some of the best servers and technical experts faced server issue on 13th February 2024 and the trading began at 01:00PM instead of 09:00 AM. None of the media reports or SEBI termed it as a wilful default, to the best of the knowledge of the respondent, if MCX with such advanced servers can face technical issues, surely respondent with limited resources and simple server systems can face server issues, these are not uncommon, and as the respondent submitted all other documents related to those clients, if SEBI orders the respondent is ready to submit the Invoices and other documents related to these clients even at this stage, thus it can be ascertained that the data was maintained however due to system corruption the data is lost.*

8.5. *That, in the case of M/S JM MORGAN STANLEY SECURITIES PVT. LTD decided by AO G.Babita Rayudu on 27/oct/2005 para 37 and 39 are relevant and are reproduced hereinafter:*

37. "Considering the facts and circumstances of this case in its entirety I am inclined to hold that this is not a case where the entity failed to furnish the *information sought for, citing reasons like client confidentiality etc., but a case where it was not possible to furnish the said information since it did not exist as on the date when the information was sought and hence non submission of the information would not make them liable under the provisions of the SEBI Act. "*

39. "Having regard to the aforesaid, I in exercise of the powers conferred upon me under Rule 5 of the SEBI (Procedure for Holding Enquiry and Imposing Penalty by the Adjudicating Officer) Rules, 1995, am of the considered opinion that no penalty need be levied upon M/ s JM Morgan Stanley Securities Private Ltd and accordingly the proceedings initiated against them are hereby dropped."

8.6. *That, thus it is submitted that the allegations in para 6.1.5 and its sub paras be dropped specially for being repetitive in nature and being unsubstantiated.*

8.7. *That, the averments in para 6.2 and its sub paras with regards to redressal of investor grievance beyond the prescribed period of 30/21 days is arbitrary, capricious, onerous and unsubstantiated as the circular dated 07/11/2022 enlists a procedure to be followed by the complainant in para 5, 6, 8 and other paragraphs where client is required to first raise the matter directly with the company and thereafter the matter is routed through SEBI. That, para 5 of the 2022 circular is reproduced hereinafter "The complainant may use SCORES to submit the complaint or grievance directly to the listed companies / intermediaries / MIls for resolution. Such a complaint is called a "Direct Complaint" and shall be redressed by the entity within 30 days without any intervention of SEBI, failing which the complaint shall be registered on SCORES. Thereafter, SEBI shall take it up with the entity concerned. That, para 8 of the 2022 circular is reproduced hereinafter "To enhance investor satisfaction on complaint redressal, a one-time 'Review' option is also available under SCORES wherein a complainant, if not satisfied with the extent of redressal of grievance by the concerned listed company/ intermediary/ MII, opts for review of the extent of the redressal, within 15 days from the date of closure of the complaint on SCORES. Thereafter, the complaint shall be escalated to the supervising official of the dealing officer of SEBI. " That, it is* *submitted that the circular clearly states that the complainant shall directly raise the complaint first with intermediary directly and 30 days time will be granted to redress the complaint thereafter if the client is not satisfied with redressal then matter will be taken up by SEBI, in the present case out of 12 almost in 8 cases the complaints have been closed by SEBI on merits of the case in favour of the respondent noticee which has been done after 30 days and thus the noticee cannot be held responsible for this delay. That, para 45 of the 2022 is reproduced hereinafter "All listed companies, intermediaries and MIls shall review their investors grievances redressal mechanism time to time so as to further strengthen it and rectify the existing shortcomings, if any. The listed companies, SEBI registered intermediaries and SEBI recognised MIls to whom complaints are forwarded through SCORES, shall take immediate efforts on receipt of a complaint the complainant within thirty clays of receipt of such complaint. The listed companies, intermediaries and MIls shall keep the complainant duly informed of the action taken thereon" That, it is submitted that para 45 nowhere says that the complaint has to be redressed within 30 days it only says that intermediary shall take immediate efforts on the receipt of complaint within 30 days also it is submitted that the circular dated 18/12/2014 in point number 13 clearly state that "Failure by listed companies and SEBI registered intermediaries to file ATR under SCORES within thirty days of date of receipt of the grievance shall not only be treated as failure to furnish information to SEBI but shall also be deemed to constitute non-redressal of investor grievance. " Thus only non filing of ATR can be considered as violation of said circular and the company cannot be forced to refund the fees and/or resolve the matter within 30 days.*

8.8. *That, the averments made in para 6.3 with regards to outsourcing of core business activities is false, frivolous, arbitrary and capricious as the noticee has never outsourced any of his core business activities Firstly, because all the employees working with third party associates were employees of MIR Uniserv they were on rolls of MIR Uniserv and the noticee is attaching a list of those employees who have received salaries from MIR Uniserv, the board can verify that all these employees have received salaries directly from respondent and thus sales done by these employees and client onboarding cannot be said* *to have been outsourced, Secondly, the noticee under pressure from inspection team wrote the email and that is why the language was ambiguous the Noticee hired third party associates and these marketing associates were responsible to hire a team of sales personnel for noticee and manage the said human resource and additionally they would advice the noticee on marketing strategy thus their actual job was only limited to human resource management and marketing advice, Thirdly, rule 18(10) of the RA regulations states that the "Research entity shall ensure that the individuals employed as research analyst are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research report." This itself makes it clear that sales is not the core business activity of a research analyst it is research and thus the allegations sans merit shall be dismissed.*

8.9. *That, it is submitted that the averments made in para 6.3.3 that tele sales team and complainants were not able to reach the noticee is completely false as Firstly the tele sales team were on roll employee of the company and they represented the company, Secondly, if any complainant made a complaint to the noticee the companies compliance officer responded to those complaints and that one of the reasons why most of the complaints on SCORES portal have been closed in favour of respondent on merits without having to refund on false complaints, Thirdly the company hires employees and delegates them functions and responsibilities just like every person cannot directly contact SEBI Chairperson similarly every one cannot directly contact the proprietor but it is not the case that there is no grievance redressal mechanism.*

8.10. *That, averments in para 6.3.6 are arbitrary as noticee is attaching a list of employees who have received salaries from noticee, there is nothing to be rejected in that as SEBI adjudicates conduct and not clerical mistakes, if needed the respondent will provide his bank statements to prove that he has paid salaries to these individuals and the mails were sent under pressure from inspection team which has mislead Mr. Shukla to file responses which were inline with their pre-meditated agenda of inspection and can be clarified by actual banking transactions.*

8.11. *That, the allegations made in para 6.4 and its sub paras with regards to promising assured returns are totally arbitrary and capricious as SEBI has levelled these allegations on the basis of noticees submission regarding "pre-defined maximum and minimum losses and profits " the noticee is aghast to witness the allegations as when someone mentions minimum returns or maximum loss it self says that there is a possibility of loss, further the tips were always with SL that is stop loss thus it itself says volumes about the clarity that RA offered its clients that the clients may either suffer loss if SL is triggered or achieve profit if Target is achieved. Secondly, 9 out of 12 complaints on SCORES were closed as the allegations were found unsubstantiated by SEBI and point number 12 of SEBI SCORES circular is reproduced hereinafter for AO's perusal "A complaint shall be treated as resolved/disposed/closed only when SEBI disposes/closes the complaint in SCORES. Hence, mere filing of ATR by a listed company or SEBI registered intermediary with respect to a complaint will not mean that the complaint is not pending against them." When the board has disposed the complaints as they have found the complaints unsubstantiated then the allegations cannot be taken as gospel truth only for the purpose of levying penalty, thirdly, it leaves no reward for the intermediary to follow the SEBI SCORES rules if even after SEBI's satisfaction and closure of complaints on merits the same are taken up for adjudication and it violates law of Res-judicata.*

8.12. *That, the Hon'ble WTM in the matter of GRS Solutions has held that*

11 "I have examined the above mentioned observations of the Order-cum-SCN and have considered the reply of the Noticee in this regard. I note that the Noticee has submitted that the accuracy levels shown on its website were just marketing /advertising tool. It has further stated that it had in no way guaranteed the returns. As per the Noticee, on its website, it was clearly mentioned that "We do not provide any guaranteed returns." Furthermore, in the Noticee's welcome mail, which was sent to every client while on boarding him / her, this line was mentioned: "Stock market has inherent market risk, hence we do not claim any profit guaranteed services". It has, thus, in no way made false and misleading representation to the clients /investors. Thus, the *observations made in the Order-cum-SCN in this regard are not correct. The Noticee has also provided a copy of the welcome email.*

12 "I note from the contents of the website, as mentioned in the Order-cum-SCN, that the same refers to "80-85% accuracy" of the Noticee's tips. The other phrases used are "high return on investment", "high accurate 1-2 calls", "maximize profit" and "promise of high success rates". It appears to me that the figure of 80-85% is in the context of accuracy of tips and not the assured rate of return promised on investment made. I further note that phrases like "high return on investment" "high accurate 1-2 calls " "maximize profit" and "promise of high success rates" without mention of any specific rate of return is mere representation about quality / accuracy of his tips and does not amount to promising assured returns. In my view. promise of assured return would imply that the investor is being promised a specified rate of return on his investment, under any circumstances. I further note from the copy of the sample welcome mail which the Noticee purportedly sends to each client, as provided by the Noticee, that the same refers to investments in the securities market as being subject to risks. As regards the transcripts of the conversation between the employees of the Noticee and the clients, as quoted above from the Order-cum-SCN, I note that the same appear to be merely marketing gimmicks rather than being an actual promise of assured returns. In view of the above, I find that the allegations of offering assured returns against the Noticee are not made out.'

8.13. *That, there is a scroll running on the website of the noticee miruniserv.tech which reads. "Investment in the stock market is subject to market risk we DO NOT offer any guaranteed profit services or Fixed Returns Services. We DO NOT provide any assurance or guarantee of profit or returns with any of our services. Trading in the Stock Market may result in Partial or Complete loss of Gains as well as Initial Capital. Before taking our Research Alerts Services & any services of MIR UNISERV firm, Clients should read carefully the Disclaimer, Legal disclaimer, " amongst other disclaimer and disclosure this is also a testimony to the fact that the company is not offering any assured returns. That, thus it is clear that merely mentioning minimum and maximum* *profits and losses would not amount to guarantee or assurance of profits of any kind, further in para 6.4.5 it is mentioned that the noticee has not denied promising assured returns, the respondent is aghast and shocked at this observation the reply of noticee begins with the statement that "That, at the outset the respondent denies all the allegations made by the prosecution for being false, frivolous, capricious, vexatious and unsubstantiated. That, nothing in the said notice shall be deemed accepted unless expressly admitted in this reply". That after such clear denial how is the observation in the aforesaid para made is beyond comprehension of the noticee, the observations made in para 6.4.6 are also contrary to the settled principals as per Hon'ble WTM's order in GRS Solutions. That, a sample Invoice and welcome mail are attached alongwith this reply and it can be clearly seen that there are disclaimers on both the documents which reads "investments/trading in market is subjected to market risks" welcome mail further clarifies the disclaimer and reads "We do not provide profit guaranteed, assured profit, or committed returns or profit sharing services. In case any person is trying to sell you such services do inform us at +91-91XXXXXX0[1]" thus it is clear that the company was making sufficient disclaimers and disclosures and was not assuring any fixed return as laid down in GRS Solutions case and thus these charges being unsubstantiated shall be dropped.*

8.14. *That, allegations made in para 6.5 and its sub para are arbitrary as the noticee has already stated that the website hosting was expired and noticee had to make a new website that is miruniserv.tech the noticee can provide email from Godaddy that the web hosting has expired but if SEBI is not willing to accept the same noticee cannot provide any other explanation then what is true. Secondly, with regards to third party associates it has already been mentioned that there was no reason for MIR Uniserv to conceal the data as the payments have been made from accounts only, if respondent wanted to conceal any of his business associates he would have made cash payments to them, the data was not disclosed as it belonged to the period before inspection period.*

[1]Mobile number excised for confidentiality.

8.15. *That the noticee submits that he had no intentions to conceal any data or records, however some records regarding website were destroyed because of hosting issues and for that the actions of noticee are not culpable and thus these allegations also must be dropped.*

8.16. *That, para 7 to 14 are formal in nature and do not need a specific reply, however any incriminating averments are denied and the noticee craves the leave of the Hon'ble AO to grant an opportunity to file a para wise reply if the need so arises. That, the respondents crave the leave of the learned AO to file further reply if the need so arises and raise other grounds at the time of hearing and request to be granted a personal hearing.*

…"

9. In consonance with the Adjudication Rules, an opportunity of hearing on November 12, 2024 was granted to the Noticee vide email dated October 30, 2024. On November 12, 2024, the Authorized Representative of the Noticee attended the hearing through videoconferencing and reiterated the submissions made by the Noticee in his reply dated November 12, 2024. Further, as requested by the Noticee, additional time was given to the Noticee to make further submissions.

10. Noticee, thereafter, vide email dated November 12, 2024, *inter alia,* adduced two documents in excel format.

11. It is noted that the SCN along with the annexures and the Hearing Notice were duly served on the Noticee. The Noticee was granted sufficient opportunities to make submissions in reply to the SCN and of personal hearing.

D. CONSIDERATION OF ISSUES AND FINDINGS

12. After careful perusal of the material on record, I note that the issues that arise for consideration in the present case are as follows:

I. Whether Noticee has not done Know Your Customer (hereinafter referred to as '**KYC'**) for 573 clients and has not adopted and followed PMLA and Client Due Diligence (hereinafter referred to as **'CDD'**) policies and thereby, violated Regulation 16 of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011, SEBI Circular dated October 05, 2011, SEBI Circular dated January 18, 2006 and SEBI Circular dated March 20, 2006 read with SEBI Master Circular dated October 15, 2019, SEBI Master Circular dated October 12, 2023 and Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014?

II. Whether Noticee has failed to obtain SEBI Complaints Redress System (hereinafter referred to as **'SCORES'**) ID within one month of the grant of registration and has failed to resolve the 12 complaints within prescribed time period and thereby, violated SEBI Circular dated December 18, 2014, Clauses 45 and 49 of Master Circular dated November 07, 2022 read with Regulation 26B(1) of RA Regulations, 2014 and Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014?

III. Whether Noticee has outsourced its core functions, i.e. client onboarding, servicing and KYC processes to third parties and thereby, violated Circular dated December 15, 2011 and Clauses 2, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014?

IV. Whether Noticee has disseminated false and misleading information and misrepresented the public by assuring returns and offering advisory services and thereby, violated Regulations 2(1)(b) and (c), 3 (a) and (d), 4

(1) and 4 (2) (k), (o) and (s) of the PFUTP Regulations read with Section 12 A (c) of the SEBI Act and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations?

V. Whether Noticee failed to provide the relevant information, books, accounts, and other documents available with the Noticee pertaining to its conduct and affairs as a research analyst and knowingly concealed or destroyed records pertaining to the websites and failed to provide all such assistance and cooperation as required in connection with the inspection and thereby, violated Regulations 29 (1) and 29 (2) and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations?

VI. Does the violation, if any, on the part of Noticee attract a monetary penalty under Sections 15A(a), 15C, 15EB, 15HA, 15HAA(a) and 15HB of the SEBI Act?

VII. If so, what would be the monetary penalty that can be imposed upon Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act?

13. The relevant extracts of the provisions of law[2], allegedly violated by Noticee, are mentioned 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—

…

(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

[2] SEBI Circular dated January 18, 2006, SEBI Circular dated March 20, 2006, SEBI Circular dated October 05, 2011, SEBI Circular dated December 15, 2011, SEBI Circular dated December 18, 2014, SEBI Master Circular dated October 15, 2019, SEBI Master Circular dated November 07, 2022 and SEBI Master Circular dated October 12, 2023 are available at SEBI website (www.sebi.gov.in) and have not been reproduced here for brevity.

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;

SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011

16. The Intermediary has the following functions and obligations –

(a) The intermediary shall perform the initial KYC/due diligence of the client, upload the KYC information with proper authentication on the system of the KRA, furnish the scanned images of the KYC documents to the KRA, and retain the physical KYC documents:

Provided that in the case of clients of a mutual fund, the Registrar to an Issue and Share Transfer Agent appointed by the mutual fund may perform the initial KYC/due diligence of the client, upload the KYC information with proper authentication on the system of the KRA, and furnish the scanned images of KYC documents to the KRA.

(aa) The intermediary or the mutual fund, as the case may be, shall furnish the physical KYC documents or authenticated copies thereof to the KRA, whenever so desired by the KRA.

(b) When the client approaches another intermediary subsequently, the intermediary shall verify and download the client's details from the system of KRA:

Provided that upon receipt of information on change in KYC details and status of the clients by the intermediary or when it comes to the knowledge of the intermediary, at any stage, the intermediary shall be responsible for uploading the updated information on the system of KRA and retaining the physical documents.

(c) An intermediary shall not use the KYC data of a client obtained from the KRA for purposes other than it is meant for; nor shall it make any commercial gain by sharing the same with any third party including its affiliates or associates.

(d) The intermediary shall have the ultimate responsibility for the KYC of its clients, by undertaking enhanced KYC measures commensurate with the risk profile of its clients.

(e) The intermediary shall integrate its systems with the KRA to facilitate seamless movement of KYC documents to and from the intermediary to the KRA.

RA Regulations

Conditions of certificate.

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

(i)the research analyst shall abide by the provisions of the Act and these regulations …

General responsibility.

24. ….

(2) Research analyst or research entity shall abide by Code of Conduct as specified in Third Schedule. …

Redressal of investor grievances.

26B.(1) The Research Analyst shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance and in such manner as may be specified by the Board.

Obligation of research analyst on inspection.

29. (1) It shall be the duty of every research analyst or research entity in respect of whom an inspection has been ordered under the regulation 27 and any other associate person who is in possession of relevant information pertaining to conduct and affairs of such research analyst or research entity including their representative, if any, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection.

(2) It shall be the duty of research analyst or research entity and any other associate person who is in possession of relevant information pertaining to conduct and affairs of the research analyst to give to the inspecting authority all such assistance and shall extend all such co-operation as may be required in connection with the inspection and shall furnish such information as sought by the inspecting authority in connection with the inspection.

Liability for action in case of default.

32. Research analyst or research entity who:

(i)contravenes any of the provisions of the Act or any regulations or circulars issued thereunder;

(ii)fails to furnish any information relating to its activity as a research analyst as required by the Board;

(iii)furnishes to the Board information which is false or misleading in any material particular;

(iv)does not submit periodic returns or reports as required by the Board;

(v)does not co-operate in any enquiry, inspection or investigation conducted by the Board;

(vi)fails to resolve the complaints or fails to give a satisfactory reply to the Board in this behalf, shall be dealt with in the manner provided under the Act or the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

<u>Third Schedule</u>

1.Honesty and Good Faith

Research analyst or research entity shall act honestly and in good faith.

2.Diligence

Research analyst or research entity shall act with due skill, care and diligence and shall ensure that the research report is prepared after thorough analysis.

6.Professional Standard

Research analyst or research entity or its employees engaged in research analysis shall observe high professional standard while preparing research report.

7.Compliance

Research analyst or research entity shall comply with all regulatory requirements applicable to the conduct of its business activities.

8.Responsibility of senior management

The senior management of research analyst or research entity shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures.

<u>PFUTP Regulations</u>

2(1)(b)"dealing in securities" includes:

- *(i) an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in any security by any persons including as principal, agent, or intermediary referred to in section 12 of the Act, either by themselves or through mule accounts;*
- *(ii) such acts which may be knowingly designed to influence the decision of investors in securities; and*
- *(iii) any act of providing assistance to carry out the aforementioned acts.*

2(1) (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.

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;

…

(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.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) *Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets. Explanation.– For the removal of doubts, it is clarified that-*

(i) *any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company, or*

(ii) *transactions through mule accounts for indulging in manipulative, fraudulent and unfair trade practice shall be and shall always be deemed to have been included in sub-regulation (1).*

(2) *Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following:—*

(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities;

…

(o) fraudulent inducement of any person by a market participant to deal in securities with the objective of enhancing his brokerage or commission or income

…

(s) mis-selling of securities or services relating to securities market;

Explanation- For the purpose of this clause, "mis-selling" means sale of securities or services relating to securities market by any person, directly or indirectly, by–

(i) knowingly making a false or misleading statement, or

(ii) knowingly concealing or omitting material facts, or

(iii) knowingly concealing the associated risk, or

(iv) not taking reasonable care to ensure suitability of the securities or service to the buyer.…"

E. <u>CONSIDERATION</u>

I. Whether Noticee has not done KYC for 573 clients and has not adopted and followed PMLA and Client Due Diligence (hereinafter referred to as 'CDD') policies and thereby, violated Regulation 16 of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011, SEBI Circular dated October 05, 2011, SEBI Circular dated January 18, 2006 and SEBI Circular dated March 20, 2006 read with SEBI Master Circular dated October 15, 2019, SEBI Master Circular dated October 12, 2023 and Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014?

14. It is alleged that the Noticee has not done KYC for 573 clients out of 1270 clients. Further, it is alleged that by not undertaking the KYC process, the Noticee has not adopted and followed the PMLA and CDD policies.

15. In this regard, the Noticee has, *inter alia,* submitted as under:

    "…with regards to KYC details of clients are false, arbitrary and capricious as noticee has already stated that he has the PAN details of all the clients, at the time of inspection due to technical difficulties the entire data was not accessible at that time however later most of the data was recovered and only some data is lost, even in the excel sheet provided at the time of inspection the data of 573 clients which was not available was later found to be repetition of clients name as multiple payments was received and when the data was reconciled only 190 names were found without KYC in the said excel sheet…"

16. From the perusal of the data available on record, I find that there are repetitions of certain names of the clients in the list of clients provided as Annexure 5 to the SCN.

17. In this context, I, also, note that the Noticee has admitted that "*190 names were found without KYC in the said excel sheet"*. Further, the Noticee, in his submissions, has attributed the lack of KYC documents for the said 190 names to a technical fault wherein his data was corrupted. In this regard, I note that the Noticee has not

submitted any document in support of his contention. In the absence of any material being adduced, the contention of the Noticee that there was loss of data due to technical glitch cannot be accepted. Accordingly, the contention of the Noticee that the KYC details of 190 clients were lost due to data loss is difficult to be accepted.

18. Here, I find it pertinent to take note of Regulation 16(a) of the SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 which reads as under:

*"a) The intermediary shall perform the initial KYC/due diligence of the client, upload the KYC information with proper authentication on the system of the KRA, furnish the scanned images of the KYC documents to the KRA, and **retain the physical KYC documents"*** (Emphasis supplied)

19. In this context, even assuming that there was a technical glitch in the system of the Noticee, it was always open to the Noticee to submit physical KYC documents of its clients to the inspection team.

20. I note that the Noticee has cited the Adjudicating Order in the matter of **M/s JM Morgan Stanley Securities Pvt. Ltd.** dated October 27, 2005. Further, the Noticee has relied on the judgments of the Hon'ble Supreme Court in the matter of **State of Rajasthan and Anr. v. Shamsher Sinoh**[3] and **Raj Kumar v. Tarapada**[4]. I note that the said Adjudicating Order emanates from a scenario where it was not possible to furnish the said information since it did not exist as of the date when the information was sought. In the present case, as noted in the preceding paragraph, Noticee has not been able to establish its submission that the data though available could not provided. Accordingly, there is no question that it was impossible for the Noticee to provide information pertaining to the KYC of its clients to SEBI during inspection. As there was no impossibility in obtaining the KYC details in the present case, I find the reliance of Noticee on the aforesaid judgments of the Hon'ble Supreme Court is misplaced. Accordingly, I note that the aforesaid judgments and the Adjudication Order cited by the Noticee would not apply to the present matter.

[3] 1985 (supp) SCC 416
[4](1987) 4 SCC 398

21. In this context, I find that Noticee has not done the KYC of 190 clients during the inspection period. Further, I find that the Noticee by not undertaking the KYC process for the said clients, has not adopted and followed the PMLA and CDD policies. Accordingly, I find that the Noticee has violated Regulation 16 of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011, SEBI Circular dated October 05, 2011, SEBI Circular dated January 18, 2006 and SEBI Circular dated March 20, 2006 read with SEBI Master Circular dated October 15, 2019, SEBI Master Circular dated October 12, 2023 and Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014.

II. Whether Noticee has failed to obtain SCORES ID within one month of the grant of registration and has failed to resolve the 12 complaints within prescribed time period and thereby, violated SEBI Circular dated December 18, 2014, Clauses 45 and 49 of Master Circular dated November 07, 2022 read with Regulation 26B(1) of RA Regulations, 2014 and Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014?

22. During the inspection, it was observed that Noticee was granted registration as RA on June 24, 2020. However, the Noticee had obtained his SCORES ID only on July 05, 2022 which was two years after the grant of registration to the Noticee. Further, it is alleged in the SCN that the Noticee had resolved 12 complaints beyond the prescribed timelines of 30/21 days.

23. In this regard, I note that the fact that Noticee obtained SCORES ID only on July 05, 2022 which was two years after the grant of registration to the Noticee has not been disputed.

24. With regard to the allegation that the Noticee has resolved 12 complaints beyond the prescribed timelines of 30/21 days, I note the following from the material on record:

Table 1

S. No.	SCORES Registration No.	Complainant Name	Date of Receipt	Date of closure	Days taken to resolve	Prescribed time (days)
1.	SEBIE/UP23/0001124/1	Veerpal Kaur	9/12/2023	11/13/2023	62	21
2.	SEBIE/UP23/0000708/1	Sudesh Kumar	6/30/2023	8/21/2023	52	30
3.	SEBIE/UP23/0000681/1	Prakash Kumar Sahu	6/25/2023	7/31/2023	36	30
4.	SEBIE/UP23/0000613/1	Suleman Ansari	6/12/2023	7/31/2023	49	30
5.	SEBIE/UP23/0000599/1	Sonam Amit Nevarekar	6/9/2023	7/10/2023	31	30
6.	SEBIE/UP23/0000479/1	Rashmi Bai	5/16/2023	6/27/2023	42	30
7.	SEBIE/UP23/0000463/1	Arun Kumar Yadav	5/8/2023	6/8/2023	31	30
8.	SEBIE/UP23/0000415/1	Arvind Kumar	4/25/2023	6/8/2023	44	30
9.	SEBIE/UP23/0000293/1	Gendar Verma	3/20/2023	5/10/2023	51	30
10.	SEBIE/UP23/0000283/1	Divyesh Pravinbhai Chikhaliya	3/17/2023	5/1/2023	45	30
11.	SEBIE/UP23/0000245/1	Amit Bharat Gawade	1/24/2023	4/28/2023	94	30
12.	SEBIE/UP23/0000213/1	Vishal Kale	2/22/2023	4/28/2023	65	30

Observations on the submissions of Noticee

25. I note that Noticee has, *inter alia*, submitted various grounds as his defense which are discussed under different headings for ease of discussion:

SEBI Circular dated November 07, 2022 not complied with

26. In this regard, I note that the Noticee has, *inter alia*, contended as under:

"…the circular dated 07/11/2022 enlists a procedure to be followed by the complainant in para 5, 6, 8 and other paragraphs where client is required to first raise the matter directly with the company and thereafter the matter is routed through SEBI.

…

That, it is submitted that the circular clearly states that the complainant shall directly raise the complaint first with intermediary directly and 30 days time will be granted to redress the complaint thereafter if the client is not satisfied with redressal then matter will be taken up by SEBI…"

27. In this regard, I note that the Clause 5 of the SEBI Circular dated November 07, 2022, *inter alia*, reads as under:

"5. The complainant may use SCORES to submit the complaint or grievance directly to the listed companies / intermediaries / MIIs for resolution. Such a complaint is called a "Direct Complaint" and shall be redressed by the entity within 30 days without any intervention of SEBI, failing which the complaint shall be registered on SCORES. Thereafter, SEBI shall take it up with the entity concerned."

28. In this regard, I note from the material on record that Noticee has not redressed the 12 SCORES complaints as mentioned in Table 1 within the stipulated period of 30/21 days. Therefore, I find no merit in this submission of the Noticee.

Complaint closed after 30 days by SEBI

29. The Noticee has further stated that:

"….in the present case out of 12 almost in 8 cases the complaints have been closed by SEBI on merits of the case in favour of the respondent noticee which has been done after 30 days and thus the noticee cannot be held responsible for this delay. …"

30. In this regard, I note that Noticee has failed to provide necessary details regarding the 8 SCORES complaints where the complaints were allegedly closed by SEBI. Accordingly, I find that the Noticee cannot absolve himself of his failure to redress the complaint within the prescribed time period by vaguely imputing the fault on SEBI. Therefore, this contention cannot be accepted.

Time Limit not prescribed

31. I note that the Noticee has, *inter alia,* contended that:

"That, it is submitted that para 45 nowhere says that the complaint has to be redressed within 30 days it only says that intermediary shall take immediate efforts on the receipt of complaint within 30 days also it is submitted that the circular dated 18/12/2014 in point number 13 clearly state that "Failure by listed companies and SEBI registered intermediaries to file ATR under SCORES within thirty days of date of receipt of the grievance shall not only be treated as

failure to furnish information to SEBI but shall also be deemed to constitute non-redressal of investor grievance. " Thus only non filing of ATR can be considered as violation of said circular and the company cannot be forced to refund the fees and/or resolve the matter within 30 days."

For the period from April 01, 2022 to August 18, 2023

32. Here, I note that Clause 45 of the SEBI Circular dated November 07, 2022 which is *in pari materia* with Clause 9 of the December 18, 2014, *inter alia,* states as under:

*"All listed companies, intermediaries and MIIs shall review their investors grievances redressal mechanism time to time so as to further strengthen it and rectify the existing shortcomings, if any**. The listed companies, SEBI registered intermediaries and SEBI recognised MIIs to whom complaints are forwarded through SCORES, shall take immediate efforts on receipt of a complaint the complainant within thirty days of receipt of such complaint.** The listed companies, intermediaries and MIIs shall keep the complainant duly informed of the action taken thereon"*

33. In this context, I note that it was incumbent on the Noticee to take immediate efforts to resolve the complaint within the stipulated period of 30 days for the period from April 01, 2022 to August 18, 2023. In this regard, the following has been stated in the PIA regarding the 11 SCORES complaints which were filed in the period from April 01, 2022 to August 18, 2023:

Table 2

S. No.	SCORES Registration No.	Complainant Name	Date of Receipt	Date of closure	Days taken to resolve
1.	SEBIE/UP23/0000708/1	Sudesh Kumar	6/30/2023	8/21/2023	52
2.	SEBIE/UP23/0000681/1	Prakash Kumar Sahu	6/25/2023	7/31/2023	36
3.	SEBIE/UP23/0000613/1	Suleman Ansari	6/12/2023	7/31/2023	49
4.	SEBIE/UP23/0000599/1	Sonam Amit Nevarekar	6/9/2023	7/10/2023	31
5.	SEBIE/UP23/0000479/1	Rashmi Bai	5/16/2023	6/27/2023	42
6.	SEBIE/UP23/0000463/1	Arun Kumar Yadav	5/8/2023	6/8/2023	31
7.	SEBIE/UP23/0000415/1	Arvind Kumar	4/25/2023	6/8/2023	44
8.	SEBIE/UP23/0000293/1	Gendar Verma	3/20/2023	5/10/2023	51

9.	SEBIE/UP23/0000283/1	Divyesh Pravinbhai Chikhaliya	3/17/2023	5/1/2023	45
10.	SEBIE/UP23/0000245/1	Amit Bharat Gawade	1/24/2023	4/28/2023	94
11.	SEBIE/UP23/0000213/1	Vishal Kale	2/22/2023	4/28/2023	65

34. Further, I note that there is nothing on record to show that immediate efforts for the resolution of the abovementioned SCORES complaints were taken by the Noticee to resolve the complaints.

35. In this regard, the absence of any material being adduced, I cannot but find that the Noticee has not resolved the said 11 SCORES complaints within the stipulated duration in the period from April 01, 2022 to August 18, 2023.

For the period August 18, 2023 onwards

36. The Regulation 26B of the RA Regulations (Effective from August 18, 2023), *inter alia,* provides as under:

"26B.(1) The Research Analyst shall redress investor grievances promptly but ***not later than twenty-one calendar days*** *from the date of receipt of the grievance and in such manner as may be specified by the Board."*

37. I note that the following complaint was received post the insertion of the said 26B of the RA Regulations:

Table 3

S. No.	SCORES Registration No.	Complainant Name	Date of Receipt	Date of closure	Days taken to resolve	Prescribed time (Days)
1.	SEBIE/UP23/0001124/1	Veerpal Kaur	9/12/2023	11/13/2023	62	21

38. In this regard, I note that no material has been adduced by the Noticee to rebut the aforesaid allegation. Accordingly, based on the material on record, I find that the said SCORES complaint was redressed after 62 days, which was beyond the statutory threshold of 21 days as per Regulation 26B of the RA Regulations.

39. Therefore, I do not find any merit in this submission of the Noticee.

40. In this context, I find that the Noticee has failed to obtain SCORES ID within one month of the grant of registration and has failed to resolve the 12 complaints within the prescribed time period during the inspection period. Accordingly, Noticee has violated SEBI Circular dated December 18, 2014, Clauses 45 and 49 of Master Circular dated November 07, 2022 read with Regulation 26B(1) of RA Regulations, 2014 and Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014.

III. Whether Noticee has outsourced its core functions, i.e. client onboarding, servicing and KYC processes, to third parties and thereby, violated Circular dated December 15, 2011 and Clauses 2, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of the RA Regulations, 2014?

41. It is alleged in the SCN that Noticee has outsourced its core functions, i.e. client onboarding, servicing and KYC processes, to third parties.

42. I note that during the inspection, the Noticee, vide email dated January 12, 2024, *inter alia,* submitted that:

"We have third party tie ups with some Marketing peoples on individual basis and we pay them assignment to assignment basis. The names of all such third party individuals viz. Vikram, Ranjana, Shivam, Ajay, Rajat, Rahul, Nikita etc. have also appeared in the SCORES complaints. We explain about our research analysis products and packages along with expected profits (with pre defined maximum and minimum losses and profits) to these third party individuals and thereafter, these third party individuals sources clients for us by cold calling prospective clients. After the aforesaid calling procedure if a client wishes to avail our services the aforesaid individuals on board the clients and guides them about payment procedure. Thereafter, these individuals send us the details of the onboarded clients after which we start providing our research recommendations to the clients over SMS and WhatsApp. The aforesaid third party individuals also regularly

interacts with the already on-boarded clients for renewal/upgradations of services and packages."

43. In this regard, I note that the roles and responsibilities of employees along with the details of organization structure and the details of designations submitted by the Noticee clearly show that neither the employee of Noticee nor Noticee himself was servicing the client. This further corroborates the fact that the Noticee had outsourced the core function of onboarding and servicing the clients to various third party marketing associates/telecallers and the role of Noticee was limited to sending research recommendations through SMS/WhatsApp.

44. Further, I, from the details provided by the Noticee during inspection, find that during the inspection period, the Noticee has admittedly paid an amount of Rs. 2,54,72,612.00/- for the outsourced activities to his third party associates during the inspection period. This has not been disputed by the Noticee.

Observations on the submissions of Noticee

45. I note that Noticee has, *inter alia*, submitted various grounds as his defense which are discussed under different headings for ease of discussion:

Employees of Noticee

46. I note that the Noticee has, *inter alia,* submitted as under:

"Firstly, because all the employees working with third party associates were employees of MIR Uniserv they were on rolls of MIR Uniserv and the noticee is attaching a list of those employees who have received salaries from MIR Uniserv, the board can verify that all these employees have received salaries directly from respondent and thus sales done by these employees and client onboarding cannot be said to have been outsourced, ….

That, averments in para 6.3.6 are arbitrary as noticee is attaching a list of employees who have received salaries from noticee, there is nothing to be rejected in that as SEBI adjudicates conduct and not clerical mistakes, if needed the respondent will provide his bank statements to prove that he has *paid salaries to these individuals and the mails were sent under pressure from inspection team which has mislead Mr. Shukla to file responses which were in line with their pre-meditated agenda of inspection and can be clarified by actual banking transactions."*

47. I note that the Noticee has adduced excel sheets containing a list of his employees along with details of salary paid to the employee for certain month (employee transaction statement) and detailed bank statement from the period December 01, 2022 to June 30, 2023. Here, I find it pertinent to mention that the inspection period in the present matter is from April 01, 2022 to December 31, 2023. However, the Noticee, for the reasons best known to him, has submitted the detailed bank statement only for the period from December 01, 2022 to June 30, 2023 in excel format sans any verification from the concerned bank. Further, I note that Noticee has not adduced the underlying materials / documents like appointment letters, bank account statements for the entire inspection period, etc. that form the basis of the remaining excel sheets, i.e., list of his employees and employee transaction statement. In this regard, I note that in the absence of any underlying materials / documents or verification, such excel sheets cannot be treated as tangible proof. Accordingly, I am of the opinion that no inference can be made in support of the contention of the Noticee merely based on the said excel sheets.

48. Therefore, this contention of the Noticee cannot be accepted.

Under pressure from Inspection Team

49. With regard to the Noticee's submission that *"the noticee under pressure from inspection team wrote the email and that is why the language was ambiguous"*, I note that Noticee has not raised the allegation of coercion/duress during the inspection prior to this proceeding. In this regard, I note that Noticee has resorted to a serious allegation without providing any necessary details and supporting evidence in furtherance of his submission. Accordingly, I find this contention of the Noticee to be an afterthought and bereft of any merit.

Mandate of Regulation 18(10) of the RA Regulations

50. I note that the Noticee has further submitted that:

"Thirdly, rule 18(10) of the RA regulations states that the "Research entity shall ensure that the individuals employed as research analyst are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research report." This it self makes it clear that sales is not the core business activity of a research analyst it is research and thus the allegations sans merit shall be dismissed."

51. In this regard, I note that the issue here pertains to outsourcing of core functions, i.e. client onboarding, servicing and KYC processes, to third parties and not outsourcing of sales. Therefore, the extract of Regulation 18(10) of the RA Regulation, relied on by the Noticee, has no relevance in the present proceedings. Therefore, this submission of the Noticee cannot be accepted.

False Statement

52. Further, the Noticee has submitted as under:

"… That, it is submitted that the averments made in para 6.3.3 that tele sales team and complainants were not able to reach the noticee is completely false as Firstly the tele sales team were on roll employee of the company and they represented the company, Secondly, if any complainant made a complaint to the noticee the companies compliance officer responded to those complaints and that one of the reasons why most of the complaints on SCORES portal have been closed in favour of respondent on merits without having to refund on false complaints. …"

53. In this regard, I note that the closure of a complaint does not essentially prove that the Noticee was available for the complainant. Further, I note that no evidence has been brought on record by the Noticee to substantiate its above-mentioned submissions. Therefore, the contention of the Noticee is not acceptable.

Delegated only marketing and sales

54. The Noticee has also contended that:

> *"the Noticee hired third party associates and these marketing associates were responsible to hire a team of sales personnel for noticee and manage the said human resource and additionally they would advice the noticee on marketing strategy thus their actual job was only limited to human resource management and marketing advice,*
>
> *….*
>
> *Thirdly the company hires employees and delegates them functions and responsibilities just like every person cannot directly contact SEBI Chairperson similarly every one cannot directly contact the proprietor but it is not the case that there is no grievance redressal mechanism"*

55. In this regard, I note that the moot issue here pertains to Noticee's outsourcing of core functions of RA. I note that delegation of core functions of RA has been expressly barred by the extant Regulations. In this regard, from the discussion in previous paragraphs, I note that the Noticee has delegated core functions of RA, viz. client onboarding, servicing and KYC processes, to third parties. Therefore, there is no merit in this submission of the Noticee.

56. I, therefore, find that the Noticee has outsourced its core functions, i.e., client onboarding, servicing and KYC processes, to third parties during the inspection period. It is also a fact that the Noticee neither executed any written contracts / agreements /set out terms and conditions with these associates nor made any outsourcing policy. Accordingly, it is established that the Noticee has violated Circular dated December 15, 2011 and Clauses 2, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of the RA Regulations, 2014.

IV. Whether Noticee has disseminated false and misleading information and misrepresented the public by assuring returns and offering advisory services and thereby, violated Regulations 2(1)(b) and (c), 3 (a) and (d), 4 (1) and 4 (2) (k), (o) and (s) of the PFUTP Regulations read with Section 12 A (c) of the SEBI

Act and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations?

57. It is alleged in the SCN that Noticee had disseminated false and misleading information and misrepresented the public by assuring returns and offering advisory services. It is, further, alleged that the Noticee did so while concealing the associated risk while dealing in the said securities to enhance income.

58. I note that the Noticee has, *inter alia,* submitted the following during inspection:

"…We explain about our research analysis products and packages along with ***expected profits (with pre-defined maximum and minimum losses and profits)*** *to these third party individuals and thereafter, these third party individuals sources clients for us by cold calling prospective clients. The aforesaid third party individuals also regularly interacts with the already on-boarded clients for renewal/upgradations of services and packages…."* (Emphasis supplied)

59. In this regard, I note that the first-hand accounts of the 12 SCORES complainants also corroborate the fact that Noticee was assuring returns by pre-defining maximum, minimum losses and expected profits for his prospective clients while onboarding them through his third party associates/telesales agent/team. I note that the Noticee has not disputed the veracity of calls made on his behalf to the said 12 clients who had filed the SCORES complaints. In this regard, brief details of some of the SCORES complaints against the Noticee are tabulated as under:

Table 4

Sr. No.	**SCORES Registration No.**	**Complainant Name**	**Brief Details (as mentioned in PIA)**
I.	SEBIE/UP23/0001027/1	Shweta Jaiswal	*Person named Shiv approached the complainant assuring profits and told his company name as options experts. Complainant paid Rs. 35000 in multiple tranches for the promised services. The complainant was attended by multiple tele callers thereafter and was never able to connect with the research analyst. Further, the RA has submitted that the website www.optionsexperts.in was having his registration details and was created by his marketing associate.*
II.	SEBIE/UP23/0000708/1	Sudesh Kumar	*Ranjana and Shivam approached the complainant and assured profits to the tune of Rs. 50-60,000 per month. The*

			complainant paid Rs. 1.93 Lakhs for option pro combo services of the RA in multiple tranches.
III.	SEBIE/UP23/0000599/1	Sonam Amit Nevarekar	*The complainant was assured with returns on investments after which she paid Rs. 71000 to RA and incurred losses.*
IV.	SEBIE/UP23/0000479/1	Rashmi Bai	*Complainant is approached by Nikita, Shivam and Rajat and was assured with returns on investments and recovery of subscription amount after which Rs. 1,96,000 is paid to RA in multiple tranches and the complainant incurred losses.*
V.	SEBIE/UP23/0000415/1	Arvind Kumar	*Complainant is approached by Ajay and Rajat and was assured with returns on investments after which he paid Rs. 92,000 in multiple tranches to the RA and incurred losses.*

Observations on the submissions of Noticee

60. I note that Noticee has, *inter alia*, submitted various grounds as his defense which are discussed under different headings for ease of discussion:

SCORES complaints disposed

61. I note that the Noticee has, *inter alia,* contended that:

"… Secondly, 9 out of 12 complaints on SCORES were closed as the allegations were found unsubstantiated by SEBI ….When the board has disposed the complaints as they have found the complaints unsubstantiated then the allegations cannot be taken as gospel truth only for the purpose of levying penalty, thirdly, it leaves no reward for the intermediary to follow the SEBI SCORES rules if even after SEBI's satisfaction and closure of complaints on merits the same are taken up for adjudication and it violates law of Res-judicata. …"

62. The reasons for the closure of the 12 SCORES complaints, as it transpires from the material on record, have been tabulated below:

Table 5

Sr. No.	**Ground**	**No. of instances**
1.	Necessary information/documents have been provided to the complainant	8
2.	Withdrawn as matter resolved	3
3.	No reply from the complainant	1

63. From the aforesaid table, it transpires that none of the 12 SCORES complaints were closed on account of it being unsubstantiated.

64. Therefore, this submission of the Noticee cannot be accepted.

Disclaimers on website and invoice

65. The Noticee has, further, contended as under:

“That, there is a scroll running on the website of the noticee miruniserv.tech which reads. "Investment in the stock market is subject to market risk we DO NOT offer any guaranteed profit services or Fixed Returns Services. We DO NOT provide any assurance or guarantee of profit or returns with any of our services. Trading in the Stock Market may result in Partial or Complete loss of Gains as well as Initial Capital. Before taking our Research Alerts Services & any services of MIR UNISERV firm, Clients should read carefully the Disclaimer, Legal disclaimer, " amongst other disclaimer and disclosure this is also a testimony to the fact that the company is not offering any assured returns. That, a sample Invoice and welcome mail are attached alongwith this reply and it can be clearly seen that there are disclaimers on both the documents which reads "investments/trading in market is subjected to market risks" welcome mail further clarifies the disclaimer and reads "We do not provide profit guaranteed, assured profit, or committed returns or profit sharing services. In case any person is trying to sell you such services do inform us at +91-9151013810" thus it is clear that the company was making sufficient disclaimers and disclosures and was not assuring any fixed return as laid down in GRS Solutions case and thus these charges being unsubstantiated shall be dropped.

66. I note that investments in the stock market are subject to market risk and a particular return, or for that matter, any form of return on an investment cannot be guaranteed, no matter what advice on that investment is offered to the client. In this context, I note that a mere standard statement in the invoice and the website of Noticee cannot dilute the conduct of the Noticee in making a false representation that it can deliver the “assured profit”. I note that Noticee, being an RA, is well aware that the investments are subject to market risks. Accordingly, Noticee cannot make any

representation in any medium that he can deliver any "assured profit". Accordingly, the Noticee cannot escape his liability for making such a misrepresentation to the investor over phone merely on the ground that Noticee has put up disclaimers on his website and invoice that investments are subject to market risks.

67. Further, I find that the facts of the instant case are distinguishable from the facts of the case of **GRS Solutions**. In the matter of GRS Solutions, allegations were made on the basis of representations made on the website of the Noticee and conversation between the client and representative of the Noticee. In that context, SEBI-WTM Order in the matter of GRS Solutions observed *that "I further note that phrases like "high return on investment", "high accurate 1-2 calls", "maximize profit" and "promise of high success rates"* without mention of any specific rate of return are mere representations about quality / accuracy of his tips and do not amount to promising assured returns". However, in the present case, the SCORES complaints make an explicit reference to specific returns. In this regard, relevant details from some of the SCORES complaints filed against the Noticee during the inspection period are tabulated below:

Table 6

Sr. No.	SCORES Registration No.	Complainant Name	Relevant Extract
I.	SEBIE/UP23/0001027/1	Shweta Jaiswal	*they called my mother and said if she want to learn trading we will help u to do so and earn 100 prc. profits*
II.	SEBIE/UP23/0000708/1	Sudesh Kumar	*Shivam nam ke vyakti se bat krwayi jisne mujhe senior expert ke sath kaam krne ko suggest kiya jlskl fee Rs19600 hai aur return 50 60 hajar monthly mil jayega*
III.	SEBIE/UP23/0000599/1	Sonam Amit Nevarekar	*The complainant was assured with returns on investments after which she paid Rs. 71000 to RA and incurred losses.*
IV.	SEBIE/UP23/0000415/1	Arvind Kumar	*I paid the registration fee when I paid the amount a second voice came to me Name Rajat who started from lakhs of profit and forced me to join his some combo services since ! had no knowledge that time I believed on their false commitments and I got ready to invest with their combo pack during the whole conversation they did not told me at all about risk and losses of the market*

68. Therefore, I find this contention of the Noticee untenable.

69. In this context, it is clear that the Noticee was offering assured profit/return to the clients on the investments made by the clients with a tentative range/ amounts of returns. Here, I note that Hon'ble Securities Appellate Tribunal (hereinafter referred to as **'SAT'**) in the matter of **MSS Trading System Centre and Anr. v. SEBI**[5], *inter alia,* held that: *"…We are of the opinion that such assurance of profit given by the appellant was totally fraudulent and in violation of Regulation 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. …."*

70. Accordingly, it is established that the Noticee has violated Regulations 2(1)(b) and (c), 3 (a) and (d), 4 (1) and 4 (2) (k), (o) and (s) of the PFUTP Regulations read with Section 12 A (c) of the SEBI Act and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations.

V. Whether Noticee failed to provide the relevant information, books, accounts, and other documents available with the Noticee pertaining to its conduct and affairs as a research analyst and knowingly concealed or destroyed records pertaining to the websites and failed to provide all such assistance and cooperation as required in connection with the inspection and thereby, violated Regulations 29 (1) and 29 (2) and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations?

71. In the SCN, it is alleged that Noticee failed to provide the relevant information, books, accounts, and other documents available with the Noticee pertaining to its conduct and affairs as an RA. Further, it is alleged that the Noticee knowingly concealed or destroyed records pertaining to the website and failed to provide all such assistance and cooperation as required in connection with the inspection.

Failed to provide the relevant information, books, accounts, and other documents pertaining to its conduct and affairs as an RA

[5] Appeal No. 807 of 2022 dated December 12, 2022

72. I note that it is not disputed that the Noticee was, *inter alia,* advised to provide details of payments made to third parties along with the purpose of the said payment during the inspection. It is a fact that the Noticee had submitted 'NIL' information in its response.

73. In this regard, I note that the names of certain entities, viz. Banknifty Expert and Chetan Dhokiya were observed by the inspection team upon perusal of the Profit and Loss (hereinafter referred to as '**P/L'**) statement provided by the Noticee. It was observed by the inspection team upon further perusal that BankNifty Expert is a proprietorship firm of the proprietor of the Noticee. It was also observed that Banknifty Expert had a website, namely www.banknniftexpert.in and had research analyst related products, viz. Equity Future Tips, Nifty and Bank Nifty Tips, Ultra Short Term Tips, etc. listed on it. Further, it was observed that an entity namely Options Experts based in Mahape, Navi Mumbai was offering advice/tips for intraday, NIFTY and BankNifty through the website www.optionsexperts.in, Shivam, Ajay, Rajat, Rahul, Nikita, Shiv, Akshay and Gautam. Moreover, upon a random Google search, details of the proprietor of the Noticee, viz. banners with his name, registration number, website, etc. were observed on the Facebook page of the entity, MCXcommodityresearch and on the YouTube channel, Tradepix Investment Planner. However, it was alleged in SCN that the details of the aforementioned entities were not disclosed by the Noticee any time while or after seeking registration and the same was concealed in the pre inspection questionnaire (hereinafter referred to as **'PIQ'**) as well.

74. It was, further, observed that the Noticee provided the information in respect of payments made to third parties, along with the purpose, only on January 12, 2024. It is stated in the inspection report that the reason for providing the said information was the fact that during the onsite inspection he was confronted with the aforementioned details of the undisclosed entities and webpages/websites.

75. In this regard, I note that Noticee has contended that "*Secondly, with regards to third party associates it has already been mentioned that there was no reason for MIR Uniserv to conceal the data as the payments have been made from accounts only,*

if respondent wanted to conceal any of his business associates he would have made cash payments to them, the data was not disclosed as it belonged to the period before inspection period". Here, I note that the issue here pertains to whether the Noticee failed to provide details of payments made to third parties along with the purpose of the said payment to the inspection team of SEBI in his capacity as an RA. I note that the Noticee has admitted that the information regarding third party payment was available with him. However, it is noted that the Noticee has failed to provide any material on record to show that the information was provided to the inspection team at any time while or after seeking registration including in the PIQ. In this context, I find that the Noticee, rather than addressing the core issue, has been making broad statements without adducing any material in support of its submission. Accordingly, this contention of the Noticee cannot be accepted.

76. Therefore, I note that the details of the entities mentioned in paragraph no. 73 were not disclosed by the Noticee any time while or after seeking registration and the same was concealed in the PIQ as well. Further, I note that no reason has been forthcoming from the Noticee as to why the relevant details regarding these entities were not disclosed to SEBI.

77. In view of the above, I find that the Noticee has failed to provide the relevant information, books, accounts and other documents available with him pertaining to his conduct and affairs as an RA and failed to provide all such assistance and cooperation as required in connection with the inspection.

Knowingly concealed or destroyed records pertaining to the website

78. It was also observed in the inspection report that the Noticee had updated his website on January 08, 2024, i.e., on the same day when he submitted the PIQ. In this regard, it is alleged that the Noticee has removed all the contents of his website, due to which the inspection team was not able to check compliances of SEBI Regulations and Circulars in respect of compliances related to Noticee. It is alleged that the inspection team was not able to access the website of the Noticee till March 31, 2024. Further, it is alleged that the Noticee has not provided any records indicating necessary disclosures on its website.

79. In response, the Noticee has submitted as under:

"That, allegations made in para 6.5 and its sub para are arbitrary as the noticee has already stated that the website hosting was expired and noticee had to make a new website that is miruniserv.tech the noticee can provide email from Godaddy that the web hosting has expired but if SEBI is not willing to accept the same noticee cannot provide any other explanation then what is true."

80. In this regard, I note that no material/ document has been adduced by the Noticee to show that the website hosting of his website has expired. Further, *arguendo,* assuming that the website hosting had expired, even then it was open to the Noticee to provide necessary documents/ records to show necessary compliance was undertaken on his website. In this context, I find that the contention of the Noticee cannot be accepted.

81. Accordingly, I find that the Noticee has failed to provide the relevant information, was involved in concealing/ destroying records, and failed to provide cooperation. Therefore, the Noticee has violated Regulations 29 (1) and 29 (2) and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations.

VI. Does the violation, if any, on the part of Noticee attract a monetary penalty under Sections 15A(a), 15C, 15EB, 15HA, 15HAA(a) and 15HB of the SEBI Act?

82. In light of the discussions in the preceding paragraphs, I find that the Noticee has violated the following provisions of law as tabulated below:

Table 7

Charges	Violations
Noticee has not done the KYC records of clients, not complied with the KYC procedures in respect of his clients and not followed CDD and PMLA policies.	Regulation 16 of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011, SEBI Circular dated October 05, 2011, SEBI Circular dated January 18, 2006 and SEBI dated March 20, 2006 read with SEBI Master Circular dated October 15, 2019, SEBI Master Circular dated October 12, 2023 and Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the

	RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014
Noticee has belatedly obtained SCORES login ID on July 05, 2022 after two years of grant of registration against the prescribed period of one-month post registration Noticee has resolved 12 complaints beyond the prescribed timelines of 30/21 days.	SEBI Circular dated December 18, 2014, Clauses 45 and 49 of SEBI Master Circular dated November 07, 2022 read with Regulation 26B(1) of RA Regulations, and the Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014
Noticee has outsourced business activities and compliance functions of client onboarding, servicing and KYC process to various third parties engaged on commission basis. Further, Noticee has not made any written contracts / agreements /set out terms and conditions with these associates and has not made any outsourcing policy.	SEBI Circular dated December 15, 2011 and Clauses 2, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014.
Noticee has disseminated false and misleading information and misrepresented the public by assuring returns and offering advisory service. Further, the Noticee did so while concealing the associated risk while dealing in the said securities with an objective of enhancing income.	Regulations 2 (1) (b), (c), 3 (a), (d), 4 (1), 4 (2) (k), (o) and (s) of the PFUTP Regulations read with sections 12 A (c) of the SEBI Act, 1992 and Clauses 1,2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014.
Noticee has failed to provide the relevant information, books, accounts and other documents available with him and pertaining to his conduct and affairs as a research analyst and also knowingly concealed/destroyed record the electronic records available with him and as contained in his website so as to impede, obstruct, or influence the inspection	Regulations 29 (1) and 29 (2) and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) and 32 of RA Regulations 2014.

83. In this regard, I note that a residuary provision for the imposition of a monetary penalty is only invoked when a specific provision is not available. From the scheme of the SEBI Act, it is clear that Section 15HB of the SEBI Act is a residual provision and the said provision applies when any other penalty provision of Chapter VIA of the SEBI Act is not directly applicable. In this regard, I note that in the present case,

the residuary provision, Section 15HB of the SEBI Act has been invoked along with other charging provisions for the following violations:

Table 8

Violations	Charging Provision
Regulation 16 of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011, SEBI Circular dated October 05, 2011, SEBI Circular dated January 18, 2006 and SEBI dated March 20, 2006 read with SEBI Master Circular dated October 15, 2019, SEBI Master Circular dated October 12, 2023 and Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014	Section 15EB read with Section 15HB of SEBI Act.
SEBI Circular dated December 18, 2014, Clauses 45 and 49 of SEBI Master Circular dated November 07, 2022 read with Regulation 26B(1) of RA Regulations, and the Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014	Sections 15C and 15EB read with Section 15HB of SEBI Act.
SEBI Circular dated December 15, 2011 and Clauses 2, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014.	Section 15EB read with Section 15HB of SEBI Act.

84. In this regard, it is noted that there are specific penalty provisions for the violations mentioned in the Table 8 which already have been invoked. Therefore, I note that it would not be appropriate for the undersigned to impose penalty under Section 15HB of the SEBI Act for the violations mentioned in Table 8.

85. Further, I have taken note of the fact that Section 15HAA of the SEBI Act has not been mentioned under Section 15-I(1) of the SEBI Act. In this regard, the relevant extract of Section 15-I(1) of the SEBI Act is reproduced below:

"15-I. (1) For the purpose of adjudging under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G,15H, 15HA and 15HB], the Board may 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."

86. Since the undersigned has been appointed as AO under the provision of Section 15-I(1) of the SEBI Act, it would not be appropriate for the undersigned to impose a penalty under Section 15HAA of the SEBI Act.

87. In this background, I hold that in the present case, penalty may be imposed under the following provisions of the SEBI Act for the violations mentioned in the previous paragraphs:

Table 9

Violations	**Charging Provision**
Regulation 16 of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011, SEBI Circular dated October 05, 2011, SEBI Circular dated January 18, 2006 and SEBI dated March 20, 2006 read with SEBI Master Circular dated October 15, 2019, SEBI Master Circular dated October 12, 2023 and Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014	Section 15EB of SEBI Act.
SEBI Circular dated December 18, 2014, Clauses 45 and 49 of SEBI Master Circular dated November 07, 2022 read with Regulation 26B(1) of RA Regulations, and the Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014	Sections 15C and 15EB of SEBI Act.
SEBI Circular dated December 15, 2011 and Clauses 2, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014.	Section 15EB of SEBI Act.
Regulations 2(1)(b), (c), 3 (a), (d), 4 (1), 4 (2) (k), (o) and (s) of the PFUTP Regulations read with sections 12 A (c) of the SEBI Act, 1992 and Clauses 1,2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014.	Sections 15HA and 15EB of the SEBI Act.
Regulations 29 (1) and 29 (2) and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) and 32 of RA Regulations 2014.	Sections 15A(a) and 15EB of the SEBI Act.

88. The text of the aforementioned Sections 15A(a), 15C, 15EB and 15HA of the SEBI Act are reproduced below:

SEBI Act

"15A. If any person, who is required under this Act or any rules or regulations made thereunder,—

(a) to furnish any document, return or report to the Board, fails to furnish the same or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a 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.

…

15C. If any listed company or any person who is registered as an intermediary, after having been called upon by the Board in writing including by any means of electronic communication, to redress the grievances of investors, fails to redress such grievances within the time specified by the Board, such company or intermediary shall be liable to a 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

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.

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.

…"

VII. If so, what would be the monetary penalty that can be imposed upon Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act?

89. While determining the quantum of penalty under Sections 15A(a), 15C, 15EB and 15HA of the SEBI Act, the following factors stipulated in Section 15J of the SEBI Act has been given due regard:

SEBI Act

***"**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."

Factors Considered While Imposing Penalty

90. The available records neither specify disproportionate gains/unfair advantages made by Noticee nor the loss, if any, suffered by the investors due to such violations. As regards the repetitive nature of the default, I note that the material on record has not brought to the fore any penalty imposed by SEBI in the past against the Noticee in its role as an RA.

91. In this background, I note that the very purpose of the extant regulations and circulars is to deter wrongdoing and promote ethical conduct in the securities market. Noticee, being a registered intermediary, was under a statutory obligation to comply with the mandate of the extant laws in letter and spirit. Noticee was expected to uphold a high level of professionalism and take statutory compliance very seriously. In this regard, I note that Hon'ble SAT in the matter of **Premchand Shah and Others v. SEBI**[6], *inter alia*, held as under: *"...When a law prescribes a manner in which a thing is to be done, it must be done only in that manner...".*

92. I note that the Noticee has given assurance of profit and returns which tend to mislead the investors. Such claims are made primarily to allure the investors to avail the advisory services being offered by the Noticee. Accordingly, I find that the Noticee failed to act honestly and in good faith with due skill, care, and diligence and failed to adhere to the high professional standards expected from an RA.

93. It is also of utmost importance that intermediaries assign high priority to investor grievances and take all necessary steps to redress the grievances of investors at the earliest. In the present case, the Noticee has failed to do so. Further, it is an admitted fact that the Noticee obtained the SCORES ID two years after the grant of registration as an RA. Therefore, Noticee's casual approach to investor grievance needs to be viewed seriously.

[6]Appeal No. 192 of 2010 dated February 21, 2011.

94. It is a fact that Noticee did not just fail to provide complete information but at times submitted misleading information and failed to submit the required information to the SEBI during the inspection. Such conduct of the Noticee shows his lackadaisical attitude. This conduct of the Noticee cannot be condoned. Therefore, violations on the part of the Noticee cannot be viewed leniently.

95. The aforementioned factors have been taken into consideration while adjudging the penalty.

F. ORDER

96. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in preceding paragraphs and in the exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I, hereby, impose the following penalty on Noticee:

Table 10

Noticee Name	Violations	Penalty Provision	Penalty (in Rs.)
Mir Uniserv Proprietor: Mr. Saurabh Shukla	Regulations 29 (1) and 29 (2) and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i)	Section 15A(a) of the SEBI Act.	Rs.1,00,000/- (One Lakh)
	SEBI Circular dated December 18, 2014, Clauses 45 and 49 of SEBI Master Circular dated November 07, 2022 read with Regulation 26B(1) of RA Regulations	Section 15C of the SEBI Act.	Rs.1,00,000/- (One Lakh)

	Regulation 16 of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011, SEBI Circular dated October 05, 2011, SEBI Circular dated January 18, 2006 and SEBI dated March 20, 2006 read with SEBI Master Circular dated October 15, 2019, SEBI Master Circular dated October 12, 2023 and Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014. Clauses 2, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014. SEBI Circular dated December 15, 2011 and Clauses 2, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014. Clauses 1,2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014 read with Regulation 13(i) of RA Regulations, 2014. Regulation 32 of RA Regulations 2014.	Section 15EB of SEBI Act.	Rs.3,00,000/- (Three Lakhs)
	Regulations 2(1)(b), (c), 3 (a), (d), 4 (1), 4 (2) (k), (o) and (s) of the PFUTP Regulations read with sections 12 A (c) of the SEBI Act, 1992	Section 15HA of the SEBI Act.	Rs.5,00,000/- (Five Lakhs)
		Total Penalty Amount	Rs.10,00,000/- (Ten Lakhs)

97. The said penalty is commensurate with the lapses/omissions on the part of Noticee.

98. Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order through the 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.

99. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to Noticee.

Date: November 29, 2024
Place: Mumbai

N HARIHARAN
ADJUDICATING OFFICER
AND CHIEF GENERAL MANAGER