

SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER

UNDER SECTIONS 11(1), 11(4), 11(B)(1), 11(4A), 11(B)(2) and 11(D) OF THE SEBI ACT, 1992 READ WITH REGULATION 3 OF THE SEBI (PORTFOLIO MANAGERS) REGULATIONS, 2020 READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995.

In respect of:

Noticee No.	Name of Noticee	PAN
1.	Mr. Ashesh Shailesh Mehta, Sole Proprietor of Bliss Consultants	AMMPM0167G
2.	Ms. Shivangi Ashesh Mehta	AKJPL8198F

(The aforesaid entities are referred to by their corresponding names/numbers and collectively referred to as "Noticees")

In the matter of unregistered portfolio management activities by Bliss Consultants

BACKGROUND OF THE CASE

1. The Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received multiple complaints from the clients of Bliss Consultants (hereinafter referred to as '**Bliss**'), seeking action against Mr. Ashesh Shailesh Mehta (hereinafter referred to as '**Noticee No.1**'), Sole Proprietor of Bliss and Ms. Shivangi Ashesh Mehta (hereinafter referred to as '**Noticee No.2**'), claimed to be a Director of Operations of Bliss, for running portfolio management activities without obtaining registration from SEBI and for non-payment of returns and refund of amount invested.

2. In the said complaints, the clients had, *inter-alia*, alleged that they had invested in Bliss for the purpose of trading in derivatives market. The investments were made based on presentation and assurance provided by Bliss regarding opportunities to invest in derivative market (NIFTY Options) and making potential returns. Also, Bliss was providing returns to the clients on regular basis from trading in NIFTY Options on behalf of the clients. Bliss was charging 30% of the profits made from the trading as fees/commission towards the service provided to the clients. The above fund management activities were conducted by Bliss after entering into agreement with the clients. In this connection, Bliss used to host a website, www.blissconsultant.in, and also a mobile application, D-I-F-M. The complaints were mainly that; Bliss had neither paid any returns nor repaying the amount invested by the clients since from June-2023.
3. Thereafter, SEBI initiated an examination to ascertain as to whether the activities of Bliss were in the nature of portfolio management services and whether Bliss had acted as an unregistered portfolio manager in violation of Section 12(1) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**'), and Regulation 3 of the SEBI (Portfolio Managers) Regulations, 2020 (hereinafter referred to as '**PMS Regulations**') and Regulation 3(a)(b)(c)(d), 4(2)(k) and 4(2)(s) of SEBI (PFUTP) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**') read with section 12A(a), (b) and (c) of SEBI Act.
4. Examination finally revealed that the activities being carried out by Bliss were prima facie in the nature of portfolio management services without having a valid certificate of registration from SEBI in violation of the aforesaid rules and regulation of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Pursuant to the conclusion of the examination, a common Show Cause Notice (hereinafter referred to as "**SCN**") dated September 10, 2024 was issued to the Noticees calling upon them to show cause as to why appropriate directions should

not be issued against them under Section 11(1), 11(4), 11(B)(1) and 11(D) of SEBI Act, 1992 read with provisions of SEBI (Portfolio Managers) Regulations, 2020 and why appropriate penalty should not be imposed upon them under section 11(B)(2) and 11(4A) read with section 15HA and 15HB of SEBI Act, for the alleged violations.

6. The SCN has *inter alia* alleged the following which is summarized below:-

- a) During the examination, it was observed that Noticee No.1 is the sole proprietor of Bliss whereas Noticee No.2 is director of operations of Bliss and that Bliss or any of the Noticees are not registered with SEBI in any capacity.
- b) It was further observed that prior to receipt of investments from a client, Bliss was making a presentation to each client providing various assurance and details with respect to its investment methodology and process and it had on boarded the clients through its mobile App named as “Do-it-for-me-Portfolio” (DIFM). The DIFM is an invite based App. Bliss was managing the fund management activities through the said DIFM App.
- c) **Examination of agreements entered into by Bliss with the clients**
 - i. It was observed that at the time of on boarding clients, Bliss had entered into an agreement with the clients, specifying terms and conditions for the service provided by Bliss for managing the portfolio of the clients. The details of the agreements provided by the clients were noted to be as below:

Sr. No.	Name of the clients	Agreement Date
1	Mr. Mayank Kumar	October 01, 2022
2	Mr. Vikram Ramchand	July 01, 2022
3	Mr. Ashish Ramchand	June 01, 2022
4	Mr. Punit Vishnu Kishnani	July 02, 2021
5	Mr. RajeshManohari Singh	May 01, 2021
6	Ms. NilanjanaaPakhi Sen	December 01, 2020
7	Ms. Rhydhun Chatterjee	July 04, 2022
8	Ms. Aparna Biswas	July 02, 2021

- ii. SCN observed that Regulation 22(1) of SEBI (Portfolio Managers) Regulation, 2020 *inter alia* states that
“The portfolio manager shall, before taking up an assignment of management of funds and portfolio on behalf of a client, enter into an agreement in writing with such client that clearly defines the inter se relationship and sets out their mutual rights, liabilities and obligations relating to management of portfolio containing the details as specified in Schedule IV”
- iii. From the aforesaid agreements, SCN noted that the agreements were signed by Noticee No.1, the Sole proprietor of Bliss. Further, from the examination of the agreements, it was noted that Bliss was collecting money and managing portfolio of the investors after entering into agreement with them specifying terms and conditions of the services.
- iv. It was also noted that the terms and conditions of the afore stated agreements between Bliss and the complainants were similar to the terms of PMS-client agreement prescribed under Regulation 22 and General responsibilities of a portfolio manager provided under Regulation 23 of SEBI (PMS) Regulations, 2020 as detailed below:

Regulation	Terms and conditions to be included in PMS-Client agreement and general responsibilities of a PMS prescribed under SEBI (PMS) regulations, 2020	Terms and conditions of agreements between Bliss and clients/complainants
22 (2) (a), (c) and (d)	(a) <i>the investment objectives and the services to be provided</i> (c) <i>investment approach, areas of investment and</i>	Under the head “ SCOPE ”, it is, inter-alia, stated that <i>“In consideration of BLISS CONSULTANTS, agreeing to carry one or more accounts of the undersigned (hereinafter</i>

	restrictions, if any, imposed by the client with regard to the investment in a particular company or industry; (d) type of instruments and proportion of exposure <i>Explanation: An investment approach is a broad outlay of the type of securities and permissible instruments to be invested in by the portfolio manager for the customer, taking into account factors specific to clients and securities.</i>	referred to as “Client”) and to provide services to Client in connection with the purchase and sale of Nifty Options, which may be purchased or sold from Bliss Consultants trading account(s), Client agrees as follows”
22 (2) (b) (e), (f) and (i)	(b) period of the contract and provision of early termination, if any; (e) tenure of portfolio investments; (f) terms for early withdrawal of funds or securities by the clients; (i) procedure of settling client's account including form of repayment on maturity or early termination of contract;	As per clause No. 9 on “FUND SECURITY”, Bliss was guaranteeing partial / full disbursement of portfolio available in client's account within 48 hours. In case of untimely death of the proprietor the funds shall be disbursed by POA. Further, as per the clause 10 of the agreements, either of the parties were entitled to terminate the agreement by giving one day notice.

22 (2) (g)	<i>attendant risks involved in the management of the portfolio</i>	Under clause 1 of the agreements, the clients were informed about the risk of investing in derivatives.
22 (2) (j) and (k)	<i>(j) fees payable to the portfolio manager; (k) the quantum and manner of fees payable by the client for each activity for which service is rendered by the portfolio manager directly or indirectly (where such service is out sourced);</i>	As per clause No. 5 on “COMMISSION/SHARE AND FEES” , the profit-loss ratio is 70%-30% on monthly outcome i.e. 70% of the profit / loss is to be shared by the client and 30% of the profit / loss is to be shared by Bliss. 30% commission/share fee to Bliss is payable only in case of monthly profits. The same shall be deducted from the client's total profit on the last business day of the month or at the time of closure of the account. Bliss agrees to bare 30% of client's losses in case of negative trades.
23	General responsibilities of a Portfolio Manager (1) The discretionary portfolio manager shall individually and independently manage the funds of each client in accordance with the needs of the client, in a manner	As per clause No. 4 on “MARGIN AND DEPOSIT REQUIREMENTS” , clients shall deposit with Bliss margin in such amounts that Bliss, in its sole discretion may require. Minimum margin deposit to open an account with Bliss is Rs.3 Lakhs and margin addition thereafter is allowed in the multiple of Rs.1 Lakh.

	which does not partake character of a Mutual Fund, whereas the non-discretionary portfolio manager shall manage the funds in accordance with the directions of the client. (2) The portfolio manager shall not accept from the client, funds or securities worth less than fifty lakh rupees: (3) The portfolio manager shall act in a fiduciary capacity with regard to the client's funds. (4) The portfolio manager shall segregate each client's holding in securities in separate accounts. (5) The portfolio manager shall keep the funds of all clients in a separate account to be maintained by it in a Scheduled Commercial Bank.	Under the head “SCOPE”, scope of the agreement is stated as under: <i>“BLISS CONSULTANTS will <u>manage the portfolio on a discretionary</u> basis within the investment objective.</i> <i>BLISS CONSULTANTS shall individually and independently manage the Assets of each client and shall be entitled to take such steps as may be necessary, incidental and conducive to fulfilment of the objective of this agreement.</i> <i>BLISS CONSULTANTS shall be acting in fiduciary capacity with regard to the client's Assets, Consisting of investments, accruals, allotments and refunds.</i>
31 (1)	“Reports to be furnished to the client.	As per clause No. 8 on “CONTRACT NOTE, MONTHLY PERFORMANCE

	31. (1) The portfolio manager shall furnish periodically a report to the client, as agreed in the contract, but not exceeding a period of three months and as and when required by the client and such report shall contain the following details, namely: - ”	REPORT AND PAYOUTS”, Bliss is to issue receipts for payment received via email. Further, Bliss is to issue contract notes via email on the day when trades are executed. Further, Monthly performance report is to be issued on last business day of every month. The client shall receive monthly payouts post deduction of commission/share from Bliss on first business day of the month unless the client intimates to retain the profit.
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- v. The following clauses of the agreements were akin to the portfolio management services provided by registered portfolio managers:
- a) As per the clause no.3 on **“IDENTITY VERIFICATION”**, clients are required to upload/submit copies of unexpired government issued identification and address verification documents with signed copy of the agreement. This is akin to client on boarding and KYC done by registered PMS.
 - b) As per clause no. 6 on **“AUTHORISATION TO BLISS CONSULTANTS”**, Bliss is authorised to trade from the client’s margin deposit in the trading account of Bliss. This is akin to Power of Attorney (POA) obtained by PMS from the clients.
- vi. From the above, it was alleged that the activities of Bliss were in the nature of portfolio management services.

d) **Examination of Bank Accounts of Bliss Consultants and Noticees**

- i. SCN observed that the clients alleged that they were provided with Current Account No. 331XXXX538 of Bliss with Kotak Mahindra Bank Limited for making investments with Bliss. Further, the clients provided copies of their bank accounts, Ledger account issued to them by Bliss indicating financial transactions for amount invested/withdrawn by the clients, profits paid to the clients and commission/fee charged by Bliss.
- ii. Thereafter, information was sought from Kotak Mahindra Bank Ltd. in respect of the aforementioned Current Account No. 331XXXX538 of Bliss. From the bank statement provided by Kotak Mahindra Bank Ltd, a **total credit of Rs.1780.25 crore and total debit of Rs.1676.85 crore** was observed in the Current Account No. 331XXXX538 of Bliss during the examination period.
- iii. Following transactions for investments made by the complainants in Bliss and payouts of profits/withdrawal received by them from Bliss were observed in the aforesaid account of Bliss:

Sr. No.	Name of the complainants / Ledger provided by the complainant for the period	Amount received by Bliss from the complainants	Payouts of profits and withdrawals made by Bliss to the complainants
1	Vikram Ramchand (1-4-2022 to 9-6-2023)	65,00,000	35,75,810
2	Aashish Ramchand (1-4-2022 to 9-6-2023)	68,00,000	34,45,980
3	Punit Vishnu Kishnani (1-4-2023 to 9-6-2023)	0	1,37,320
4	Rajesh Ram Pariani (1-4-2021 to 9-6-2023)	1,06,29,371	25,11,848
5	Sneha Rajesh Pariani (1-4-2021 to 9-6-2023)	1,04,08,083	49,40,374
6	Neena Bhagwan Bhagat	19,39,842	13,60,972

	(1-4-2021 to 09-06-2023)		
7	Kishin Pariani (1-4-2023 to 9-6-2023)	26,00,000	9,01,674
8	Kamala Pariani (1-4-2023 to 9-6-2023)	25,00,000	8,90,494
9	Vanshita Pariani (1-4-2021 to 9-6-2023)	58,00,000	23,37,253
10	Sanjay Pariani (1-4-23 to 9-6-23)	32,00,000	--
11	Mayank Kumar (1-10-2022 to 30-6-2023)	1,00,00,000	--
12	Saroj Devi Murarka (1-10-2022 to 30-6-2023)	32,00,000	29,604
12	Rajesh Manohari Singh (01-04-2021 to 09-06-2023)	70,00,000	50,03,258
13	Aparna Biswas (01-04-2021 to 09-06-2023)	10,00,000	4,43,497
14	Nilanjana Sen (01-04-2020 to 09-06-2023)	37,00,000	22,38,118
15	Raydhun Chatterjee (1-4-2022 to 9-6-2023)	19,00,000	6,23,494

- iv. Further, large number of similar transactions were observed in the names of various individuals with transaction particular/narration indicating Margin received/ reversal/withdrawal, monthly payouts, etc. which are inferred to be of possible investments made/withdrawn by various investors.
- v. It was also observed that the said CA No. 331XXXX538 of Bliss was not linked with any stock broker for trading in securities.
- vi. Further, internal transfers from bank account No. 331XXXX538 of Bliss to Noticee No.1 and Noticee No.2 were observed during the examination period, which are as under:

Amount transferred to	Account No./ Bank	Total transfer (Rs. in Crore)
Noticee No.1	SB A/c No. 131XXXX717 with Kotak Mahindra Bank Ltd	89.89
Noticee No.2	SB A/C No. 161XXXX058 with Kotak Mahindra Bank Ltd	0.74

- vii. Information was sought from Kotak Mahindra Bank Ltd. in respect of the aforementioned SB A/c No. 1311618717 of Noticee No.1. From the bank statement provided by the bank, a total credit of Rs.159.20 crore and debit of Rs.152.03 crore was observed in the said SB Account No. 131XXXX717 of Noticee No.1 during the examination period.
- viii. Further, during the examination period, following transactions for payments to / receipts from the stock brokers were observed in the said account of Noticee No.1:

Name of the Broker	Total receipt (Rs. in Crore)	Total payment (Rs. in Crore)
Zerodha Broking Limited	49.49	107.95
Fyers Securities Private Limited	0.93	0.92
Interactive Brokers (India) Private Limited	0.33	0.43
RKSV Securities India Private Limited	0.14	0.55
Zerodha Commodities Pvt Ltd	1.30	0.41

- ix. From the Unique Clients Code (UCC) details obtained from BSE and NSE, it was observed that the SB A/c No. 131XXXX717 of Noticee No.1 with Kotak Mahindra Bank Ltd was linked with RKSV Securities India Private Limited (Client ID 391491), Interactive Brokers (India) Private Limited (Client ID U7864368), Zerodha Broking Limited (Client ID KG7546) and Fyers Securities Private Limited (Client ID FA1596) for trading in securities markets.

- x. Further, total amount of Rs.4.45 crore were transferred from SB A/c No. 131XXXX717 of Noticee No.1 to the SB A/C No. 161XXXX058 of Noticee No.2 during the examination period. This A/C no. 161XXXX058 of Noticee No.2 was linked to the trading account with Zerodha Broking Limited (Client ID – YJ1563). Accordingly, information in respect of the SB A/C No. 161XXXX058 of Noticee No.2 was sought from Kotak Mahindra Bank Ltd. and from the statement provided by the bank, total credit of Rs.5.90 crore and total debit of Rs.5.87 crore was observed in the said SB Account No. 161XXXX058 of Noticee No.2 during the examination period.
- xi. From examination of the above bank accounts, it was ascertained that the CA No. 331XXXX538 of Bliss, SB A/c No. 131XXXX717 of Noticee No.1 and SB A/C No. 161XXXX058 of Noticee No.2 with Kotak Mahindra Bank Limited were mainly used for the alleged portfolio management activities of Bliss.
- xii. Apart from the above, 8 more bank accounts of Bliss and its associated entities were found and information were obtained from the respective bank. However, no material transactions pertaining to business activities of Bliss under examination were observed in these accounts.

e) Examination of Trading data:

- i. As per the agreements with the clients, it was observed that Bliss was providing returns to the clients from trading in NIFTY Options on behalf of the clients. Accordingly, trading details of Bliss, and the Noticees for the examination period were obtained from BSE and NSE.
- ii. As per the trading details provided by NSE, vide email dated September 06, 2023, it was noticed that during the examination period, Noticee No.1 had traded in total 3,32,95,500 numbers of NIFTY Options for total buy value of Rs.638.70 crore and sell value of Rs.620.79 crore whereas Noticee No.2 had traded in total 10,77,850 numbers of NIFTY Options for

total buy value of Rs.15.92 crore and sell value of Rs.15.86 crore during the examination period. However, no trades were observed in the name of Bliss Consultants.

- iii. Total trading in NSE (including NIFTY Options as mentioned above) were observed to be as under:

	F&O Segment	Cash Segment
Noticee No.1	Buy Value Rs.2,031.70 cr Sell Value Rs.1,985.02 cr	Buy Value Rs.1.65 cr Sell Value Rs.0.53 cr
Noticee No.2	Buy Value Rs.61.54 cr Sell Value Rs.61.13 cr	Buy Value Rs.3.72 cr Sell Value Rs.3.72 cr

- iv. Further, as per details provided by BSE vide email dated 06.09.2023, no trading was observed in BSE for Bliss or Noticee No.1 or Noticee No.2 during the examination period.
- v. It was also observed that Bliss was issuing contract note cum tax invoice for the trades executed on behalf of the investors. Further, Bliss was issuing statement of accounts to the clients indicating trades executed on behalf of them giving details of trades executed like date of trades, security name/symbol, invoice no., buy quantity, buy price, buy value, sell quantity, sell price, sell value, gross profit/loss, realized profit/loss, net profit/loss etc.
- vi. It was further noted that the clients submitted Contract Note Cum Tax Invoice dated June 09, 2023 issued to them by Bliss during examination for the trades executed by Bliss in NIFTY Options on behalf of them at average buy price of Rs.195 and average sell price of Rs.197.65. Further, profits due to the complainants were also mentioned in the contract notes as detailed below:

Name	Qty	Buy Rate	Sell Rate	Profit (net of transaction charges) as per Contract Note (Rs.)
Mayank Kumar	49,050	195.00	197.65	1,12,746.48
Aashish Ramchand	22,050	195.00	197.65	50,658.22
Punit Vishnu Kishnani	8,100	195.00	197.65	18,579.28
Rajesh Ram Pariani	56,250	195.00	197.65	1,29,303.35
Sneha Rajesh Pariani	42,750	195.00	197.65	98,259.22
Neena Bhagwan Bhagat	6,750	195.00	197.65	15,474.87
Kishin Pariani	11,700	195.00	197.65	26,857.71
Kamala Pariani	11,250	195.00	197.65	25,822.91
Vanshita Pariani	26,100	195.00	197.65	59,971.46
Sanjay Pariani	14,100	195.00	197.65	33,066.54

- vii. Further, in the trading details of Noticee No.1, similar trade on June 09, 2023 was noticed for 18,000 quantities of NIFTY Options at average buy price of Rs.195 and average selling price Rs.202.05.
- viii. From the above, examination found it evident that Bliss was trading in NIFTY Options and subsequently allotting securities to clients by issuing contract notes cum tax invoice on that date, detailing the trades executed on behalf of the investors. Further, summary of the trades was also provided in the form of statement of Account.

f) Commission / Fees charged by Bliss:

- i. It was observed from the Para No. 5 of the agreement with the investors that Bliss was charging 30% of the profit earned as commission. Further, from the ledger accounts provided by the complainants/investors for the financial years 2021-22, 2022-23 and 2023-24 (upto May 31, 2023), profits

earned and commission paid till May 31, 2023 were observed to be as under:

Sr. No.	Name of the complainants	Profits earned as per ledgers	30% charged toward commission	Profits		
				70% profits	Payouts received by the investors	Re-invested
1	Vikram Ramchand	8,22,587	2,46,776	5,75,811	5,75,811	0
2	Aashish Ramchand	22,08,943	6,62,683	15,46,260	6,75,980	8,70,280
3	Punit Vishnu Kishnani	1,96,172	58,851	1,37,320	1,37,320	-0
4	Rajesh Ram Pariani	59,74,969	17,92,490	41,82,478	24,76,879	17,05,599
5	Sneha Rajesh Pariani	57,60,416	17,28,125	40,32,291	23,93,425	16,38,866
6	Neena Bhagwan Bhagat	13,15,898	3,94,769	9,21,129	8,17,659	1,03,469
7	Kishin Pariani	12,88,106	3,86,432	9,01,674	9,01,674	0
8	Kamala Pariani	12,72,135	3,81,640	8,90,494	8,90,494	0
9	Vanshita Pariani	33,85,281	1,01,558	23,69,697	23,37,253	32,443
10	Mayank Kumar	14,24,777	4,27,433	9,97,344	-	9,97,344
11	Rajesh Manohari Singh	50,04,655	15,01,396	35,03,258	35,03,258	0
12	Aparna Biswas	6,33,567	1,90,070	4,43,497	4,43,497	0
13	Nilanjana Pakhi Sen	29,11,597	8,73,479	20,38,118	20,38,119	0
14	Rhydhun Chatterjee	8,90,705	2,67,212	6,23,494	6,23,494	0
15	Saroj Devi Murarka	3,74,540	1,12,362	2,62,178	29,604	2,32,574

- ii. From the above, it was observed that Bliss was charging 30% of the profits earned towards commission and the same was deducted from the payouts of the profits to the investors on monthly basis. Further, the investors had option to reinvest the profits earned and, in such cases, 30% of the profits were deducted towards commission and the remaining 70% were retained in the account.

- g) In view of the above-mentioned observations of the examination, it was ascertained that Bliss had entered into agreements with the clients to manage their portfolio and provide returns by trading in NIFTY Options on their behalf and as per the agreements, Bliss traded in NIFTY Options on behalf of the clients and provided returns to the clients from the same. Further, as per the agreements, Bliss had charged 30% of the profits earned as commission/fees from the clients and as per terms of the agreements, withdrawals of the funds were also paid by Bliss. Further, from the financial ledger provided by Bliss to the clients and the bank statements of Bliss and clients, it was noted that there was flow of funds between the clients and Bliss for the aforementioned activities. Thus, from the above, it was inferred that Bliss was providing portfolio management services to the clients without having a valid certificate of registration from SEBI to offer portfolio management services.

- h) Accordingly, it was alleged that Noticee No.1 being the sole Proprietor of Bliss Consultants and Noticee No.2, by virtue of claiming to be a Director of Operations of Bliss Consultants, had acted as portfolio manager without obtaining certificate of registration and accordingly carried out unregistered portfolio management activities, thereby violating the provisions of Section 12(1) of the Securities and Exchange Board of India Act, 1992, and Regulation 3 of the SEBI (Portfolio Managers) Regulations, 2020.

- i) It was further observed that Bliss was claiming to provide very high return on social media platform (LinkedIn) wherein it stated that *“We have a diversified client base that includes retail customers (including High Net Worth*

Individuals), mutual funds, foreign investors. With a reach across domestic and global geographies, as on Jan 2020, we have over 751 strong client base with an AUM of over 103 CRORES. The company has generated a stellar return of 52% for the clients (post payout) for FY2019. Our target is to maintain a consistent returns of over 40% on Y-O-Y basis.”

- j) Further, it was noted that on the website of Bliss (<https://blissconsultant.in/>) and the DIFM App, following statements were made by Bliss:

“Investor funds lodged in the Bliss Consultants’ Account with a Registered SEBI Share Broker (the Custodian)”

“At that time the funds automatically secured under the NSE’s Investor Protection Fund (IPF)”

“The IPF compensates investors in the event of loss due to a “defaulter” trading member.”

- k) From the above, it was alleged that Bliss had fraudulently claimed on social media platform to provide very high return. Further, on the website of Bliss (<https://blissconsultant.in/>), Bliss made misleading statements giving impression that Bliss is a stock broker dealing in securities, and that funds of the investors are automatically secured under the NSE’s Investor Protection Fund (IPF) and in the event of loss, IPF will compensate the investors. In view of the above, it was alleged that the Noticees violated Regulation 3(a)(b)(c)(d), 4(2)(k) and 4(2)(s) of SEBI (PFUTP) Regulations, 2003 read with section 12A(a), (b) and (c) of SEBI Act, 1992.
- l) In view of above allegations, the Noticees were called upon to show cause as to why appropriate directions should not be issued against them under section 11(1), 11(4), 11(B)(1) and 11(D) of SEBI Act, 1992 read with provisions of SEBI (Portfolio Managers) Regulations, 2020 and why appropriate penalty should not be imposed upon them under section 11(B)(2) and 11(4A) of SEBI Act, 1992 read with section 15HA and 15HB of SEBI Act, 1992.

7. Since it was learnt that Noticee No.1 and Noticee No.2 were in judicial custody at Arthur Road Jail and Byculla Jail respectively, the SCN, along with annexures, apart from sending to the available addresses, was also forwarded to the aforementioned jails vide letters dated September 10, 2024 with a request to the respective Jail Superintendent to serve the SCN to the Noticees. The SCN was served to Noticee No.1. However, vide letter dated September 14, 2024, Superintendent, Byculla Jail, informed that Noticee No.2 was released from the jail. Further, the SCN sent to available addresses as well as email ids of Noticee No.2 also returned undelivered. Subsequently, the SCN was served to Noticee No.2 by way of Affixture on December 23, 2024 with an advice to collect the hard copy of the SCN from SEBI, which was later collected by the Authorized Representative (AR) of the Noticee No.2 on January 03, 2025. Meanwhile, the AR of the Noticees submitted reply on behalf of Noticee No.1, vide mail dated December 5, 2024 and on behalf of Noticee No. 2, vide mail dated January 17, 2025.

Thereafter, in order to ensure that the proceedings are being conducted in compliance with principle of Natural Justice, an opportunity of personal hearing was provided to both the Noticees on March 04, 2025, vide hearing notice dated February 20, 2025. However, the AR of the Noticees, vide letter dated February 27, 2025, sought adjournment of hearing which was granted by the competent authority and the hearing was rescheduled on March 12, 2025 which was later, because of unavoidable reasons, rescheduled to March 19, 2025 and again to March 24, 2025. Subsequently, the AR of the Noticees, vide email dated March 18, 2025, once again requested for adjournment of hearing, which was acceded to by the competent authority and the hearing was again rescheduled on March 27, 2025.

The ARs of the Noticees appeared in the said hearing on March 27, 2025 and requested for time to make additional submissions, which was granted to them. Accordingly, the hearing in the matter was concluded and the minutes of the

hearing, recording the same, was intimated to the AR of the Noticees vide email dated March 27, 2025. The AR of the Noticees submitted additional reply vide letters dated April 07 and April 09, 2025. However, vide the letter dated April 09, 2025, Noticee No.1 again sought an opportunity of personal hearing.

In this context, it is pertinent to note that ample opportunities were already afforded to the Noticees, including the chance to present their case through their AR, who duly appeared and made submissions on their behalf. Sufficient time was also granted for the submission of additional written responses. The hearing process was thus concluded after ensuring a fair and reasonable opportunity to be heard, in line with the principles of natural justice.

Further, Noticee No.1 subsequently submitted a detailed response on merits and did not cite any new or compelling grounds to justify the need for an additional hearing. In the absence of any such justification, and considering the fact that due process has already been followed, I find no valid reason to accede to the request of Noticee No.1 for a second hearing.

Replies

Replies of Noticee No.1:

- a) *A sole proprietorship concern, being indistinguishable from its proprietor, does not constitute a "person" within the meaning of the PMS Regulations and since a proprietorship cannot independently seek or obtain registration, it cannot act as a portfolio manager under Regulation 3(1). A sole proprietorship, lacking a distinct legal identity, cannot fulfil the registration requirements mandated by Section 12(1) and the associated regulations.*
- b) *By issuing a Show Cause Notice to a proprietorship, SEBI has extended the scope of the SEBI Act, 1992, and PMS Regulations, 2020, beyond their statutory mandate as the SEBI Act regulates entities capable of registration and compliance, which does not include proprietorships.*

- c) *It is clear in the undertaking provided to the Hon'ble Special Court, MPID that the intention has not been to deceive or usurp the monies and investments of investors but the cause of delay in returns since June 2023 has strictly been on account of the ex-parte Award and arbitral proceedings obtained by the third party (M/S. Denron Rea- IT Trade Pvt Ltd) without the knowledge of the Noticee. Pertinently even as on June 09, 2023, the profits have been passed by Bliss Consultants to the investors which evidences the good faith of the Noticee.*
- d) *The accounts and assets of the undersigned are freezed and seized and the amounts in the Current Account of Bliss Consultants is secured and once debit freeze is lifted, the amount can be distributed between the investors with the assistance of the Hon'ble Court and judicial authorities.*
- e) *The business carried out by Bliss Consultants with its clients as stated in the agreements is that of intermediary services as a 'Trader'. The trades made were joint trades and profits and losses were shared by both the clients and Bliss Consultancy.*
- f) *Unlike a traditional model of portfolio management wherein the portfolio manager charges a fee for his services, Bliss Consultants is trading as an intermediary for both the clients and itself where it has a 70/30 shared liability and hence by such proportion the investors/ complainants are also liable and cannot shudder the liability entirely on the Noticee.*
- g) *The trade activities of Bliss Consultancy of June 9, 2023 show that Bliss Consultancy was passing on the profits accumulated on an intraday basis, which is also recorded as Annexure 10 in the Show Cause Notice. The Show Cause Notice has erred in not appreciating that even as on June 09, 2023 (a few days prior to the debit freeze), the Noticee was duly passing on the profits incurred on intra day basis to the clients and investors including to the Complainants.*
- h) *The agreements cannot be relied on as the last clause in the agreement states that " This agreement has not been approved by any authority and is solely meant for your information. This document is not meant for public distribution and has been furnished, so leave for your information and may not be*

reproduced or distributed for any purpose whatsoever, by any person, without our express permission". The clients have illegally distributed these agreements and they cannot be used as valid proof. While stating that the agreements are inadmissible, I say that the clients were always aware that Bliss Consultancy was not SEBI registered and that they were providing an intermediary services with joint investments for the client and itself.

- i) The clients were and are protected by the NSE Investor Protection Fund, as all trades were done with SEBI registered share brokers who in turn protect Bliss Consultancy trades and thus protected the clients' monies as well. The investors are aware that none of the trades were done in the demat or trading account of the investors and neither false marketing of SEBI registration was made and Bliss Consultancy served intermediary services as a trader. The trades were carried out on a joint basis in the name of Noticee No. 1.*
- j) With regards to internal transfer of monies, I say that the transfer of 0.74 lakhs to Noticee No. 2 was transfer of her profits from the traders conducted on her behalf as an investor which would reflect in the profit and loss statement and ledger details of Bliss Consultants which however are confiscated and hence cannot be produced by the Noticee No.1.*

Replies of Noticee No.2

- a) Noticee No.2 has been arraigned as a Noticee to the Show Cause Notice merely on the basis that her name reflects on the website portal as Director of Operations.*
- b) On account of a career gap, her name was put as a Director of Operations to bridge the career gap in her resume to enable her to secure good positions in Human Resource, her career stream. The mere inclusion of title against her name on the website portal, more so with an intention to reinstate her career cannot be construed as her involvement or participation in the sole proprietorship concern when the definition of sole proprietary concern is definitive and a settled principle which includes and is limited to the Sole Proprietor who owns, handles and manages the affairs of the sole proprietorship concern.*

- c) *The Show Cause Notice pertain to the sole proprietorship concern and the Sole Proprietor and cannot be extended to this Notice merely on the basis that the Noticee has been wrongly shown as a Director of Operations on the website portal of the sole proprietorship concern*
- d) *The Noticee states that one complaint in which the Noticee has been mentioned is restricted to her title of purported "Director of Operations" against her on the portal. There are no particular contentions specifically mentioned with respect to this Noticee.*
- e) *The Noticee has also been granted bail by the Hon'ble Court observing her non- involvement in the affairs of the sole proprietary concern and particularly when the Noticee No1 has been identified as a sole proprietor of the sole proprietary concern and has been admittedly managing, functioning, handling the affairs of the sole proprietary concern and in which case the Noticee No. 2 cannot be entangled merely on account of an incorrect representation on the website portal which is an inadvertent act and ought to be rectified.*
- f) *She was engaged in administrative assistance in her capacity as a wife but that in no manner can be construed as her involvement or participating in the affairs, functioning or operations of the sole proprietary concern and there is no proof adduced in this regard.*
- g) *That she is a home maker and is in no manner associated with the affairs, management, operations and functions of the sole proprietary concern. The Noticee did not attend a single meeting of the sole proprietary concern or the meeting with the customers and/or investors*
- h) *The Noticee is not involved in the portfolio management services or any activity necessitating registration under the SEBI (Portfolio Managers) Regulations 2020 and the provisions invoked under the said Show Cause Notice cannot apply or be extended to this Noticee.*
- i) *She has never drawn or received any salary from the sole proprietary concern nor has she received any remuneration, retainer or even sitting fees as a purported Director of Operations or any amount whatsoever from the sole proprietary concern.*

- j) *She has not signed a single document or record pertaining to the business of the sole proprietary concern, either directly or indirectly, relating to the affairs and management of the sole proprietary concern.*
- k) *The bank accounts referred in the SCN were not operated or used by the Noticee No.2 and the investment shown from the sole propriety concern to the Noticee No.2 were strictly in the capacity of investor and in no other capacity.*
- l) *The trading referred in Paragraph 5.6.2 of the SCN where the Noticee No.2 had traded in total of 1077850 numbers of NIFTY Options for total buy value of Rs.15.92 Crores and sold value of Rs.15.86 Crores is strictly her personal investment and not on account of any other person.*
- m) *The Kotak Bank Account referred in the SCN purported to be belonging to Noticee No.2 is not a personal account but a joint account with Ashesh Mehta operated by him alone.*
- n) *She has not played any role in trading in securities or shares and has not provided any consultation, advice, suggestion to any customer or investor of the sole proprietary concern and is not beneficiary of any of the transactions except her own investment and there has been no personal unlawful gain from any transaction of the sole proprietary concern.*

8. Taking into account the aforesaid facts, I am of the view that multiple opportunities were granted to the Noticees for replying to the SCN and of being heard. Hence, the principles of natural justice were complied with respect to the Noticees and I shall now proceed to deal with the key issues involved in the instant matter.

CONSIDERATION OF ISSUES AND FINDINGS

9. I have carefully perused the SCN, materials available on the record and the replies received from the Noticees. After considering the allegations made / charges levelled against the Noticees in the instant matter as spelt out in the SCN, the issue which arises for my consideration and determination in the present proceeding are:

Issue A: *Whether the Noticees have carried out unregistered PMS activities in violation of Section 12(1) of the SEBI Act and Regulation 3 of the PMS Regulations and whether they have made fraudulent claims and misleading statements in violation of Regulation 3(a)(b)(c)(d), 4(2)(k) and 4(2)(s) of PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act?*

Issue B: *If the answer to the above issue is in affirmative, what are the directions including monetary penalties, if any, to be issued against the Noticees for the violation of the said provisions of law?*

10. Before dealing with the issues framed above, the charges levelled against the Noticees and submissions made by the Noticees, it would be appropriate to refer to the relevant provisions of law alleged to have been violated in the matter, extract whereof is reproduced below:

SEBI ACT, 1992

Section 12(1) of the SEBI Act states that

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

Section 12A of SEBI Act, 1992 states that

“No person shall directly or indirectly—

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

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

SEBI (PMS) Regulation, 2020

Regulation 2(1)(o) of SEBI (Portfolio Managers), Regulation, 2020 defines a ‘Portfolio Manager’ as under:

“portfolio manager” means a body corporate, which pursuant to a contract with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or goods or funds of the client, as the case may be:

Provided that the Portfolio Manager may deal in goods received in delivery against physical settlement of commodity derivatives.”

Regulation 2(cb) of SEBI (Portfolio Managers), Regulation, 1993 defines a ‘Portfolio Manager’ as under:

“portfolio manager” means any person who pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or goods or the funds of the client, as the case may be.

Further, Regulation 3 of the SEBI (Portfolio Managers) Regulations, 2020 states that

“No person shall act as a portfolio manager unless it has obtained a certificate of registration from the Board under these regulations.”

Regulation 3 of the SEBI (Portfolio Managers) Regulations, 1993 states that

“No person shall act as a portfolio manager unless he holds a certificate granted by the Board under these regulations.”

Regulation 3 of the SEBI (PM) Regulations, 1993, stipulates that

“No person shall act as a portfolio manager unless he holds a certificate granted by the Board under these regulations.”

The definition of Portfolio as given in regulation 2(1)(n) of the SEBI (PMS) Regulations, 2020 states that

“portfolio” means the total holdings of securities and goods belonging to any person;

The definition of Portfolio as given in regulation 2(ca) the SEBI (PMS) Regulations, 1993 states that

“portfolio” means the total holdings of securities and goods belonging to any person;

Regulation 22(1) of SEBI (Portfolio Managers) Regulation, 2020 inter alia states that-

“The portfolio manager shall, before taking up an assignment of management of funds and portfolio on behalf of a client, enter into an agreement in writing with such client that clearly defines the inter se relationship and sets out their mutual rights, liabilities and obligations relating to management of portfolio containing the details as specified in Schedule IV”

Regulation 14(1)(a) of SEBI (Portfolio Managers) Regulation, 1993, *inter-alia*, states that

“The portfolio manager shall, before taking up an assignment of management of funds or portfolio of securities on behalf of a client, enter into an agreement in writing with such client clearly defining the inter se relationship, and setting out their mutual rights, liabilities and obligations relating to management of funds or portfolio of securities containing the details as specified in Schedule IV.”

Regulation 42(1) of the SEBI (Portfolio Managers) Regulations, 2020, *inter-alia*, states that SEBI (Portfolio Managers) Regulations, 1993, shall stand repealed from the date on which SEBI (Portfolio Managers) Regulations, 2020 regulations come into force. Further, Regulation 42(2)(c)(2) of the SEBI (Portfolio Managers) Regulations, 2020, *inter-alia*, states notwithstanding such repeal the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, incurred in respect of any violation committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the repealed regulations has never been repealed. Further, Regulation 42(2)(c)(3) of SEBI (Portfolio Managers), Regulation, 2020, *inter-alia*, states that after the repeal of Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Board shall be deemed to be a reference to the corresponding provisions of these regulations.

SEBI (PFUTP) Regulation, 2003

“3. Prohibition of certain dealings in securities No person shall directly or indirectly—

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

Regulation 4(1) of the SEBI (PFUTP) Regulations, 2003, *inter-alia*, states that *without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.*

Regulation 4(2)(k) of the SEBI (PFUTP) Regulations, 2003:

dealing in securities shall be deemed to be a manipulative, fraudulent or an unfair trade practice if it involves 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.

Regulation 4(2)(s) of the SEBI (PFUTP) Regulations, 2003:

dealing in securities shall be deemed to be a manipulative, fraudulent or an unfair trade practice if it involves mis-selling of securities or services relating to securities market.

11. Before proceeding to deal with the aforesaid issues in the context of allegation made / charges levelled in the SCN, I find it appropriate to deal with the following preliminary objection / issue raised by Noticee No.1:

A sole proprietorship concern, being indistinguishable from its proprietor, does not constitute a "person" within the meaning of the PMS Regulations and since a proprietorship cannot independently seek or obtain registration, it cannot act as a portfolio manager under Regulation 3(1). A sole proprietorship, lacking a distinct legal identity, cannot fulfil the registration requirements mandated by Section 12(1) and the associated regulations. Accordingly, by issuing a Show Cause Notice to a proprietorship, SEBI has extended the scope of the SEBI Act, 1992, and PMS Regulations, 2020, beyond their statutory mandate as the SEBI Act regulates entities capable of registration and compliance, which does not include proprietorships.

12. With regards to the above contention of Noticee No.1, I note that Regulation 3 of the SEBI (Portfolio Managers) Regulations, 2020 provides:

"No person shall act as a portfolio manager unless he has obtained a certificate of registration from the Board under these regulations."

Now, while this regulation uses the general term "person", Regulation 7(2) of the same regulations prescribes the eligibility criteria for registration, which explicitly states that *"The applicant shall be a body corporate"*. Accordingly, I note that this

makes it abundantly clear that only body corporates are allowed to obtain registration as a portfolio manager.

13. In view of the same, I note that even if a sole proprietorship or individual wishes to comply, they are legally barred from registering as a portfolio manager, because they do not qualify under Regulation 7(2).

14. Consequently, when such an individual or sole proprietorship, nevertheless undertakes portfolio management activities, such as:

- a) Receiving and handling client funds or securities,
- b) Making investment decisions on their behalf,
- c) Entering into agreements for such services,

— they are automatically in violation of Regulation 3 of PMS Regulations, because they are engaging in an activity for which they are not and cannot be registered. This violation also amounts to a contravention of Section 12(1) of the SEBI Act, 1992, which prohibits carrying out regulated activities (like that of a portfolio manager) without a certificate of registration from SEBI.

15. Thus, I note that when an individual or sole proprietorship carries out portfolio management services, they:

- a) cannot be registered, since only a body corporate is eligible.
- b) are therefore acting without registration, which is expressly prohibited under Regulation 3.
- c) are *ipso facto* in breach of Section 12(1) of the SEBI Act, 1992.

16. In view of the above, I find no merit in the above preliminary contention of Noticee No.1 and hold that the argument that SEBI has overstepped its jurisdiction by issuing a SCN to an unregistered entity is untenable.

17. Having dealt with the preliminary objection, I shall now proceed with the merits of the case.

Issue A: Whether the Noticees have carried out unregistered PMS activities in violation of Section 12(1) of the SEBI Act and Regulation 3 of the PMS Regulations and whether they have made fraudulent claims and misleading statements in violation of Regulation 3(a)(b)(c)(d), 4(2)(k) and 4(2)(s) of PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act?

18. Before proceeding further, it will be relevant here to note the definition of a portfolio manager as defined under regulation 2(o) of PMS Regulations, 2020. As per the said regulation, for an entity to be categorised as a portfolio manager, following parameters have to be met: -

- (i) There has to be a contract or arrangement between the intended portfolio manager and the prospective client.
- (ii) The intended portfolio manager would advise or direct or undertake (whether discretionary or otherwise) on behalf of the prospective client the management or administration of a portfolio of securities or funds of his prospective client.

19. During the examination, it was observed that Bliss or any of the Noticees are not registered with SEBI in any capacity and Noticee No.1 is the sole proprietor of Bliss and Noticee No.2 has claimed to be the director of operations of Bliss. It was further observed that Bliss on boarded the clients through its mobile App named as “Do-it-for-me-Portfolio” (DIFM) after providing various assurance and details with respect to its investment methodology and process by making a presentation.

20. I note that from the examination of agreements entered into by Bliss with the clients, as brought in the SCN as well as at para 6(c) above, it was observed that the said agreements, specifying terms and conditions for the service provided by Bliss for managing the portfolio of the clients, were signed by Noticee No.1 as proprietor of Bliss. It was further observed that the terms and conditions of the agreements between Bliss and the complainants were similar to the terms of PMS-client agreement prescribed under Regulation 22 and General responsibilities of a portfolio manager provided under Regulation 23 of SEBI (PMS) Regulations, 2020.

21. I further note that following clauses of the agreements were akin to the portfolio management services provided by registered portfolio managers:

- a) As per the clause no.3 on “**IDENTITY VERIFICATION**”, clients were required to upload/submit copies of unexpired government issued identification and address verification documents with signed copy of the agreement which is akin to client on boarding and KYC done by registered PMS.
- b) As per clause no. 6 on “**AUTHORISATION TO BLISS CONSULTANTS**”, Bliss was authorised to trade from the client’s margin deposit in the trading account of Bliss which is akin to Power of Attorney (POA) obtained by PMS from the clients.

22. This clearly shows that the activities of Bliss were in the nature of portfolio management services.

23. Further, from the examination of Bank Accounts of Bliss Consultants and Noticees, as brought in the SCN as well as at para 6(d) above, I note that a total credit of Rs.1780.25 crore and total debit of Rs.1676.85 crore was observed in the Current Account No. 331XXXX538 of Bliss with Kotak Mahindra Bank Ltd. during the examination period including several transactions for investments made by the complainants in Bliss and payouts of profits/withdrawal received by them. Apart from the same, large number of similar transactions were observed in the names of various individuals with transaction particular/narration indicating margin received/ reversal/withdrawal, monthly payouts, etc.

Though it was observed that the said CA No. 331XXXX538 of Bliss was not linked with any stock broker for trading in securities, however, internal transfers from bank account of Bliss to savings account of Noticee No.1 and Noticee No.2 were observed which were linked to various stock brokers and huge credits and debits were also noted in it.

24. I note that from the above observations, it is evident that the bank accounts of Bliss and the Noticees were used for the portfolio management activities of Bliss.

25. Further, from the examination of trading data of the Noticees, as brought out in the SCN as well as at para 6(e) above, it was observed that Noticee No.1 had traded in total 3,32,95,500 numbers of NIFTY Options for total buy value of Rs.638.70 crore and sell value of Rs.620.79 crore whereas Noticee No.2 had traded in total 10,77,850 numbers of NIFTY Options for total buy value of Rs.15.92 crore and sell value of Rs.15.86 crore during the examination period.

26. It was also observed that Bliss was issuing contract note cum tax invoice for the trades executed on behalf of the investors along with statement of accounts to the clients indicating trades executed on behalf of them giving details of trades executed like date of trades, security name/symbol, invoice no., buy quantity, buy price, buy value, sell quantity, sell price, sell value, gross profit/loss, realized profit/loss, net profit/loss etc.

27. I note that these facts clearly shows that Bliss was trading in NIFTY Options and subsequently allotting securities to clients by issuing contract notes cum tax invoice on that date, detailing the trades executed on behalf of the investors.

28. Apart from the above, on examination of Commission / Fees charged by Bliss, as brought in the SCN as well as at para 6(f) above, it was observed that Bliss was charging 30% of the profit earned as commission which was deducted from the payouts of the profits to the investors on monthly basis. The profits earned and commission paid till May 31, 2023 were observed to be as under:

Sr. No.	Name of the complainants	Profits earned as per ledgers	30% charged toward commission	Profits		
				70% profits	Payouts received by the investors	Re-invested
1	Vikram Ramchand	8,22,587	2,46,776	5,75,811	5,75,811	0
2	Aashish Ramchand	22,08,943	6,62,683	15,46,260	6,75,980	8,70,280

3	Punit Vishnu Kishnani	1,96,172	58,851	1,37,320	1,37,320	-0
4	Rajesh Ram Pariani	59,74,969	17,92,490	41,82,478	24,76,879	17,05,599
5	Sneha Rajesh Pariani	57,60,416	17,28,125	40,32,291	23,93,425	16,38,866
6	Neena Bhagwan Bhagat	13,15,898	3,94,769	9,21,129	8,17,659	1,03,469
7	Kishin Pariani	12,88,106	3,86,432	9,01,674	9,01,674	0
8	Kamala Pariani	12,72,135	3,81,640	8,90,494	8,90,494	0
9	Vanshita Pariani	33,85,281	1,01,558	23,69,697	23,37,253	32,443
10	Mayank Kumar	14,24,777	4,27,433	9,97,344	-	9,97,344
11	Rajesh Manohari Singh	50,04,655	15,01,396	35,03,258	35,03,258	0
12	Aparna Biswas	6,33,567	1,90,070	4,43,497	4,43,497	0
13	Nilanjana Pakhi Sen	29,11,597	8,73,479	20,38,118	20,38,119	0
14	Rhydhun Chatterjee	8,90,705	2,67,212	6,23,494	6,23,494	0
15	Saroj Devi Murarka	3,74,540	1,12,362	2,62,178	29,604	2,32,574

29. It was also noted that the investors had an option to reinvest the profits earned and, in such cases, 30% of the profits were deducted towards commission and the remaining 70% were retained in the account.

30. The aforementioned facts as brought out in the preceding paras clearly shows that Bliss entered into agreements with clients to manage their portfolio and subsequently provided returns by trading in NIFTY Options on their behalf and as per the agreements, charged 30% of the profits earned as commission/fees from the clients. This is also evident from the flow of funds between the clients and Bliss for the aforementioned activities which was observed from the financial ledger provided by Bliss to the clients and the bank statements of Bliss and clients.

31. In this regard, Noticee No.1 has submitted that in the undertaking provided to the Hon'ble Special Court, MPID, he had stated that his intention was not to deceive or usurp the monies and investments of investors but the cause of delay in returns since June 2023 was strictly been on account of the *ex-parte* Award and arbitral proceedings obtained by a third party without the knowledge of the Noticee, which resulted in his accounts and assets being frozen and seized and that once debit freeze is lifted, the amount can be distributed between the investors with the assistance of the Hon'ble Court and judicial authorities.
32. I note that, through the above statement, Noticee No.1 has, in effect, admitted to having engaged in the business of managing the funds and investments of his clients and distributing returns derived therefrom. The assertion that the delay in returning monies to clients arose due to external arbitral proceedings and the resultant freezing of accounts, clearly implies that Noticee No.1 was, until such time, in possession of and exercising control over investor funds. Furthermore, the undertaking to the Hon'ble Special Court, MPID, wherein the Noticee expressed readiness to distribute investor monies upon the lifting of the debit freeze, unequivocally establishes that the said Noticee was handling pooled funds, managing them with the expectation of generating returns, and holding himself responsible for the distribution of such returns.
33. Such an arrangement falls squarely within the definition of "portfolio management services" under Regulation 2(1) of the SEBI (Portfolio Managers) Regulations, 2020, which defines it as "the management or administration of a portfolio of securities or the funds of the client." The Noticee's own admissions thus confirm that he was providing such services without the requisite certificate of registration, in direct contravention of Regulation 3 of the PMS Regulations and Section 12(1) of the SEBI Act, 1992. The fact that the activity was carried out in the name of a sole proprietorship, which is ineligible for registration under the current regulatory framework, does not dilute the violation, but instead further underscores the gravity of the unauthorized activity undertaken by the Noticee. His submissions, rather

than offering a defense, effectively amount to a confession of the core regulatory breach.

34. I note that Noticee No.1 has further contended that the business carried out by Bliss Consultants with its clients as stated in the agreements is that of intermediary services as a 'Trader' and that unlike a traditional model of portfolio management wherein the portfolio manager charges a fee for his services, Bliss Consultants is trading as an intermediary for both the clients and itself where it has a 70/30 shared liability and hence by such proportion the investors/ complainants are also liable. The Noticee has further contended that the Show Cause Notice has erred in not appreciating that even as on June 09, 2023 (a few days prior to the debit freeze), the Noticee was duly passing on the profits incurred on intra day basis to the clients and investors including to the Complainants. Further, Noticee has contended that because of the clause of the agreement, the clients have illegally distributed these agreements and they cannot be used as valid proof.

35. In this regard, I note that the PMS Regulations, 2020, under Regulation 2(1), define portfolio management as "managing funds or securities on behalf of clients". I note that engaging in joint trades and sharing profits/losses with clients falls within this definition and labelling the activity as 'intermediary trading' does not exempt it from regulatory requirements of being done after taking registration from SEBI.

I further note that the shared financial outcomes with clients do not transfer regulatory obligations to the clients. The responsibility to obtain registration and comply with SEBI regulations lies solely with the entity managing the funds and clients cannot be held liable for the Noticee's failure to register. Similarly, distributing profits does not equate to regulatory compliance and operating without registration remains a violation, regardless of profit distribution practices.

Further, with regards to the Noticee's claim on the inadmissibility of Agreements, I note that the disclaimer in the agreements does not prevent SEBI from using them as evidence of the nature of his transactions or dealing with the clients. I further

note that the clients' knowledge or awareness of the lack of SEBI registration does not excuse the Noticee from compliance.

In view of the above, I find no merit in the aforesaid contentions of Noticee No.1.

36. I note that Noticee No.1 has further contended that the transfer of 0.74 lakhs to Noticee No. 2 was transfer of her profits from the trades conducted on her behalf as an investor which would reflect in the profit and loss statement and ledger details of Bliss Consultants which are confiscated and hence cannot be produced by Noticee No.1. In this regard, I note that it is evidently brought out in the preceding paras that there were internal transfers from bank account of Bliss to Noticee No.1 and Noticee No.2 and that total credit of Rs.5.90 crore and total debit of Rs.5.87 crore was observed in the SB Account of Noticee No.2 during the examination period and also that the said account was linked to the trading account with Zerodha Broking Limited and traded in total 10,77,850 numbers of NIFTY Options for total buy value of Rs.15.92 crore and sell value of Rs.15.86 crore during the examination period. I further note that the onus is on the Noticees to provide records and documents in support of the claim and to maintain transparency in this regard, which in absence of any supporting documents, they have failed to do. Accordingly, I find no merit in the said contention of Noticee No.1.

37. Further, I note that Noticee No.2 has contended that the Show Cause Notice pertains exclusively to the sole proprietorship concern and the sole proprietor, and therefore cannot be extended to her merely on the basis that her name was erroneously displayed as "Director of Operations" on the website portal of the sole proprietorship concern. In this regard, I note that the scope of the Show Cause Notice is not confined merely to the legal ownership under the structure of a sole proprietorship. Rather, it extends to all individuals whose conduct, representations, and financial dealings prima facie demonstrate participation in, or facilitation of, unregistered portfolio management activities in contravention of the SEBI (Portfolio Managers) Regulations, 2020.

It is pertinent to note that the SCN has clearly highlighted substantial financial transactions between the bank account of Bliss Consultants and Noticee No.2, including internal transfers resulting in a total credit of Rs.5.90 crore and total debit of Rs.5.87 crore in her savings bank account during the period under examination. Further, it was observed that the said savings account was linked to a trading account held with Zerodha Broking Limited, through which Noticee No.2 engaged in trading of 10,77,850 NIFTY Options with a total buy value of Rs.15.92 crore and sell value of Rs.15.86 crore during the examination period.

Also, the claim of Noticee No.2 that her name was displayed on the website portal merely as a formality and to bridge the career gap in her resume, shows deliberate public representation of her as “Director of Operations” of Bliss Consultants. I note that a public-facing designation on a website associated with a financial entity cannot be dismissed as a personal formality. Such representation gives rise to a legitimate inference of her involvement in the affairs of Bliss and implies a degree of responsibility and association and accordingly, regulatory liability may arise from such representations, particularly when they are capable of misleading investors or clients as to the role and authority of the person so designated.

Moreover, the scale and frequency of the trading activity in derivatives undertaken by Noticee No.2, as noted above, is inconsistent with her claim of being a passive homemaker with no involvement in financial or operational matters. These facts, when taken together, clearly suggest her active engagement with, or facilitation of, the alleged unregistered portfolio management activities by Bliss. Accordingly, the representation of Noticee No.2 as “Director of Operations” is only one of the several factors considered cumulatively in evaluating her role and involvement.

Further, with respect to the contentions regarding non-attendance at meetings, absence of remuneration, or non-signing of business documents, I note that these are not determinative or conclusive factors when assessed in isolation. The presence of substantial financial transactions, use of joint bank accounts, misleading representations on public platforms, and active trading activities provide

compelling indicators of her participation. In view of the foregoing, I find no merit in the aforesaid contentions advanced by Noticee No.2 and reject the same.

38. Noticee No.2 has further contended that the bank accounts referred to in the SCN were neither operated nor used by her, and that any investment reflected from the sole proprietorship concern to her account was in her personal capacity as an investor. In this regard, I note that the SCN has explicitly identified financial transactions originating from account associated with Noticee No.2, including those in her name. Even if such account was operated primarily by another person, the fact remains that the transactions were conducted through account bearing her name. The use of her identity and banking facilities in connection with such activities raises serious concerns regarding her awareness, consent, and potential complicity.

Furthermore, Noticee No.2 has not produced any evidence indicating that she objected to or attempted to disassociate herself from such transactions or the use of her banking credentials. The absence of any demonstrable efforts in this regard indicates tacit consent or, at the very least, wilful blindness. In view of these observations, I am of the considered view that Noticee No.2 cannot be absolved of the violations outlined in the SCN. Accordingly, I find the above contention to be devoid of merit and liable to be rejected.

39. Thus, from the above, I note that Bliss was providing portfolio management services to the clients without having a valid certificate of registration from SEBI to offer portfolio management services and Noticee No.1, being the sole Proprietor of Bliss Consultants and Noticee No.2, by virtue of claiming to be a Director of Operations of Bliss Consultants along with other facts as brought out in this order, had acted as portfolio manager without obtaining certificate of registration and carried out unregistered portfolio management activities.

40. Accordingly, I hold that Noticees have violated the provisions of Section 12(1) of the Securities and Exchange Board of India Act, 1992, and Regulation 3 of the SEBI (Portfolio Managers) Regulations, 2020.

41. I further note that Bliss was claiming to provide very high return on social media platform (LinkedIn) wherein it stated that *“We have a diversified client base that includes retail customers (including High Net Worth Individuals), mutual funds, foreign investors. With a reach across domestic and global geographies, as on Jan 2020, we have over 751 strong client base with an AUM of over 103 CRORES. The company has generated a stellar returns of 52% for the clients (post payout) for FY2019. Our target is to maintain a consistent returns of over 40% on Y-O-Y basis.”*

42. It was also noted that on the website of Bliss (<https://blissconsultant.in/>) and the DIFM App, following statements were made by Bliss:

“Investor funds lodged in the Bliss Consultants’ Account with a Registered SEBI Share Broker (the Custodian)”

“At that time the funds automatically secured under the NSE’s Investor Protection Fund (IPF)”

“The IPF compensates investors in the event of loss due to a “defaulter” trading member.”

43. The aforementioned facts clearly demonstrate that Bliss Consultants made fraudulent and misleading representations on public platforms by falsely claiming on social media to offer exceptionally high returns. Furthermore, the website of Bliss Consultants misrepresented the nature of its activities by suggesting that it was a registered stock broker engaged in securities trading as it falsely conveyed that investor funds were automatically secured under the Investor Protection Fund (IPF) of the National Stock Exchange (NSE), and that any losses would be compensated by the IPF. These statements were materially misleading and capable of inducing reliance from unsuspecting investors.

44. I note that Noticee No.1 has contended that all trades were executed as “joint trades” and that clients’ funds were protected under the NSE Investor Protection Fund, on the ground that all trades were routed through SEBI-registered stock brokers who, in turn, protect the trades executed on behalf of Bliss Consultants. It was further submitted that as the brokers were SEBI-registered, the clients’ monies stood protected.
45. In this regard, I note that the trades in question were executed through the personal trading accounts of the Noticees and not in any trading account bearing the name “Bliss Consultants.” This is contrary to the representations made in the agreements executed between Bliss Consultants and its clients, which explicitly stated that *‘Nifty Options would be purchased or sold through the trading accounts of Bliss Consultants’*. Further, no trades were observed in the name of Bliss Consultants, nor was there any evidence to support the claim that such trades were conducted jointly with clients. Accordingly, I find that the trades were neither joint in nature nor aligned with the contractual terms agreed upon with the clients.
46. Further, I note that the claim regarding protection under the NSE Investor Protection Fund is wholly misplaced. As the trades were executed in the personal trading accounts of the Noticees and not in the names of the clients, any coverage under the IPF would extend, if at all, only to the Noticees themselves. The clients had no direct relationship with the stock brokers through whom these trades were executed, and therefore, could not have been entitled to protection under the IPF. Thus, the clients’ funds remained exposed to the risk of loss without any formal safeguard or regulatory recourse.
47. In view of the above, I find the contention raised by Noticee No.1 to be devoid of merit and inconsistent with the factual and contractual record.
48. In view of the above, I hold that the Noticees have violated Regulation 3(a)(b)(c)(d), 4(2)(k) and 4(2)(s) of SEBI (PFUTP) Regulations, 2003 read with section 12A(a), (b) and (c) of SEBI Act, 1992.

49. Having considered the material available on record along with the submissions of the Noticees, I find that the Noticees were directly involved in the violations as Noticee No.1 was the sole proprietor of Bliss, induced the investors, signed the agreements as well as traded on behalf of the clients whereas Noticee No.2 not only presented herself as the Director of Bliss on its website but also involved in fund transfers along with trading on behalf of the clients and therefore, Noticees have violated Regulation 3 of PMS Regulations read with section 12(1) of SEBI Act and Regulation 3(a)(b)(c)(d), 4(2)(k) and 4(2)(s) of SEBI (PFUTP) Regulations, 2003 read with section 12A(a), (b) and (c) of SEBI Act, 1992.

Issue B: If the answer to the above issue is in affirmative, what are the directions including monetary penalties, if any, to be issued against the Noticees for the violation of the said provisions of law?

50. In view of the aforesaid observations, I have no hesitation to hold that the Noticees, by engaging in unregistered portfolio management activities and by making false claims, have induced gullible investors to hand over their hard-earned money to them. Considering the seriousness of the fraudulent activities along with the unregistered portfolio management activity by the Noticees, I am of the opinion that remedial directions for refund of monies along with interest and penalty are warranted in this case.

51. Accordingly, I note that the Noticees are liable for:-

- a. Issuance of appropriate directions under 11(1), 11(4), 11(B)(1) and 11(D) of SEBI Act, 1992 for violation of Regulation 3 of PMS Regulations, 2020 read with section 12(1) of SEBI Act, 1992 and Regulation 3(a)(b)(c)(d), 4(2)(k) and 4(2)(s) of SEBI (PFUTP) Regulations, 2003 read with section 12A(a), (b) and (c) of SEBI Act, 1992.
- b. Imposition of monetary penalty under Sections 11B(2) and 11(4A) read with Sections 15HA and 15HB of SEBI Act, 1992.

52. The penalty provisions under the SEBI Act, 1992 are reproduced below:

Section 15HA - Penalty for fraudulent and unfair trade practices

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

“Penalty for contravention where no separate penalty has been provided.

15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.”*

53. For imposition of penalties under the provisions of the SEBI Act, 1992, Section 15J of the SEBI Act, 1992 provides as follows:

“Factors to be taken into account while adjudging quantum of penalty.

15J. *While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or 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.”*

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

54. I note that the investigation has not brought out the disproportionate gain or unfair advantage that has been made as a result of the violation of the Noticees.

55. Further, from the available records, I note that an investigation is already ongoing by Economic Offences Wing (EOW), Unit 8, Mumbai against the Noticees and *inter alia* sections 409, 420, 34 of IPC along with sections 3 and 4 of The Maharashtra Protection of Interests of Depositors (in Financial Establishments) Act, 1999 ("MPID Act") have been invoked against them. Subsequently, both were arrested and later Noticee No.2 was granted bail. In the present case before me, since MPID Act has been invoked against the Noticees, it is possible that directing the Noticees to make refund under these proceedings may lead to overlap with directions, if any, under the MPID Act or under any other law. Further, I note that the EOW has already frozen bank accounts of the Noticees and their properties has also been attached.

Therefore, any direction passed in this Order shall be subject to and shall not come in the way of any direction including for repayment of funds as directed by any authority / court under the MPID Act or by an authority/ court under any other law.

DIRECTIONS

56. In view of the foregoing, I, in exercise of the powers conferred upon me in terms Sections 11(1), 11(4), 11(B)(1), 11(4A), 11(B)(2) and 11(D) read with of Section 19 of the SEBI Act, and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, do hereby pass the following directions:

- a) The Noticees i.e. Mr. Ashesh Shailesh Mehta and Ms. Shivangi Ashesh Mehta, jointly and severally, shall within a period of three (3) months from the date of coming into force of this order, refund the net monies collected from any complainants/ investors/ clients, as fees or consideration or in any other form, in respect of their unregistered portfolio management services along with simple interest at the rate of 12% per annum from the date of collection of monies till its refund;

- b) The Noticees shall issue public notice in all editions of two National Dailies (one English and one Hindi) and in one local daily with wide circulation, detailing the modalities for refund, including the details of contact person such as names, addresses and contact details, within 15 days of coming into force of this direction;
- c) The repayments to the complainants/ investors/ clients shall be effected only through Bank Demand Draft or Pay Order or electronic fund transfer or through any other appropriate banking channels, which ensures audit trails to identify the beneficiaries of repayments;
- d) The Noticees are prevented from selling their assets, properties and holding of mutual funds/shares/securities held by them in demat and physical form except for the sole purpose of making the refunds as directed above. Further, the banks are directed to allow debit from the bank accounts of the Noticees, only for the purpose of making refunds to the complainants/ investors/ clients who were availing the portfolio management services from the Noticees;
- e) After completing the aforesaid repayments, the Noticees shall file a report of such completion with SEBI addressed to the “Division Chief, SEC-5, investment Management Department, SEBI Bhavan II, Plot No. C7, G Block, Bandra Kurla Complex, Bandra (East) Mumbai –400051”, within a period of 15 days, after completion of three months from the coming into force of the directions at paragraph 56(a) and (b) above, duly certified by an independent Chartered Accountant and the direction at para 56(d) above shall cease to operate upon filing of such report on completion of refunds to complainants/ investors;
- f) The remaining balance amount shall be deposited with SEBI which will be kept in an escrow account for a period of one year for distribution to complainants/ investors/ clients who were availing the portfolio management services from

the Noticees. Thereafter, remaining amount, if any, will be deposited in the 'Investors Protection and Education Fund' maintained by SEBI;

- g) The Noticees are restrained from accessing the securities market, directly or indirectly and is prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of **three (3) years** from the date of this order or till the expiry of **3 years** from the date of completion of refunds to complainants/ investors/ clients, as directed in paragraph 56(a) above, whichever is later;
- h) The Noticees are hereby imposed with the following penalties under Sections 15HB and 15HA, and further directed to pay the penalty within a period of forty-five (45) days, from the date of receipt of this order:

Noticee No.	Name of Noticees	Provisions under which penalty imposed	Penalties
1	Mr. Ashesh Shailesh Mehta	Sections 15HA & 15HB of SEBI Act	Rs. 10,00,000/- (Rupees Ten Lakhs Only)
2	Ms. Shivangi Ashesh Mehta	Sections 15HA & 15HB of SEBI Act	Rs. 6,00,000/- (Rupees Six Lakhs Only)

- i) In case of failure of the Noticees to comply with the aforesaid directions in sub-paragraph (a), (f) and (h), SEBI, on the expiry of the stipulated time period therein from the date of coming into force of this order, may recover such amounts, from the Noticees, in accordance with Section 28A of the SEBI Act, 1992 including such other provisions contained in securities laws;
- j) The Noticees shall not undertake, either during or after the expiry of the period of debarment/restraint, as mentioned in paragraph 56(g) above, directly or

indirectly, portfolio management services or any activity in the securities market without obtaining a certificate of registration from SEBI as required under the securities laws.

57. It is hereby clarified that if the Noticees have any open position in any exchange traded derivative contracts, as on the date of this order, they can close out/ square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. The Noticees are permitted to settle the pay in and pay out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

58. The direction for refund, as given in paragraph 56(a) above, does not preclude the clients/investors to pursue any other legal remedies available to them under any other law, against the Noticees for refund of money or deficiency in service before any appropriate forum of competent jurisdiction.

59. This order shall come into force with immediate effect.

60. A copy of this order shall be sent to the Noticees, recognized Stock Exchanges, the relevant banks, Depositories and Registrar and Transfer Agents of mutual funds to ensure that the directions given above are strictly complied with.

Date: April 24, 2025

Place: Mumbai

G RAMAR

QUASI-JUDICIAL AUTHORITY

SECURITIES AND EXCHANGE BOARD OF INDIA