

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/SM/S./2023-24/28603]

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

In respect of

MANISH GOEL (MANISH KR. GOYAL), RESEARCH ANALYST
(PAN- AHWPG4252B)
(SEBI Registration No.- INH100004775)

In the matter of Manish Goel, Research Analyst

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an inspection of Manish Goel (Manish Kr. Goyal), Research Analyst (hereinafter referred to as '**Manish Goel/Noticee**') having SEBI Registration No. INH100004775 and Director/Principal Officer/Shareholder of Multibagger Securities Research and Advisory Pvt. Ltd. ("**MSRAPL**"), from December 16, 2021 to December 17, 2021 with respect to compliance of Noticee with Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (hereinafter referred to as "**Research Analysts Regulations/RA Regulations**") and relevant circulars issued by SEBI. The period of inspection was from April 01, 2020 to March 31, 2021 (hereinafter referred to as "**inspection period**"). Pursuant to the inspection, certain violations of the relevant provisions of law by Noticee were observed.

APPOINTMENT OF ADJUDICATING OFFICER

2. Vide order dated March 17, 2023, SEBI appointed the undersigned as the Adjudicating Officer under Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under:-

2.1. Section 15EB of SEBI Act, for the alleged violation of:-

- (a) Regulation 13 (i), (ii), (iii), 15(1), 15(2), 24(1), 25(1), 18(7), 19, 20(1), 21(1), 25(3) and the Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations.
- (b) Regulations 16(2), 16(3) and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations read with Regulation 21(2) and point 35 of the FAQs to RA Regulations issued by SEBI.
- (c) Circulars ISD/CIR/RR/AML/1/06 dated January 18, 2006 (hereinafter referred to as "**SEBI PMLA Circular 1**") and ISD/CIR/AML/2/06 dated March 20, 2006 (hereinafter referred to as "**SEBI PMLA Circular 2**") read with SEBI Master Circular SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019 (hereinafter referred to as "**SEBI Master Circular**"; aforesaid circulars are hereinafter collectively referred to as the "**SEBI PMLA Circulars**") and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations.
- (d) Regulations 29(1) and 29(2) of the RA Regulations r/w Sections 11(2)(i) and 11(2)(ia) of the SEBI Act and the Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations.

2.2. Section 15HA of SEBI Act, for the alleged violation of Regulation 3(a), (b), (c) and (d) and 4(1) and 4(2) (k), (o) and (s) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**") read with sections 12A (a), (b) and (c) of the SEBI Act and Regulation 2 (1) (c) of PFUTP Regulations.

2.3. Section 15A(a) of SEBI Act, for the alleged violation of Regulations 29(1) and 29(2) of the RA Regulations read with Sections 11(2)(i) and 11(2)(ia) of the SEBI Act and the

Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations.

2.4. Section 15A(c) of SEBI Act, for the alleged violation of Regulation 25(1) of the RA Regulations and clauses 2, 6, 7, 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. A common Show Cause Notice dated June 26, 2023 (hereinafter referred to as '**SCN**') was issued to Noticee under Rule 4 of the Adjudication Rules to show cause as to why an inquiry should not be initiated against Noticee and penalty, if any, not be imposed upon him under the provisions of Sections 15EB, 15HA, 15A(a) and 15A(c) of SEBI Act for the alleged violations as specified in paragraph 2 above.
4. Main allegations against the Noticee in the SCN are as under :-
 - a) *"It has been alleged in the SCN that Noticee has not duly signed and dated the research reports, has not kept proper records of research recommendations provided by him, has not recorded rationale for arriving at research recommendations and has not kept records of public appearances and therefore Noticee has violated the provisions of Regulation 25 (1) and the clauses 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.*
 - b) *It has also been alleged in the SCN that Noticee assured returns to his clients through his recommendations Noticee has misled and mis-sold his services with a possible objective of enhancing income and hence, Noticee has allegedly violated the provisions of Regulations 3 (a), (b), (c) and (d) and 4 (1) and 4 (2) (k), (o) and (s) of PFUTP Regulations read with sections 12 A (a), (b) and (c) of the SEBI Act and Regulation 2 (1) (c) of PFUTP Regulations 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.*
 - c) *It has been alleged in the SCN that there was difference in the copy of internal policy submitted by the Noticee during the course of inspection vis-à-vis the submissions of the Noticee in respect of internal policies made while seeking registration. It has also been alleged that Noticee, being an individual RA, was engaged as Principal Officer of*

a SEBI Registered Investment Adviser (RIA) while undertaking business as a Research Analyst thus failed to ensure independence of its research activities from his other business activities and also failed to maintain an arms-length relationship between his research activities and other activities. In view of the above it has been alleged that Noticee has violated the provisions of Regulation 15 (1) and the clauses 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.

- d) It has been further alleged in the SCN that RA had traded in stocks recommended by it, during the restricted period stipulated under Regulation 16 of RA Regulations in 5 instances and had also traded contrary to his stock recommendations on two instances, which was in violation of Regulation 16 and internal policies of the RA. In view of the above, it has been alleged that Noticee had violated Regulations 15 (2), 16 (2), 16 (3), 24 (1), and the clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA regulations read with Regulation 21(2) and point 35 of the FAQs to RA Regulations issued by SEBI.*
- e) It has been alleged in the SCN that the Noticee had not maintained any records of rationales in respect of at least 16 out of 19 stock specific recommendations made by him and that the Noticee gave recommendations without any adequate documentary basis, supported by research. In view of the above, it was alleged that Noticee had violated the provisions of Regulations 18 (7), 20(1) and the clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA regulations.*
- f) It has been alleged in the SCN that Noticee did not provide the necessary disclosure in his research reports and recommendations made in general and/or through public appearances/media. In view of the above, it was alleged that Noticee had violated the provisions of Regulations 19 & 21(1) and the clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.*
- g) It has been alleged in the SCN that the Noticee does not comply with 'Know Your Client' ('KYC') procedure in respect of his clients and in accordance with the provisions of SEBI Circulars ISD/CIR/RR/AML/1/06 dated January 18, 2006 and ISD/CIR/AML/2/06, dated March 20, 2006 read with SEBI Master circular SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019 issued with regard to KYC, client due diligence ('CDD'), Anti-Money Laundering ('AML')/Prevention of*

Money Laundering Act, 2002 ('PMLA') and Combating the Financing of Terrorism ('CFT').

- h) It has been alleged in the SCN that the annual audit in respect of Noticee's compliance with RA Regulations was not conducted by an independent entity and the certificate in respect of the said compliance audit was issued by the compliance officer of the associated entity of Noticee, i.e. MSRAPL. In view of the above, it has been alleged that Noticee has violated Regulation 25(3) of the RA Regulations and clauses 1, 2, 6, 7, 8, of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations.*
 - i) It has been alleged in the SCN that that by not using the term 'Research Analyst' in all the correspondences with his clients, and by not intimating his change in address after registration and by violating the provisions of RA Regulations and Circulars/Guidelines issued under the provisions of the SEBI Act as mentioned above, Noticee has violated the provisions of Regulations 13 (i), 13 (ii) and 13 (iii) and the 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.*
 - j) It has been alleged in the SCN that 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 under the pretext that the Noticee is not soliciting clients and does not charge any fees for his research analyst services. It has also been alleged that by refusing to provide the aforesaid information and records, Noticee failed in providing all such assistance and co-operation as required in connection with the inspection. In view of the above it has been alleged that Noticee violated the provisions of Regulations 29 (1) and 29 (2) of RA Regulations read with Sections 11(2)(i) and 11(2)(ia) of the SEBI Act and the clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations."*
5. The SCN was duly served on Noticee by Speed Post Acknowledgement Due ('**SPAD**'), through Digitally Signed Email dated June 27, 2023. Thereafter, vide emails dated June 28, 2023, June 30, 2023, and July 01, 2023, Noticee requested for inspection of documents and extension of time to submit his reply to the SCN and copies of relevant documents in the matter. Vide SEBI's emails dated June 30, 2023 and July 07, 2023, Noticee was provided an opportunity of inspection of documents with all relevant and relied upon documents in the matter. Noticee did not appear for the scheduled inspection and

did not make any further request for inspection of documents. Subsequently, Noticee submitted his reply to the SCN vide emails dated July 29, 2023 and August 01, 2023. In the interest of natural justice, vide Hearing Notice dated August 01, 2023, which was duly served on Noticee via Digitally Signed Email, Noticee was granted an opportunity of hearing on August 04, 2023. Vide email dated August 01, 2023, Noticee stated that he has nothing further to submit apart from his written reply and therefore would not attend the hearing on August 04, 2023. Thus, I note that Noticee has indicated that he does not wish to avail any opportunity of hearing in the instant matter. Hence, I proceed to deal with the merits of the case based on allegations made in the SCN and Noticee's reply vide emails dated July 29, 2023 and August 01, 2023.

6. In regard to the allegations made in the SCN, the relevant extracts of the Noticee's submissions in their reply vide emails dated July 29, 2023 and August 01, 2023, are as under:

- i. *"... First category of allegations in your SCN is regarding regulation 25 of RA Regulations i.e. Maintenance of Records. In this category, first allegation made by Sebi is that I have not provided details of 9 other recommendations (other than those 10 research reports/recommendations which I reported/provided to Sebi). To make this allegation, you have relied upon some WhatsApp chat extracts provided to you by one complainant named Susmita Bhowmick. Firstly, this complainant is a proven liar as proved by us in our reply to Sebi in August 2022 (attached again with this reply). Repeatedly, this complainant has made several false statements like "Lost almost total capital", "waited for 2-3 years" and "stocks were totally bad & manipulative"...."*
- ii. *"...it is not possible that in some WhatsApp screenshots (allegedly from me), my profile picture is not visible. Both above reasons makes these WhatsApp screenshots highly suspicious and inadmissible as evidence. Further, There is one observation of inspecting authority in the document that -"In the mentioned WhatsApp group screenshots the RA has inter-alia posted that 'Happy to announce that after Aman... neither are brand ambassador of RA nor these 2 persons promoted RA activities...even the domain/website manishgoelstocks.com on which Sebi is relying..., does not have above mentioned videos of Aman Verma or Dia Mirza. This observation of Sebi actually supports my case that those WhatsApp chat screenshots are not reliable. All the comments/rationale given by Sebi in its*

document 'post inspection analysis' justifying the reasons for the authenticity of WhatsApp chat screenshots are vague, unlawful and afterthought...."

- iii. *"....Further, it is also mentioned in your SCN that the veracity in respect of signing and dating the research reports by the RA cannot be ascertained and hence, it is observed that the RA has not duly signed and dated the research reports. Your this statement is contradictory in itself, unlawful and arbitrary because in the same statement Sebi is writing that veracity in respect of signing and dating the reports cannot be ascertained and then Sebi is writing that hence, it is observed that the RA has not duly signed and dated the research reports. You cannot allege regarding occurring or not occurring of a fact/event just because Sebi is not able to ascertain whether that fact/event occurred or not (as per your own admission above). You will have to conclusively prove that either that fact/event has either occurred or not occurred. Lastly, I provided to Sebi 3 research reports which were duly signed and dated...."*
- iv. *"...As the inspection was done of my research analysis activities of FY 20-21, all the research reports etc published in FY 20-21 were provided to Sebi and those were duly signed and dated. Sebi cannot include, in its SCN, allegation regarding some research report which might have been published outside of inspection period FY 20-21. Further, it is also mentioned in your SCN that the veracity in respect of signing and dating the research reports by the RA cannot be ascertained and hence, it is observed that the RA has not duly signed and dated the research reports....."*
- v. *"... it may be noted in the PIQ or in any other letter/communication, Sebi never asked from me the rationale of stock specific recommendations"*
- vi. *"...restriction on personal trading is applicable on 'Independent research analysts, individuals employed as research analyst by research entity or their associates' and I am NOT an Independent research analyst or an individual employed as research analyst by research entity or their associates as per RA regulations. Sebi's observation in document 'Post Inspection Analysis' regarding question number 35 of FAQs of RA regulations is unlawful and without application of mind because FAQs of some regulations are considered only when there is some interpretation issue in the main regulation. Firstly, Sebi is misinterpreting my above submission because the meaning of my above submission was that regulation 21 (1) is applicable to me in the sense that if I make public appearance, I will keep a*

record of those. If there are no public appearance, there is no possibility of keeping any record regarding the same....”

- vii. “.....restriction on personal trading is applicable on ‘Independent research analysts, individuals employed as research analyst by research entity or their associates’ and I am NOT an Independent research analyst or an individual employed as research analyst by research entity or their associates as per RA regulations. Sebi’s observation in document ‘Post Inspection Analysis’ regarding question number 35 of FAQs of RA regulations is unlawful and without application of mind because FAQs of some regulations are considered only when there is some interpretation issue in the main regulation. Firstly, Sebi is misinterpreting my above submission because the meaning of my above submission was that regulation 21 (1) is applicable to me in the sense that if I make public appearance, I will keep a record of those. If there are no public appearance, there is no possibility of keeping any record regarding the same”
- viii. “...Secondly, this issue also relates to a difference in interpretation of definition of public appearance, between me and Sebi. The 10 research reports/recommendations which I published in FY 20-21 in News Channel MGNBD, I am counting them as public appearance because those 10 researchreports/recommendations were published for all the subscribers of News Channel MGNBD simultaneously. There is no public appearance by me during inspection period other than those 10 research reports/recommendations. So the allegation that I have not provided details of public appearance is arbitrary, malafide, vindictive and just an afterthought by Sebi to take revenge of my complaints and criminal cases against Sebi and its officers.”
- ix. “...Only difference between those Business News Channel and MGNBC is that the formers are TV channels and MGNBC is a digital Chanel, but that difference does not change the basic nature of facts. If Sebi claims that MGNBC comes under the purview of Sebi, then Sebi will have to bring those business news channels like CNBC or Zee Business etc also in its purview and mandate them to be registered with Sebi as Registered Research Analyst. Sebi can not make differential treatment with two entities placed similarly. But on the ground situation is that Sebi is not regulating even that part of those business TV news channel which it should regulate like stock recommendations etc...”

- x. *“...Because Sebi ignored my reply already given in this regard, that as per regulation 16 of RA regulations, restriction on personal trading is applicable on ‘Independent research analysts, individuals employed as research analyst by research entity or their associates’ and I am NOT an Independent research analyst or an individual employed as research analyst by research entity or their associates as per RA regulations..”*
- xi. *“... Therefore, the intention of the legislature in regulation 21(2) is to regulate those director or employee of an investment adviser or credit rating agency or asset management company or fund manager, who makes public appearance or makes a recommendation or offers an opinion concerning securities or public offers through public media (but not registered as research analyst)..”*
- xii. *“... Third allegation made by Sebi in the same category ‘Maintenance of records’ is that RA has given at least one recommendation where he assured returns to his clients i.e. “On December 09, 2020 tomorrow Swasti Vinayak synthetics will touch its 10 years high price of 8.7”. Firstly, this is a wrong fact even based on your own supporting documents because in the WhatsApp chat screenshots, attached and relied upon by Sebi, the above message appear like this - “Tomorrow Swasti Vinayak synthetics will touch its 10 year high price of 8.7”. And on December 09, 2020 on which the above message is alleged to have posted, price of Swasti Vinayak Synthetics was approx 8.3 and therefore only 40 paise increase in the price appears to be predicted which was strongly obvious because of many reasons provided above. By not mentioning this fact anywhere that only 40 paise price rise appears to be predicted, and amplifying and emphasising just on the word ‘10 year high’ arbitrarily, Inspecting authority has tried to mislead everybody. Lastly, in various business TV channels and other media, various research analysts are giving ‘targets’ on stocks on daily basis. If your vague, arbitrary, malafide and vindictive logic of assured return in above WhatsApp message regarding Swasti Vinayak Synthetics is accepted, that will tantamount to that all the research analysts in various TV channels and other media are giving assured returns. Lastly, one observation is made in your annexure ‘Post inspection analysis’ -“the RA has submitted that the message can be seen by members only, then how this message mis-sold services. In this regard it is submitted that services can be mis-sold to the existing clients also”. This observation/allegation of Sebi is unlawful, vague, arbitrary, malafide and vindictive because definition of ‘assured returns’ in*

the parlance of securities markets is that while/before making a client, the client is given a guarantee that he will earn a fix return definitely. And that does not seem to be the case here...”

- xiii. *“...Out of the 2, in one instance, Sebi is including a sell order of just 17 qty of Andhra Petrochemicals Ltd which were allegedly sold after 27 days of buy recommendation... Your second instance regarding trading in a manner contrary to recommendation is regarding alleged sale of 1505 shares of Jyoti Resins Ltd on the date of my recommendation. But while that Alleged sale of 1505 shares of Jyoti Resins happened on the same date of recommendation but ‘before’ the time of recommendation as recommendation was given at 3:15 pm and sale happened before that already. This example of me selling Jyoti Resins just hours before my recommendation is actually a proof of my extremely high standards of service and integrity, because I could have sold these 1505 shares ‘After’ recommendation time of 3:15 pm at high price....”*
- xiv. *“...the RA, being a director/shareholder/PO of Multibagger Securities Research & Advisory Pvt Ltd (A Sebi RIA) is also doing RA business and therefore the RA has failed to ensure independence of its research activities from its other business activities and failed to maintain an arms-length relationship between his research activities and other activities. Now firstly, as submitted earlier by me many times, I am not soliciting clients in my RA activities and clients are solicited by News Channel division named MGNBD and in that News Channel, I , in my separate capacity as a RA, publish research reports/recommendations. But even if for a moment, just for the convenience of argument, it is assumed that clients were solicited by RA division, then also there is no prohibition on a Director/shareholder/PO of a Sebi RIA to solicit clients personally as RA...”*
- xv. *“...in general and/or through public media/appearances because the veracity of the fact that the research reports communicated by the RA to its clients actually had the said separate disclosure document can not be ascertained. Your this statement is contradictory in itself, unlawful and arbitrary because in the same statement Sebi is writing that veracity in respect of disclosures in the reports cannot be ascertained and then Sebi is writing that ‘hence, it is observed that the RA does not provide disclosures in the research reports’. You can not allege regarding occurring or not occurring of a fact/event just because Sebi is not able to ascertain whether that*

fact/event occurred or not (as per your own admission above). You will have to conclusively prove that either that fact/event has occurred or not occurred..”

- xvi. “... SEBI approved my address change request in Nov 2021.”
- xvii. “...it was observed that there appears to be a collusion between Noticee and Ashwani K Dhiman who conducted the compliance audit. This allegation by Sebi is patently Malafide, Vindictive, Arbitrary and illegal because Ashwani K Dhiman is not an employee of Multibagger Securities Research & Advisory Pvt Ltd and is an independent practicing company secretary. And an independent practicing company secretary can do compliance/compliance audit of 2 entities...”
- xviii. “...RA registration certificate was not provided to Instamojo as part of KYC... Cheque book cover page in the name of Manish Goel News Broadcast Channel which proves my case that Instamojo account was opened by Manish Goel News Broadcast division..”
- xix. “...The fact that Instamojo provided to inspecting authority both documents i.e. cheque book cover page and Sebi RA registration certificate actually supports my case/stand that Instamojo account was opened by the News Channel Division MGNBD and RA registration certificate was provided just because in that News Channel, some research reports/recommendations were also published by me in my capacity of Research Analyst. For example on May 22, 2023 one message was posted in the channel -‘Exclusive prediction only for paid channel members — Sensex to touch Life Time High soon’. This message is not a research report/recommendation according to RA regulations and therefore it can not be said that this message was posted in my capacity as a Research Analyst. Within just 30 trading sessions after above message, Sensex indeed made fresh life time high and therefore, among others things, for this kind of useful messages also, clients subscribe the News Channel of MGNBD.....”
- xx. “... Its alleged that the RA vide the aforesaid points in the PIQ and his letter dated 17.12.2021 submitted during inspection refused to provide and information and records in respect of compliances in respect of Know Your Customer, fee collected from clients, Clients Due Diligence and Anti Money laundering under the pretext that he does not solicit any client in RA division and clients are solicited by News Channel division named MGNBD which does not come under the purview of Sebi. This allegation by Sebi is unlawful and malafide due to many reasons. Firstly an information can be said to be ‘refused’ only when the information is ‘available’ with

the person from whom the information is sought. Many information sought by Sebi was not even available either with RA division or with MGNBD division. It is further alleged by Sebi in this category that from the extracts of WhatsApp group of RA it is noted that the RA in the said group was asking the KYC details from his existing clients on 18.12.2020 and 22.12.2020.....”

- xxi. *“...SCN alleges that I did not provide to the inspecting authority such books, correspondence with the clients, KYC details, product offered etc etc which inspecting authority asked from me. This allegation is unlawful and arbitrary because the documents demanded by the Inspecting authority during inspection can not be more than those which RA regulation mandates me to maintain in regulation 25(1). Because otherwise the whole purpose of Regulation 25(1) will be defeated which clearly lays down as to what documents a RA is bound to maintain. And all those documents which regulation 25(1) mandates, were presented to the inspecting authority during inspection. Further regulation 29(1) & 29(2) as quoted above clearly uses the words ‘in his custody or control’, and therefore RA is required to give to the inspecting authority those records which is mandated by regulation 25(1) of the RA regulations and which are in the custody of the RA. RA can not be made bound to present any documents/records etc which are not maintained by him and therefore are not in his custody...”*
- xxii. *“...allegation in this category is that upon perusal of the internal policy submitted by the RA in PIQ vis-a-vis the submissions of the RA in respect of internal policies and procedures made while seeking registration, it is noted that both are different. Your this logic for not accepting internal policies document is vague, arbitrary, malafide and vindictive because there is no restriction on updating the internal policy document and internal policy document can be updated with time...”*

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

7. I have carefully perused the charges levelled against the Noticee, reply filed by Noticee, and other documents/evidence available on record. The issues that arise for consideration in the present case are:
- I) Whether Noticee has violated the provisions of law as specified in paragraph 2 above?

- II) Do the violations, if any, attract a monetary penalty under Sections 15EB, 15HA, 15A(a) and 15A(c) of SEBI Act?
- III) If the answer to the aforesaid issues is in the affirmative, then what should be the quantum of monetary penalty?
8. Before proceeding to examine the matter, I find it pertinent to reproduce the aforesaid regulatory provisions, which are as under:

SEBI Act

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

“12A. No person shall directly or indirectly –

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

PFUTP Regulations

“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.*

And “fraudulent” shall be construed accordingly;”

“Regulation 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 thereunder;*
- (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 thereunder;”*

“Regulation 4: Prohibition of manipulative, fraudulent and unfair trade practices

- (1) *Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) *Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:*
- (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;”*

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;*
- (ii) the research analyst shall forthwith inform SEBI in writing, if any information or particulars previously submitted to SEBI are found to be false or misleading in any material particular or if there is any material change in the information already submitted;*
- (iii) research analyst registered under these regulations shall use the term ‘research analyst’ in all correspondences with its clients.*

Establishing Internal policies and procedures.

15. (1) Research analyst or research entity shall have written internal policies and control procedures governing the dealing and trading by any research analyst for:

- (i) addressing actual or potential conflict of interest arising from such dealings or trading of securities of subject company;
- (ii) promoting objective and reliable research that reflects the unbiased view of research analyst; and
- (iii) preventing the use of research report or research analysis to manipulate the securities market.

(2) Research analyst or research entity shall have in place appropriate mechanisms to ensure independence of its research activities from its other business activities.

Limitations on trading by research analysts.

16. (1) ...

(2) Independent research analysts, individuals employed as research analyst by research entity or their associates shall not deal or trade in securities that the research analyst recommends or follows within thirty days before and five days after the publication of a research report.

(3) Independent research analysts, individuals employed as research analysts by research entity or their associates shall not deal or trade directly or indirectly in securities that he reviews in a manner contrary to his given recommendation.

Limitations on publication of research report, public appearance and conduct of business, etc.

18. ...

(7) Research analyst or research entity shall have adequate documentary basis, supported by research, for preparing a research report.

Disclosures in research reports.

19. A research analyst or research entity shall disclose all material information about itself including its business activity, disciplinary history, the terms and conditions on which it offers research report, details of associates and such other information as is necessary to take an investment decision, including the following:

(i) Research analyst or research entity shall disclose the following in research report and in public appearance with regard to ownership and material conflicts of interest:

(a) whether the research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest;

(b) whether the research analyst or research entity or its associates or relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;

(c) whether the research analyst or research entity or his associate or his relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance;

(ii) Research analyst or research entity shall disclose the following in research report with regard to receipt of compensation:

(a) whether it or its associates have received any compensation from the subject company in the past twelve months;

(b) whether it or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months;

(c) whether it or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months;

(d) whether it or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months;

(e) whether it or its associates have received any compensation or other benefits from the subject company or third party in connection with the research report.

(iii) Research analyst or research entity shall disclose the following in public appearance with regard to receipt of compensation:

(a) whether it or its associates have received any compensation from the subject company in the past twelve months;

(b) whether the subject company is or was a client during twelve months preceding the date of distribution of the research report and the types of services provided: Provided that research analyst or research entity shall not be required to make a disclosure as per sub-clauses (c), (d) and (e) of clause (ii) or sub-clauses (a) and (b) of clause (iii) to the extent such disclosure would reveal material non-public information regarding specific potential

future investment banking or merchant banking or brokerage services transactions of the subject company.

(iv) whether the research analyst has served as an officer, director or employee of the subject company;

(v) whether the research analyst or research entity has been engaged in market making activity for the subject company;

(vi) Research analyst or research entity shall provide all other disclosures in research report and public appearance as specified by SEBI under any other regulations.

Contents of research report.

20. (1) Research analyst or research entity shall take steps to ensure that facts in its research reports are based on reliable information and shall define the terms used in making recommendations, and these terms shall be consistently used.

Recommendations in public media.

21. (1) Research analyst or research entity including its director or employee shall disclose the registration status and details of financial interest in the subject company, if he makes public appearance.

(2) If any person including a director or employee of an investment adviser or credit rating agency or asset management company or fund manager, makes public appearance or makes a recommendation or offers an opinion concerning securities or public offers through public media, all the provisions of regulations 16 and 17 shall apply mutatis mutandis to him and he shall disclose his name, registration status and details of financial interest in the subject company at the time of,-

(i) making such recommendation or offering such opinion in personal capacity;

(ii) responding to queries from audiences or journalists in personal capacity;

(iii) communicating the research report or substance of the research report through the public media.

General responsibility.

24. (1) Research analyst or research entity shall maintain an arms-length relationship between its research activity and other activities.

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

Maintenance of records.

25. (1) Research analyst or research entity shall maintain the following records:

- (i) research report duly signed and dated;
- (ii) research recommendation provided;
- (iii) rationale for arriving at research recommendation;
- (iv) record of public appearance.

...

(3) Research analyst or research entity shall conduct annual audit in respect of compliance with these regulations from a member of Institute of Chartered Accountants of India or Institute of Company Secretaries of India.

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.

THIRD SCHEDULE

[See sub-regulation (2) of regulation 24]

CODE OF CONDUCT FOR RESEARCH ANALYST**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.

3. Conflict of Interest

Research analyst or research entity shall effectively address conflict of interest which may affect the impartiality of its research analysis and research report and shall make appropriate disclosures to address the same.

...

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.”

“SEBI CIRCULAR

ISD/CIR/RR/AML/1/06 dated January 18, 2006

Guidelines on Anti Money Laundering Standards.

1. The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, Government of India.

2. As per the provisions of the Act, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. Such transactions include:

☐ All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.

☐ All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.

☐ All suspicious transactions whether or not made in cash.

3. The [Guidelines](#) enclosed herewith are being issued to the intermediaries as specified above, in the context of the recommendations made by the Financial Action Task Force (FATF) on anti-money laundering standards. Compliance with these standards by all intermediaries and the country has become imperative for international financial relationships. It may be noted that these Guidelines lay down the minimum requirements / disclosures to be made in respect of clients. The intermediaries may, according to their requirements specify additional disclosures to be made by clients to address concerns of Money Laundering and suspicious transactions undertaken by clients.

4. All intermediaries are advised to ensure that a proper policy framework as per the Guidelines on anti-money laundering measures is put into place within one month from the date of the circular. The intermediaries are also advised to designate an officer as 'Principal Officer' who would be responsible for ensuring compliance of the provisions of the PMLA. Names, designation and addresses (including e-mail addresses) of 'Principal Officer' shall also be intimated to the Office of the Director-FIU, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi -110021, India on an immediate basis.

5. The detailed procedure incorporating the manner of maintaining information and matters incidental thereto for SEBI registered intermediaries, under the prevention of Money Laundering Act, 2002 and the Rules made thereunder and formats for reporting by the intermediaries are being finalised and would be issued subsequently.

6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market."

"SEBI CIRCULAR

ISD/CIR/AML/2/06 dated March 20, 2006

Prevention of Money Laundering Act, 2002, Obligations of intermediaries in terms of Rules notified thereunder

1. Please refer to our circular no. ISD/CIR/RR/AML/1/06 dated January 18, 2006 laying down broad guidelines on Anti Money Laundering Standards. As per the circular, all the intermediaries registered with SEBI under Section 12 of the SEBI Act were advised to ensure that a proper policy framework on anti-money laundering measures is put into place within one month from the date of the circular. The intermediaries were also advised to designate an officer as 'Principal Officer' and intimate their details to the Financial Intelligence Unit, India on an immediate basis.

2. It is brought to the attention of all the intermediaries that the Government of India, Ministry of Finance, Department of Revenue has issued notifications dated July 1, 2005 and December 13, 2005 in the Gazette of India, notifying the Rules under the Prevention of Money Laundering Act (PMLA), 2002. In terms of the Rules, the provisions of PMLA, 2002 came into effect from July 1, 2005. Section 12 of the PMLA, 2002 casts certain obligations on the intermediaries in regard to preservation and reporting of certain transactions. Intermediaries are therefore, advised to go through the provisions of PMLA, 2002 and the Rules notified there under and take all steps considered necessary to ensure compliance with the requirements of section 12 of the Act *ibid*.

3. Maintenance of records of transactions

All the intermediaries shall put in place a system of maintaining proper record of transactions prescribed under Rule 3, as mentioned below:

- (i) all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- (ii) all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- (iii) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- (iv) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

4. Information to be maintained

Intermediaries are required to maintain and preserve the following information in respect of transactions referred to in Rule 3:

- (i) the nature of the transactions;
- (ii) the amount of the transaction and the currency in which it was denominated;
- (iii) the date on which the transaction was conducted; and
- (iv) the parties to the transaction.

5. Maintenance and Preservation of records

Intermediaries should take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 have to be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and intermediary.

Intermediaries should formulate and implement the client identification program containing the requirements as laid down in Rule 9 and such other additional requirements that it considers appropriate. The records of the identity of clients have to be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and intermediary.

6. Reporting to Financial Intelligence Unit-India

In terms of the PMLA rules, intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

**Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri,
New Delhi-110021.**

Intermediaries should carefully go through all the reporting requirements and formats enclosed with this circular. These requirements and formats are divided into two parts- Manual Formats and Electronic Formats. Details of these formats are given in the documents (Cash Transaction Report- version 1.0 and Suspicious Transactions Report version 1.0) which are also enclosed with this circular. These documents contain detailed guidelines on the compilation and manner/procedure of submission of the manual/electronic reports to FIU-IND. The related hardware and technical requirement for preparing reports in manual/electronic format, the related data files and data structures thereof are also detailed in these documents. Intermediaries, which are not in a position

to immediately file electronic reports, may file manual reports to FIU-IND as per the formats prescribed. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, intermediaries should adhere to the following:

(a) The cash transaction report (CTR) (wherever applicable) for each month should be submitted to FIU-IND by 15th of the succeeding month.

(b) The Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.

(c) The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;

(d) Utmost confidentiality should be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.

7. Intermediaries should not put any restrictions on operations in the accounts where an STR has been made. Further, it should be ensured that there is no tipping off to the client at any level.

8. Reporting of 'Principal Officer' details to FIU -India

It has been brought to the notice of SEBI by FIU-IND that a large number of entities have not submitted details of their 'Principal Officer' to FIU-IND as required by the SEBI circular no. ISD/CIR/RR/AML/1/06 dated January 18, 2006. All the Intermediaries, which have yet not reported these details to FIU-IND are directed to do so forthwith.

9. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, and Rule 7 of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market."

"SEBI CIRCULAR

SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019

Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries

***under the Prevention of Money Laundering Act, 2002 and Rules framed there
under***

1. *The Prevention of Money Laundering Act, 2002 ("PMLA") was brought into force with effect from 1st July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 01, 2005 by the Department of Revenue, Ministry of Finance, Government of India.*

2. *As per the provisions of the PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with the securities market and registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act)) shall have to adhere to client account opening procedures and maintain records of such transactions as prescribed by the PMLA and rules notified there under.*

3. *Pursuant to amendments made to the PMLA and Rules made thereunder, updated guidelines in the context of recommendations made by Financial Action Task force (FATF) on anti-money laundering standards is enclosed. These guidelines have been divided into two parts; the first part is an overview on the background and essential principles that concern combating Money Laundering (ML) and Terrorist Financing (TF). The second part provides a detailed account of the procedures and obligations to be followed by all registered intermediaries to ensure compliance with AML/ CFT directives. These guidelines shall also apply to registered intermediaries' branches and subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, to the extent local laws and regulations permit. When local applicable laws and regulations prohibit implementation of these requirements, the same shall be brought to the notice of SEBI.*

4. *The key circulars/ directives issued with regard to KYC, CDD, AML and CFT have been mentioned in Schedule I. These directives lay down the minimum requirements and it is*

emphasized that the intermediaries may, according to their requirements, specify additional disclosures to be made by clients to address concerns of money laundering and suspicious transactions undertaken by clients. Reference to applicable statutes and reporting guidelines for intermediaries is available at the website of the Financial Intelligence Unit – India (FIU-IND).

Note: Annexures to the Circulars to be referred.”

Issue No. I - Whether Noticee has violated the provisions of law as specified in paragraph 2 above?

9. It has been alleged in the SCN that Noticee has not duly signed and dated the research reports, has not kept proper records of research recommendations provided by him, has not recorded rationale for arriving at research recommendations and has not kept records of public appearances and therefore Noticee has violated the provisions of Regulation 25 (1) and the clauses 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.
10. I note that in terms of Regulation 25 of the RA Regulations, Noticee was required to maintain records w.r.t. research reports (duly signed and dated), research recommendations and rationales for arriving at research recommendations, and records of public appearances. In this regard, I note from Noticee's response to the Pre-Inspection Questionnaire ('PIQ') vide letters and emails dated December 08, 2021 & December 17, 2021, and the extracts of Noticee's WhatsApp/Telegram group chats for the period December 07, 2020 to December 22, 2020 that Noticee had made 19 Research reports/stock specific recommendations during the inspection period. However, I observe from the records of inspection that during inspection, Noticee did not furnish any research documents/rationale in respect of the research reports/recommendations with respect to 9 stocks which were recommended by Noticee in the aforesaid WhatsApp/Telegram group chats. The fact that Noticee did not furnish the documents/rationale in respect of the research reports/recommendations with respect to 9 stocks recommended by him in the aforesaid WhatsApp/Telegram group chats to the inspecting authority is

testimony to the fact that Noticee was not maintaining his research reports/recommendations as prescribed by SEBI.

11. In his reply to the SCN, vide emails dated July 29, 2023 and August 01, 2023, Noticee has contended that he had submitted signed and dated research reports during the inspection and denied that he had violated Regulation 25 (1) of the RA Regulations and the clauses 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations. I note from the records of inspection that a copy of research report of the scrip, Investment Trust of India (also known as Fortune Financial), published by the Noticee, was provided to SEBI during inspection and a reference of this recommendation was made available by Noticee in his WhatsApp/Telegram group. I observe that the said research report was not signed and dated by the Noticee. As to the other research reports in respect of stocks namely, Ester Industries Ltd., Jyoti Resins Ltd, Vipul Organics Ltd., I note from the records of inspection that Noticee had not signed and dated the research reports. Copies of the research reports were subsequently attested by the Noticee at the time of submitting the same to the inspecting authority by giving a prior date. Thus, I find that the allegation that Noticee did not maintain duly signed and dated research reports stands established. In his reply, Noticee has also vehemently denied the genuineness and authenticity of the said Whatsapp/Telegram chats. Noticee has also contended that the Whatsapp/Telegram chats in which he had made stock recommendations were not “public appearances” and thus he was not required to maintain records in respect of such Whatsapp/Telegram chats. In this regard, I note from records that the aforesaid Whatsapp/Telegram chats were sent from/received at the Whatsapp/Telegram account associated with the mobile number 9720128589, which belongs to the Noticee as per KYC details obtained from the respective broker/depository participant. I further note that Noticee has not furnished any evidence with respect to his contention that the Whatsapp/Telegram chats were not genuine. Therefore, I do not find any reason to doubt the authenticity of the aforesaid Whatsapp/Telegram chats. Hence, I find the aforesaid contention of Noticee to be baseless. I note that in terms of the definition of “public appearance” under Regulation 2(1)(q) of RA Regulations, Noticee’s research reports/recommendations made using instant messaging platforms in publicly accessible Whatsapp/Telegram groups amounted to public communication of such research reports/recommendations and were tantamount to “public appearance” as defined under Regulation 2(1)(q) of RA Regulations. Therefore,

Noticee was under an obligation to maintain records of such Whatsapp/Telegram chats in terms of Regulation 25(1) of RA Regulations. Since Noticee has admitted that he did not maintain records pertaining to the research recommendations made in his Whatsapp/Telegram chats, I find that Noticee has failed to comply with Regulation 25(1) of RA Regulations. I also find that by failing to comply with Regulation 25(1) of RA Regulations, Noticee has failed to act with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities. Thus, I find that the allegation that Noticee violated the provisions of Regulation 25 (1) of RA Regulation and Clauses 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations stands established.

12. It has been alleged in the SCN that Noticee assured returns to his clients through his recommendations, Noticee misled and mis-sold his services with a possible objective of enhancing income and hence, Noticee allegedly violated the provisions of Regulations 3 (a), (b), (c) and (d) and 4 (1) and 4 (2) (k), (o) and (s) of PFUTP Regulations read with sections 12 A (a), (b) and (c) of the SEBI Act and Regulation 2 (1) (c) of PFUTP Regulations 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. I note that Regulations 3(a)–(d) of the PFUTP Regulations, *inter alia*, prohibit employment of any manipulative/deceptive device, scheme or artifice to defraud in connection with dealing in securities; engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in securities. I note that Regulation 4(1) of the PFUTP Regulations provides for a prohibition on indulging in fraudulent or unfair trade practices in securities. I note that in terms of the definition of fraud under Regulation 2(1)(c) of PFUTP Regulations, “fraud” includes any act, expression, omission or concealment 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 it includes the following:-

- i. a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
- ii. a representation made in a reckless and careless manner whether it be true or false;
- iii. any such act or omission as any other law specifically declares to be fraudulent.

13. I also note that Regulation 4(2)(k) of PFUTP Regulations prohibits 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)(o) of PFUTP Regulations prohibits fraudulent inducement of any person by a market participant to deal in securities with the objective of enhancing his brokerage or commission or income. Regulation 4(2)(s) of PFUTP Regulations prohibits mis-selling of securities or services relating to securities market by knowingly concealing the associated risk. As per Regulation 4(2) of PFUTP Regulations, the acts specified under Regulations 4(2)(k), 4(2)(o) & 4(2)(s) are deemed to be a fraudulent or an unfair trade practice.
14. At this juncture, I find it pertinent to refer to decision of Hon'ble Supreme Court of India in the matter of SEBI vs. Shri Kanaiyalal Baldevbhai Patel (Civil Appeal No. 2595 of 2013; Decided on September 20, 2017). In the aforementioned judgment, the Hon'ble Supreme Court of India, while discussing the ambit of fraud under PFUTP Regulations, has held as under:
- "The difference between inducement in criminal law and the wider meaning thereof as in the present case, is that to make inducement an offence the intention behind the representation or misrepresentation of facts must be dishonest whereas in the latter category of cases like the present the element of dishonesty need not be present or proved and established to be present. In the latter category of cases, a mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. No element of dishonesty or bad faith in the making of the inducement would be required... To attract the rigor of Regulations 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and the correct test is one of preponderance of probabilities... The inferential conclusion from the proved and admitted facts, so long the same are reasonable and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified."*
15. Thus, placing reliance on the aforesaid judgement, I am of the view that in the context of PFUTP Regulations, proof of fraud only requires an inference that the person induced would not have acted in the manner that he did, but for the inducement.

16. I observe from the messages sent by Noticee in his WhatsApp/Telegram groups that while stock specific recommendations were made by Noticee with an assurance that stocks recommended by him, namely, Swasti Vinayak Synthetics Ltd. And Yash Pakka Ltd, would undergo a rise in price and fetch high returns for Noticee's clients, there was no disclaimer as to risks associated with investing in the said stocks in those chats. In his Whatsapp/Telegram groups, Noticee had termed the future stock prices as highest price in ten years but did not state the particulars of the stock price movement in the last ten years. I also note that vide the aforesaid messages, Noticee assured the members of the Whatsapp/Telegram groups that they would get one stock recommendation for free in case anyone suffers a loss on account of a particular stock recommendation. Therefore, it is clear that Noticee was promising assured returns to its clients through such Whatsapp/Telegram chats. However, I do not find any evidence of such assurance of definitive return backed by proper research conducted by Noticee in the said stocks.
17. In his reply, Noticee has stated that the recommendations made by him in the aforesaid Whatsapp/Telegram chats did not amount to assured returns because the aforesaid chats were in the nature of price targets which are provided by various news media and Noticee made the recommendations based on the fact that the prices of the aforesaid stocks had already risen in earlier trading sessions. I note that the Whatsapp/Telegram chats sent by Noticee which indicate certainty in the outcome of stock price movement are misleading because such certainty of outcome does not manifest in a stock market due to its inherent associate risks. Thus, I note that the said stock recommendations were sensationalistic and gave an assurance to Noticee's clients that buying the said stocks would necessarily fetch them high returns. I am of the view that the promise of an assured return in the aforesaid Whatsapp/Telegram chats, which were not supported by any research on Noticee's part, amounted to dissemination of misleading information which amounted to a violation of Regulation 4(2)(k) of PFUTP Regulations. In a similar vein, it would not be wrong to conclude that the aforementioned promise of one free stock recommendation in case of any loss suffered by Noticee's clients, without informing investors about the downside risks, was made by Noticee to increase his income by fraudulently inducing investors to invest in such stocks which would amount to violation of Regulation 4(2)(o) of PFUTP Regulations. I am also inclined to view such act of Noticee as amounting to mis-selling of services which would be tantamount to violation of Regulation 4(2)(s) of PFUTP Regulations by Noticee. I further note that by promising assured returns and mis-selling

his services, Noticee has failed to act honestly and in good faith with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities. Thus, based on the foregoing observations and placing reliance upon the judgement of Hon'ble Supreme Court in the matter of SEBI vs. Shri Kanaiyalal Baldevbhai Patel (*Supra*), I find that the allegation that Noticee violated the provisions of Regulations 3 (a), (b), (c) and (d) and 4 (1) and 4 (2) (k), (o) and (s) of PFUTP Regulations read with sections 12A (a), (b) and (c) of the SEBI Act and Regulation 2(1)(c) of PFUTP Regulations 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 stands established.

18. It has been alleged in the SCN that there was difference in the copy of internal policy submitted by the Noticee during the course of inspection vis-à-vis the submissions of the Noticee in respect of internal policies made while seeking registration. Thus, it has been alleged that Noticee has violated the provisions of Regulation 15(1) of RA Regulations and Clauses 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.
19. I note that in terms of Regulations 15(1) of the RA Regulations, Noticee was required to have internal policies and control procedures governing the dealing and trading by research analyst and have in place appropriate mechanisms to ensure independence of its research activities from its other business activities. On perusal of the registration form "Form-A" submitted by the Noticee at the time of registration, I observe that he had not submitted a detailed policy document along with the said registration form. I note that in the point 3.b. of the said registration form, details about internal policies and procedures were sought from the Noticee and he had only stated, "*My policy is that I will make research report only on those companies with which I have no relation directly or indirectly.*" I note from the Noticee's response to the Pre-Inspection Questionnaire ('PIQ') vide letters and emails dated December 08, 2021 & December 17, 2021 that Noticee had framed his internal policy document in relation to activities as a research analyst and submitted the same before the inspecting authority. However, Noticee had not filed the aforesaid document at the time of registration. I also note that the subsequent framing of internal policy document by Noticee was a material change in the information submitted

by Noticee during registration, as per Regulation 13(ii) of RA Regulations, owing to the fact that such policy document had not been previously filed with SEBI. Thus, Noticee was under an obligation to submit the same to SEBI in terms of Regulation 15(1) as well as clause 7 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations. In his reply to the SCN, Noticee has denied that he has violated any provisions of RA Regulations. I note from his reply that Noticee has admitted that changes were made in the internal policy. However, Noticee has contended that he had merely updated the internal policy and there is no restriction of updating the internal policy as per the RA Regulations. I note from the records of inspection that Noticee did not furnish any evidence to show that Noticee had filed the said internal policy with SEBI or that an application was made to SEBI before making updates to his internal policy. Considering that the change in the internal policy of Noticee was material change in information in terms of Regulation 13(ii) of RA Regulations, Noticee should have disclosed the same to SEBI, in terms of Regulation 15(1) and clause 7 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, which he failed to do. Therefore, I find that by failing to comply with Regulation 15(1) of RA Regulations and clause 7 of the Code of Conduct, Noticee has failed to act with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities.

20. It has also been alleged in the SCN that Noticee, being an individual RA, was engaged as Principal Officer of a SEBI Registered Investment Adviser (RIA) while undertaking business as a Research Analyst and thus failed to ensure independence of its research activities from his other business activities and also failed to maintain an arms'-length relationship between his research activities and other activities and thereby violated Regulations 15 (2) and 24(1) of RA Regulations and Clauses 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of the RA Regulations. In terms of Regulations 15(2) and 24(1) of RA Regulations, Noticee was under an obligation to maintain appropriate mechanisms to ensure independence of its research activities from its other business activities, i.e., Noticee was under an obligation to maintain an arms'-length relationship between its research activity and other activities. I note from the Noticee's response to the Pre-Inspection Questionnaire ('PIQ') vide letters and emails dated December 08, 2021 & December 17, 2021 that he was the Director and

Principal Officer of Multibagger Securities Research & Advisory Pvt. Ltd. ('MSRAPL') which is a SEBI registered RIA. This implies that the investment advisory business of MSRAPL and Noticee's business as research analyst should have been managed by separate teams and separate accounts should have been maintained w.r.t. revenues from Noticee's investment advisory business and Research Analyst business. In his reply to the SCN, Noticee has not disputed the fact that he was the Director and Principal Officer of MSRAPL and has contended that RA Regulations do not prohibit a SEBI RIA from operating as a Research Analyst. Noticee has further contended that he does not solicit clients in his research analyst business and clients are solicited by News Channel division named MGNBD and he publishes research reports/ recommendations in his personal capacity. However, I observe that Noticee has not furnished any comments on the allegation that he did not maintain an arms' length distance from his investment advisory business of MSRAPL. Since Noticee has not disputed the aforesaid allegation, I find that Noticee has failed to comply with Regulations 15(2) and 24(1) of the RA Regulations. Further I find that by failing to comply with Regulations 15(2) and 24(1) of the RA Regulations, Noticee has failed to effectively address conflict of interest and act with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities. Therefore, in view of the aforesaid facts on record and Noticee's own admission, I find that the allegation that Noticee violated the provisions of Regulations 15 (2) and 24(1) of RA Regulations and Clauses 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of the RA Regulations stands established.

21. It has been further alleged in the SCN that Noticee had traded in stocks recommended by it, during the restricted period stipulated under Regulation 16 of RA Regulations in 5 instances and had also traded contrary to his stock recommendations on two instances, which was in violation of Regulation 16 and internal policies of the RA. In view of the above, it has been alleged that Noticee had violated Regulations 16(2) and 16(3) of RA Regulations and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of the RA regulations read with Regulation 21(2) and point 35 of the FAQs to RA Regulations issued by SEBI.

22. I note that in terms of Regulation 16(2) of RA Regulations read with the definition of Independent Research analyst under Regulation 2(h) of RA Regulations, Noticee is restricted from dealing or trading in securities that he recommends or follows as a research analyst, within thirty days before and five days after the publication of research report. I also note that prohibition of trading during restricted aforesaid restricted period is also laid out in the Internal Policy of the research analyst. In terms of Regulation 16(3) of RA Regulations, an RA is also restricted from dealing or trading directly or indirectly in securities that he reviews in a manner contrary to his given recommendation.
23. I note from the Noticee's response to the Pre-Inspection Questionnaire ('PIQ') vide letter dated December 08, 2021 that Noticee had recommended 5 stocks namely, Andhra Petrochemicals Ltd. (Buy recommendation on June 22, 2020), Jyoti Resins Ltd. (Buy recommendation on February 17, 2021), Saven Technologies Ltd. (Buy recommendation on October 12, 2020), Smruthi Organics (Buy recommendation on November 18, 2020), and Yash Pakka (Buy recommendation on December 08, 2020). I also note from the Trade logs provided by NSE and BSE in respect of Noticee's trades executed between April 01, 2020 and March 31, 2021 that Noticee traded in the aforesaid 5 stocks which were recommended by him during the restricted period. i.e., he had executed buy trades in the scrips of Andhra Petrochemicals Ltd. on June 22, 2020, buy trades in Saven Technologies Ltd. on October 12, 2020, buy trades in Smruthi Organics on November 23, 2020, buy trades in Yash Pakka Ltd on December 08, 2020 and had executed sell trades in the scrips of Andhra Petrochemicals Ltd. on July 17, 2020 as well as in Jyoti Resins Ltd. on February 17, 2021. I note that the aforesaid regulations unambiguously prohibit trading within the restricted period in stocks which are recommended by an RA. The aforesaid instances clearly indicate that he has executed trades in his recommended stocks during the restricted period, which is a violation of Regulation 16(2) of the RA Regulations. I note that Noticee has not disputed that the aforesaid trades were in violation of Regulation 16(2) of RA Regulations but has only contended that he is not an independent research analyst in terms of Regulation 16 of RA Regulations. Therefore, I find that the Noticee's trades in aforesaid 5 stocks during the restricted period were in violation of Regulation 16(2) of RA Regulations. I also note that out of the trades in the said 5 stocks, Noticee traded contrary to his recommendations in respect of 2 stocks namely, Andhra Petrochemicals Ltd. and Jyoti Resins Ltd. In terms of Regulation 16(3) of RA Regulations, an RA is also restricted from dealing or trading directly or indirectly in

securities that he reviews in a manner contrary to his given recommendation. Thus, I note that the Noticee's trades in the aforesaid 2 stocks were in violation of Regulation 16(3) of RA Regulations. In his submissions, Noticee has denied the aforesaid allegation and has contended that his sell trade in Andhra Petrochemicals Ltd stock, which was contrary to his buy recommendation, was executed 27 days after he had communicated buy recommendation to his clients. It is noted that the provisions of Regulation 16(3) of RA Regulations do not stipulate any time period for the purpose restricting the trading of a Research Analyst which are contrary to the recommendations made by him. Thus, I do not find the Noticee's contention to be valid. I also note that Noticee has placed reliance on the Hon'ble Supreme Court's judgement in the matter of Abhijit Rajan vs. SEBI (decided on September 19, 2022) in support of its contentions. I note that the aforesaid judgement was in respect of allegations of insider trading under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992 ("**PIT Regulations**") and therefore, the same is not relevant in respect of the instant allegations. Thus, I note that Noticee's reliance on the said judgement is misplaced. Thus, I find the aforesaid contention to be baseless. Further, I find that by failing to comply with Regulations 16(2) and 16(3) of RA Regulations, Noticee has failed to effectively address conflict of interest and act honestly and in good faith with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities. Therefore, I find that the allegation that Noticee violated Regulations 16(2), 16(3) of RA Regulations and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA regulations read with Regulation 21(2) and point 35 of the FAQs to RA Regulations stands established.

24. It has been alleged in the SCN that the Noticee had not maintained any records of rationales in respect of at least 16 out of 19 stock specific recommendations made by him and that the Noticee gave recommendations without any adequate documentary basis, supported by research. In view of the above, it has been alleged that Noticee had violated the provisions of Regulations 18(7), 20(1) and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA regulations.
25. I note that in terms of Regulations 18 & 20(1) of the RA Regulations, Noticee is required to have adequate documentary basis, supported by research, for preparing a research

report. I note from the pre-inspection questionnaire that Noticee was asked to provide all details with respect to the research reports and recommendations made by it. However, I note from Noticee's response to the Pre-Inspection Questionnaire ('PIQ') vide letters and emails dated December 08, 2021 & December 17, 2021, that Noticee had not provided the aforesaid rationale to the inspecting authority during inspection in respect of at least 16 out of 19 stock specific recommendations made by him. However, in his reply to the SCN, Noticee has contended that he was maintaining all the rationale of stock specific recommendations and that the rationale of stock specific recommendations was never asked for by SEBI. This contention appears to be incorrect since I note that all details and records pertaining to the Research reports and recommendations were sought from Noticee in the PIQ.. Nevertheless, Noticee has admitted in his reply that the rationale for his recommendations were not submitted by him before the inspecting authority. I note that Noticee has, in his reply to SCN, now produced documents which according to him state the rationale for his recommendations. However, in view of the fact that the Noticee did not produce the said records before the inspecting authority, the aforesaid documents, enclosed with his submissions, seem to have been created as an afterthought for the purpose of the instant adjudication proceedings. Thus, I find the aforesaid contention of Noticee to be baseless and hold that Noticee failed to comply with the provisions of Regulations 18(7) and 20(1) of RA Regulations. I also find that by failing to comply with the aforesaid provisions of RA Regulations, Noticee has failed to effectively address conflict of interest and act honestly and in good faith with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities. Hence, I find that the allegation that Noticee violated the provisions of Regulations 18 (7), 20(1) of RA Regulations and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of the RA regulations stands established.

26. It has been alleged in the SCN that Noticee did not provide necessary disclosure in his research reports and recommendations made in general and/or through public appearances/media and therefore, Noticee has violated the provisions of Regulations 19 & 21(1) of RA Regulations and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.

27. I note that in terms of Regulations 19 and 21(1) of the RA Regulations, Noticee is required to disclose all material information about itself including its business activity, disciplinary history, the terms and conditions on which it offers research report, details of its registration status, details of financial interest if any in the subject company, details of associates and such other information as is necessary to take an investment decision.
28. I note from the records of inspection that a copy of research report of scrip Investment Trust of India (also known as Fortune Financial), published by Noticee, was provided to SEBI during inspection. I note that a reference of this recommendation was made by Noticee in his WhatsApp/Telegram group chats of the period December 07, 2020 to December 22, 2020. It is noted that the said research report as well as the recommendation did not disclose material information about Noticee including his business activity, disciplinary history, the terms and conditions on which it offers research report, details of its registration status, details of financial interest if any in the subject company, details of associates and other investment related information as stipulated in Regulation 19 of RA Regulations. In his reply, Noticee has contended that Regulation 19 prescribes a lot of disclosures to be provided along with research reports and all those disclosures are not practical to be provided with just stock specific research recommendation. Thus, I note that Noticee has not disputed the allegation that he had failed to provide the necessary disclosures as stipulated under Regulation 19 of RA Regulations. In his reply, Noticee has also vehemently denied the genuineness and authenticity of the said Whatsapp/Telegram chats and contended that the Whatsapp/Telegram chats in which he had made stock recommendations were not “public appearances” and thus he was not required to maintain records in respect of such Whatsapp/Telegram chats. Noticee has also contended that his Whatsapp/Telegram chats were in the nature of recommendations which are usually made on news media channels. I note that it has already been established in the earlier part of the order that Noticee’s WhatsApp/Telegram group chats were “public appearances” and thus, the aforesaid contentions are devoid of merit. I note that in terms of Regulation 21(1) of RA Regulations, Noticee was under an obligation to disclose in his research reports and research recommendations made through Whatsapp/Telegram chats, the details of his registration status and details of financial interest in the subject company in respect of which he makes research report/recommendations. However, I note that the impugned research reports and WhatsApp/Telegram group chats did not contain the aforesaid details as stipulated under Regulation 21(1) of RA Regulations. Therefore, I find that

Noticee failed to comply with the provisions of Regulations 19 & 21(1) of the RA Regulations and thus, Noticee has failed to effectively address conflict of interest and act honestly and in good faith with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities. Thus, I find that the allegation that Noticee violated Regulations 19 & 21(1) of RA Regulations and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations stands established.

29. It has been alleged in the SCN that the Noticee has not complied with 'Know Your Client' ('**KYC**') procedure in respect of his clients and in accordance with the provisions of SEBI Circulars ISD/CIR/RR/AML/1/06 dated January 18, 2006 and ISD/CIR/AML/2/06, dated March 20, 2006 read with SEBI Master circular SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019 issued with regard to KYC, client due diligence ('**CDD**'), Anti-Money Laundering ('**AML**')/Prevention of Money Laundering Act, 2002 ('**PMLA**') and Combating the Financing of Terrorism ('**CFT**').
30. I note from Noticee's response to the Pre-Inspection Questionnaire ('**PIQ**') vide letters and emails dated December 08, 2021 & December 17, 2021 that Noticee refused to provide any information and records in respect of compliances in respect of procedures adopted by him for KYC, fee collected from clients, Client Due Diligence ('**CDD**') and Anti-Money Laundering ('**AML**') guidelines in the SEBI PMLA Circulars under the pretext that he does not solicit any client and does not take any fees and Noticee's Whatsapp/Telegram groups do not come under purview of SEBI as an RA. I have perused the KYC details and payment records obtained from Instamojo, the payment gateway used by Noticee for the purpose of soliciting payments from his clients. I have also perused the Whatsapp/Telegram chats for the December 07, 2020 to December 22, 2020 and I note that Noticee collected Rs. 4,16,16,669/- from 583 clients during the inspection period by providing research recommendations/reports as a Research Analyst on his Whatsapp/Telegram group chats. Further, from the extracts of the WhatsApp group of Noticee, I note that the Noticee was asking for KYC details from his existing clients on December 18, 2020 and December 22, 2020. However, I note from Noticee's response to the PIQ that he did not provide any records of KYC during the inspection. Noticee has also submitted in the said response to the Pre-Inspection Questionnaire that he has not taken KYC Registration Agency (KRA) and Central KYC ('**CKYC**') registrations. In his

reply to SCN, Noticee has admitted that he did not provide information and records in respect of compliances in respect of KYC procedures, fee collected from clients, CDD and AML guidelines. Therefore, on account of Noticee's own admission, it is clear that Noticee failed to comply with the provisions of SEBI PMLA Circulars and thereby, Noticee has failed to act honestly and in good faith with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities. Thus, I find that the allegation that Noticee violated the provisions of SEBI Circulars ISD/CIR/RR/AML/1/06 dated January 18, 2006 and ISD/CIR/AML/2/06, dated March 20, 2006 read with SEBI Master circular SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019 along with key circulars/directives issued with regard to KYC, CDD, AML and CFT as mentioned in the said circulars and the 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 stands established.

31. It has been alleged in the SCN that the annual audit in respect of Noticee's compliance with RA Regulations was not conducted by an independent entity and the certificate in respect of the said compliance audit was issued by the compliance officer of the associated entity of Noticee, i.e. MSRAPL. In view of the above, it has been alleged that Noticee has violated Regulation 25(3) of the RA Regulations and clauses 1, 2, 6, 7, 8, of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations.
32. I note that in terms of Regulation 25(3) of RA Regulations, Noticee is required to conduct annual audit (hereinafter referred to as "**compliance audit**") by a member of Institute of Chartered Accountants of India ("**practicing Chartered Accountant**") or Institute of Company Secretaries of India ("**practicing Company Secretary**") in respect of its compliance with RA Regulations. I note from the records of inspection that that Ashwani K Dhiman, Company Secretary, had issued a certificate dated April 23, 2021 in respect of annual audit verifying the Noticee's compliance with the RA Regulations and the said certificate confirmed compliance with the RA Regulations. I further note from MSRAPL's letter dated August 12, 2021, addressed to one of its clients, that Ashwani K. Dhiman was the compliance officer of MSRAPL which was the associated entity of the RA. In his reply to the SCN, Noticee has admitted that Ashwani K Dhiman was a practicing Company

Secretary and the compliance officer of MSRAPL. Noticee has further contended that an independent practicing company secretary can do compliance/compliance audit of 2 entities. In this regard, I note that as per Black's Law Dictionary, a "compliance audit" means, *"An audit conducted by a regulatory agency, organisation or a third party to assess compliance with one or more sets of laws and regulations."* Therefore, as per the aforesaid definition of the term "compliance audit", a compliance audit can only be conducted by a third party. However, I find that the text of Regulation 25(3) of RA Regulations is silent as to whether the compliance audit stipulated thereunder should be undertaken by a third party or not. Thus, in view of lack of clarity in this regard, I am inclined to give benefit of doubt to the Noticee in this regard. Therefore, I find that the allegation that the Noticee violated Regulation 25(3) of RA Regulations does not stand established.

33. It has been alleged in the SCN that that by not using the term 'Research Analyst' in all the correspondences with his clients, and by not intimating his change in address to SEBI after registration and by violating the provisions of RA Regulations and Circulars/Guidelines issued under the provisions of the SEBI Act as mentioned above, Noticee has violated the provisions of Regulations 13 (i), 13 (ii) and 13 (iii) and the 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.
34. I note that in terms of the conditions of certificate as laid down in Regulations 13 (i), 13 (ii) and 13 (iii) of RA Regulations, Noticee is required to inform SEBI in writing, if any information or particulars previously submitted to SEBI are found to be false or misleading in any material particular or if there is any material change in the information already submitted, and also use the term 'research analyst' in all correspondences with its clients.
35. On perusal of Noticee's response to the PIQ and the extracts of Noticee's WhatsApp/Telegram group chats for the period December 07, 2020 to December 22, 2020, I observe that Noticee had made 19 Research reports/stock specific recommendation during the inspection period. I further note from the aforesaid Whatsapp/Telegram chats that Noticee made research reports/recommendations with respect to 9 stocks in the said WhatsApp/Telegram group chats but he did not use the term 'Research Analyst' in such recommendations and Whatsapp/Telegram chats and also did not disclose the details of his credentials as SEBI registered Research Analyst in

the aforesaid correspondence with his clients. I note that while Noticee has denied the aforesaid allegation, he has not furnished any evidence to show that he had complied with the aforesaid regulatory requirement stipulated under Regulation 13(iii) of RA Regulations. Thus, I find that Noticee had failed to comply with Regulation 13(iii) of RA Regulations. Therefore, I find that by failing to comply with the provisions of Regulation 13(iii) of RA Regulations, Noticee has failed to act honestly and in good faith with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities. In view of the foregoing, I find that Noticee has failed to abide by the provisions of RA Regulations and therefore violated Regulation 13(i) of RA Regulations. Thus, in view of the foregoing, I find that the allegation that Noticee violated Regulations 13 (i) and 13 (iii) of RA Regulations and the 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 stands established.

36. I have also perused the screenshot pertaining to the SEBI Intermediary portal as provided in the records of inspection. It shows that Noticee had made an application for change in its address to SEBI which was approved by SEBI on February 14, 2022. In his reply, Noticee has contended that the request for change in his address was made by him and that the same had been approved by SEBI. In view of the foregoing, I am inclined to accept the contention of Noticee. Thus, I find that the allegation that Noticee violated Regulation 13(ii) of RA Regulations does not stand established.
37. It has been alleged in the SCN that 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 under the pretext that the Noticee is not soliciting clients and does not charge any fees for his research analyst services. It has also been alleged that by refusing to provide the aforesaid information and records, Noticee failed in providing all such assistance and co-operation as required in connection with the inspection. In view of the above it has been alleged that Noticee violated the provisions of Regulations 29 (1) and 29 (2) of RA Regulations read with Sections 11(2)(i) and 11(2)(ia) of the SEBI Act and the clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.

38. I note that in terms of Regulations 29(1) and 29(2) of RA Regulations, Noticee is required to produce to the inspecting authority such books, accounts and other documents in his possession or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection. In this regard, I note that it has already been established that during the inspection, Noticee's records in respect of Noticee's research recommendations were found to be incomplete and KYC records of Noticee's clients were not furnished by Noticee to the inspecting officials, despite the inspecting authority asking for such documents. In his reply to the SCN, Noticee has contended that as per Regulations 29(1) and 29(2) of RA Regulations, he is obligated to produce only those documents which are in his possession and therefore, since the aforesaid documents were not in his possession, he has not violated Regulations 29(1) and 29(2) of RA Regulations. At this juncture, I find that in order to decide whether Noticee violated Regulations 29(1) and 29(2) of RA Regulations, it is essential to establish whether Noticee actually had possession of the aforesaid documents or not. However, I find that the records of inspection do not clearly establish as to whether the aforesaid documents were in the possession of the Noticee at the relevant time. Thus, I am inclined to give benefit of doubt to the Noticee in this regard and accept the aforesaid contention. Therefore, I find that the allegation that Noticee violated the provisions of Regulations 29 (1) and 29 (2) of RA Regulations read with Sections 11(2)(i) and 11(2)(ia) of the SEBI Act and the clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations does not stand established.

Issue No. II- Do the violations, if any, attract a monetary penalty under Sections 15EB, 15HA, 15A(a) and 15A(c) of SEBI Act?

39. It has been established in the foregoing paragraphs that the Noticee has violated Regulations 13(i), (iii), 15(1), 15(2), 24(1), 25(1), 18(7), 19, 20(1), 21(1), 16(2), 16(3) of RA Regulations and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations read with Regulation 21(2) of RA Regulations and point 35 of the FAQs to RA Regulations as well as SEBI PMLA Circulars issued by SEBI and Regulations 3(a), (b), (c) and (d) and 4(1) and 4(2) (k), (o) and (s) of PFUTP Regulations read with sections 12A (a), (b) and (c) of the SEBI Act and Regulation 2(1)(c) of PFUTP Regulations. In the context of the above, I refer to the observations of Hon'ble Supreme Court in the matter of Chairman, SEBI vs. Shriram

Mutual Fund {[2006] 5 SCC 361} wherein the Hon'ble Court had held that: "*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established.....*"

40. Therefore, in view of the foregoing findings and placing reliance on the above judgment of Hon'ble Supreme Court, I find that the aforesaid violations will attract monetary penalty under Sections 15EB, 15HA and 15A(c) of SEBI Act as specified in paragraph 2 of the order. The respective provisions, as applicable at the time of the violations, are reproduced as under:

Penalty for default in case of investment adviser and research analyst.

15EB. *Where an investment adviser or a research analyst fails to comply with the regulations made by SEBI or directions issued by SEBI, 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.*

Penalty for failure to furnish information, return, etc.

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

...
(c) *to maintain books of account or records, fails to maintain the same, 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.*

Penalty for fraudulent and unfair trade practices

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

Issue No. III - What should be the quantum of monetary penalty?

41. While determining the quantum of penalty under Sections 15EB, 15HA and 15A(c) of SEBI Act, it is important to consider the factors as stipulated in Section 15J of SEBI Act, which reads as under:-

SEBI Act

Factors to be taken into account by the adjudicating officer.

Section 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.*

42. In the present matter, it is noted from available records that Noticee had collected Rs. 4,16,16,669/- from 583 clients by charging them for services provided as a Research Analyst. However, as noted, Noticee had failed to comply with basic requirements of RA Regulations and also promised assured returns and mis-sold his services to clients and thus, failed to act honestly and in good faith with due skill, care and diligence, and failed to adhere to high professional standard, appropriate standards of conduct and compliance with regulatory requirements. Therefore, I find that Noticee had acted with blatant disregard for the interest of their clients and made a disproportionate gain by exposing their uninformed clients to the risk of financial peril. Thus, in light of such grave violations committed by Noticee, I am of the view that the aforesaid amount of money collected as fees by the Noticee from their clients was tantamount to disproportionate gain or unfair advantage obtained by Noticee, even though the material available on record does not sufficiently quantify the amount of loss caused to investors as a result of the aforementioned violations by Noticee. As regards the repetitive nature of the default, I do not find the inspection having brought on record any regulatory action taken by SEBI in past against Noticee for the same violations as those observed in the instant inspection. However, as a SEBI registered Research Analyst, Noticee was under a statutory obligation to abide by the provisions of RA Regulations and act honestly and fairly in the best interests of their clients, which he had deliberately failed to do. Such blatant disregard for the provisions of law governing the functioning of Research Analysts calls for a stiff penalty which would act as a deterrent.

ORDER

43. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by Noticee, and also the factors mentioned in Section 15J of SEBI Act, as enumerated above, I, in the exercise of the powers conferred upon me under Section 15-I of SEBI Act read with Rule 5 of the Adjudication Rules, hereby impose the following penalties on Noticee under Sections 15EB, 15HA, and 15A(c) of SEBI Act for the violations established above:

Name of Noticee	Penalty under Section 15EB of SEBI Act	Penalty under Section 15HA of SEBI Act	Penalty under Section 15A(c) of SEBI Act
MANISH GOEL (MANISH KR. GOYAL), RESEARCH ANALYST	Rs. 40,00,000 /- (Rupees Forty Lakhs only)	Rs. 15,00,000 /- (Rupees Fifteen Lakhs only)	Rs. 5,00,000 /- (Rupees Five Lakhs only)

44. Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW. In case of any difficulties in payment of penalties, said Noticee may contact the support at portalhelp@sebi.gov.in.

45. The Noticee shall forward the said confirmation of e-payment made in the format as given in the table below which should be sent to "The Division Chief, EFD – DRA - VI, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C- 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in

1. Case Name:	
2. Name of payee:	
3. Date of payment:	
4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	
7. Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

46. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under Section 28A of SEBI Act for the realisation of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties of Noticee.

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

PLACE: Mumbai

DATE: August 11, 2023

SOMA MAJUMDER

ADJUDICATING OFFICER