BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/BM/GN/2023-24/30053]

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

Noticee No.	Name of the Noticee	PAN
1	Beeline Broking Limited (Merchant Banker)	AAGCB0134P

In the matter of

Inspection of Beeline Broking Limited

Background

1) Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) conducted a comprehensive inspection, of M/s Beeline Broking Limited (hereinafter referred to as **Noticee**) from June 19, 2023 to June 20, 2023. The period covered in the inspection was from April 01, 2021 to March 31, 2023 (hereinafter referred to as **'Inspection Period'**).

2) The Noticee is a SEBI-registered Merchant Banker having SEBI registration number as INM000012546 as Merchant Banker.

3) Based on the findings of Inspection conducted by SEBI, and the response dated June 30, 2023 of the Noticee to the inspection findings, submitted to SEBI, certain alleged non-compliances were observed of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007, SEBI (Merchant Bankers) Regulations, 1992, and notifications issued by SEBI.

APPOINTMENT OF ADJUDICATING OFFICER

4) SEBI, vide communiqué dated November 23, 2023, appointed the undersigned as the Adjudicating Officer to inquire into and adjudge under the provisions of Section 15HB of the SEBI Act for the violations alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

5) Show Cause Notice (hereinafter being referred to as the **"SCN"**) dated December 07, 2023 was issued to Noticee in terms Rule 4(1) of Adjudication Rules to show cause as to why an inquiry should not be initiated against Noticee and why penalty, if any, should not be imposed upon Noticees under Section 15HB of SEBI Act for the alleged violations of Regulation 3 of the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 read with SEBI notification no. LAD-NRO/GN/2013-14/15/6319 dated August 02, 2013, SEBI notification no. LAD-NRO/GN/202-13/33/1103 dated March 11, 2013 and Regulation 9A(1)(e) of the SEBI (Merchant Bankers) Regulations 1992.

6) Following are allegations made against the Noticee in the SCN-

   a) During inspection it was observed that Mr. Nevil Rameshbhai Savjani {Key Managerial person (hereinafter referred to as **KMP**)} resigned on November 15, 2021. Mr. Nevil Rameshbhai Savjani's NISM certification commenced from September 29, 2019 and expired on September 28, 2022. As his resignation date is November 15, 2021, so there is no NISM certification for a KMP from November 16, 2021 onwards. Vide reply dated June 30, 2023 to the inspection findings Noticee submitted that Mr. Nevil Savjani was having NISM Certificate which was effective from April 05, 2016 to April 04, 2019. Noticee accepted that NISM certificate of KMP was not available for a period commencing from April 05, 2019 to September 28, 2019.

   b) Further, Mr. Sandipkumar Shivaran Gupta (KMP) and Ravikumar Mafatlal Patel (KMP) resigned on October 31, 2021. Hence, there was only one KMP in the Company i.e. Mr. Nevil Savjani between a period from November 01, 2021 to November 15, 2021 and was holding NISM Certificate for Series IX valid during this period.

   c) In view of the above, it was alleged that Noticee was non-compliant with SEBI notification no. LAD-NRO/GN/2013-14/15/6319 dated August 02, 2013 read with Regulation 3(1) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007, from April 05, 2019 to September 28, 2019 and then from November 01, 2021 to November 15, 2021 and November 16, 2021 till the date of inspection and Regulation 9A(1)(e) of the SEBI (Merchant Bankers) Regulations 1992.

d) During inspection it was also observed that Mr. Vanesh Pramod Panchal resigned on July 21, 2022 and his NISM certificate commenced from June 02, 2018 and expired on June 01, 2021.

e) Therefore, it was alleged that NISM Series IIIA Certification obtained by Mr. Vanesh Panchal expired on June 01, 2021 and later on w.e.f. July 21, 2022, he resigned as Compliance Officer.

f) In view of the above, it was alleged that Noticee was also non-compliant with SEBI notification no. LAD-NRO/GN/202-13/33/1103 dated March 11, 2013 read with Regulation 3 of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 from June 02, 2021 to July 21, 2022 and Regulation 9A(1)(e) of the SEBI (Merchant Bankers) Regulations 1992.

7) The SCN was sent to Noticee through Speed Post AD and via digitally signed Email on December 13, 2023 and was duly served upon Noticee. Vide email dated December 27, 2023, Noticee sought an extension of 4 weeks for submitting its reply. Vide email dated December 28, 2023 the request of Noticee was acceded to and Noticee was requested to submit its reply on or before January 25, 2024. Vide email dated January 25, 2024, Noticee submitted its reply.

8) The Noticee's reply is summarised below:

a) Noticee submitted that Mr. Nevil Savjani (KMP) was already having experience of more than 10 years and particularly in the Merchant Banking field and in addition having NISM certificate Series IX certificate since April5, 2016 till September 28, 2022 except for a period of 6 month 5/4/2019 to 28/09/2019 does not impact the credentials of registration. In other intermediary registration with SEBI like Stock Broker, Registered Depository Participants, Research Analyst, Investment Advisor, Registered Portfolio Managers etc and like wise in many other NISM Series certification which permits to continue to hold the certificate subject to attending CPE Programmes in which there are two categories "Grandfather by Age Category" and "Grandfather by Experience Category".

b) Noticee further submitted that there were always KMP's in Company since April 1, 2021 till November 15, 2021 and during such tenure itself 6 SME IPO's were listed out of 8 SME IPO on or before November 15, 2021, 2 SME IPO for which engagement was *initiated prior to November 15, 2021 and therefore handled by the same KMP's of the Company.*

c) *Further, Noticee submitted that compliance officer Mr. Pradip Sandhir has already obtained NISM series IIIA certification on May 23, 2023 i.e. one year of being designated as compliance officer on July 21, 2021. Mr. Vanesh Panchal was already having valid NISM Series IIIA certification upto June 01, 2021 and later upto July 21, 2022.*

9) In the interest of natural justice, an opportunity of personal hearing was granted to Noticee on February 05, 2024 vide hearing notice dated January 25, 2024. The said hearing notice was sent to Noticee through SPAD and digitally signed email dated February 01, 2024 and was duly served upon Noticee. However, vide email dated February 05, 2024, Noticee sought adjournment of hearing for 15 days, the aforesaid request of adjournment was acceded to and vide email dated February 05, 2024, second opportunity of hearing was provided to Noticee on February 20, 2024. The Authorised Representative (ARs), appointed vide Noticee's letter dated February 20, 2024, appeared for the hearing scheduled on February 20, 2024 through zoom platform and made submissions on the lines of written reply submitted by Noticee and sought time till February 23, 2024 for the submission of additional reply. Vide email dated February 23, 2024 Noticee has made the additional submissions, the same is summarized below-

a) *Noticee submitted that the reason for not appointing KMPs in the company as company was under process of filing the surrender application with the SEBI and for which first email requesting for filing documents was filed on July 1, 2023 and the first email for surrender of registration as a merchant banker was submitted on May 10th, 2023. Noticee further submitted that they have not taken up any new business post resignation of such KMP and compliance officer. Noticee also submitted that they have not carried out activities related to merchant banking since last 2 years.*

<u>CONSIDERATION FOR ISSUES, EVIDENCE AND FINDINGS</u>

10) I have taken into consideration the facts and circumstances of the case and the material available on record. The issues that arise for consideration in the present case are:

ISSUE I: Whether Noticee has violated provisions of Regulation 3 of the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 read with SEBI notification no. LAD-NRO/GN/2013-14/15/6319 dated August 02, 2013 and SEBI notification no. LAD-NRO/GN/202-13/33/1103 dated March 11, 2013 and Regulation 9A(1)(e) of the SEBI (Merchant Bankers) Regulations 1992?

ISSUE II- Does the violation, if any, attract monetary penalty under Section 15HB of the SEBI Act, 1992 for Noticee?

ISSUE III- If so, how much penalty should be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?

11) Before proceeding further, it will be appropriate to refer the provisions of Regulation 3 of the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 read with SEBI notification no. LAD-NRO/GN/2013-14/15/6319 dated August 02, 2013 and SEBI notification no. LAD-NRO/GN/202-13/33/1103 dated March 11, 2013 and Regulation 9A(1)(e) of the SEBI (Merchant Bankers) Regulations 1992.

SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007

Obligation to obtain certificate

3. (1) The Board may by notification in the Official Gazette require such categories of associated persons to obtain requisite certificate for engagement or employment with such classes of intermediaries and from such date as may be specified in the notification:

Provided that an associated person employed or engaged by an intermediary prior to the date specified by the Board may continue to be employed or engaged by the intermediary if he obtains the certificate within two years from the said date.

(2) An associated person on being employed or engaged by an intermediary on or after the date specified by the Board shall obtain the certificate within one year from the date of being employed or engaged by the intermediary.

(3) An associated person who, as on the date specified by the Board, holds a certificate for a category as recognized by the Board shall not be required to obtain a fresh certificate for the same category during the validity of such certificate.

(4)The Board for the purpose of issuing notification under sub regulations (1) and (2) shall take into consideration:

(a)whether the associated person as part of his work or operation deals or interacts with the investors, issuers or clients of intermediaries;

(b) whether the associated person deals with assets or funds of investor or clients;

(c) whether the associated person handles redressal of investor grievances;

(d) whether the associated person is responsible for internal control or risk management;

(e)whether the associated person is responsible for compliance of any rules or regulations;

(f) whether the associated person is engaged in activities that have a bearing on operational risk of the intermediary.

NOTIFICATION No. LAD-NRO/GN/2013-14/15/6319 dated August 02, 2013

In terms of sub-regulation (1) of regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 (the Regulations), the Board may require by notification, any category of associated persons as defined in the Regulations to obtain requisite certification(s).

Accordingly, it is notified that with effect from the date of this notification, Merchant Bankers registered with the Board shall ensure that atleast two associated persons designated as Key Management Personnel, who,-

a. perform SEBI regulated activities such as initial public offer, further public offer, Open Offer, Buy-back, Delisting;

b. deal with the issuers in connection with activities mentioned in (a) above;

c. deal with intermediaries associated with activities mentioned in (a) above;

d. act as designated Compliance Officer dealing with the activities mentioned in (a) above;

e. submit Due Diligence Certificates to SEBI in connection with the activities mentioned in (a) above;

shall obtain certification from the National Institute of Securities Markets (hereinafter referred to as 'NISM') by passing the NISM-Series-IX: Merchant Banking Certification Examination (hereinafter referred to as 'MBCE') as mentioned in the NISM communiqué No. NISM/Certification/NMD/Series-IX: MB/2013/01 dated March 6, 2013 within two years from the said date of notification:

Provided that a Merchant Banker, who engages or employs any such associated person after the date of this notification, shall ensure that such person obtains certification by passing MBCE within one year from the date of his employment.

Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992

Conditions of registration.

9A. (1) [Registration granted under regulation 8] shall be subject to the following conditions, namely:—

(e) it shall abide by the regulations made under the Act in respect of the activities carried on by it as merchant banker.

NOTIFICATION No. LAD-NRO/GN/202-13/33/1103 dated March 11, 2013

In terms of sub-regulation (1) of regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 (the Regulations), the Board may require, by notification, any category of associated persons as defined in the Regulations to obtain requisite certification(s).

Accordingly, it is notified that with effect from the date of this notification, the associated persons functioning as compliance officers of intermediaries registered with the Board as stock brokers, or depository participants, or merchant bankers, or underwriters, or bankers *to the Issue, or debenture trustees or credit rating agencies, shall obtain certification from the National Institute of Securities Markets (hereinafter referred to as "NISM") by passing the NISM-Series-III A: Securities Intermediaries Compliance (Non-Fund) Certification Examination (hereinafter referred to as "SICCE") as mentioned in the NISM communiqué No. NISM/Certification/Series-III A: SIC/2013/01 dated January 7, 2013.*

All such intermediaries shall ensure that associated persons functioning as compliance officers as on the date of this notification obtain certification by passing SICCE within two years from the date of this notification:

Provided that an intermediary, who engages or employs any such associated persons functioning as compliance officer after the date of this notification, shall ensure that such person obtains certification by passing SICCE within one year from the date of his employment.

FINDINGS

12) On perusal of the material available on record and giving regard to the facts and submission of the noticee and circumstances of the case I record my findings hereunder:

ISSUE I: Whether Noticee has violated provisions of Regulation 3 of the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 read with SEBI notification no. LAD-NRO/GN/2013-14/15/6319 dated August 02, 2013 and SEBI notification no. LAD-NRO/GN/202-13/33/1103 dated March 11, 2013 and Regulation 9A(1)(e) of the SEBI (Merchant Bankers) Regulations 1992?

13) It was observed that Mr. Nevil Rameshbhai Savjani joined Noticee on June 01, 2017 as Key Managerial person (hereinafter referred to as **KMP**) and resigned on November 15, 2021. Mr. Nevil Savjani was having NISM Certificate which was effective from April 05, 2016 to April 04, 2019. Thereafter, Mr. Nevil Rameshbhai Savjani was not having valid NISM series IX certificate from April 05, 2019 to September 28, 2019. Subsequently, Mr. Nevil Rameshbhai Savjani obtained NISM certification which commenced from September 29, 2019 and expired on September 28, 2022.

14) Further, Mr. Sandipkumar Shivaran Gupta was appointed as KMP of Noticee with effect from October 10, 2018 and he obtained NISM certification of series IX on December 16,

2018 which was valid till December 15, 2021. Further, Mr. Ravikumar Mafatlal Patel was appointed as KMP on February 01, 2021 and he obtained NISM certification of series IX on December 16, 2021 which is valid till December 15, 2024. Mr. Sandipkumar Shivaran Gupta and Ravikumar Mafatlal Patel had resigned as KMP of the Noticee on October 31, 2021.

15) As, Mr. Sandipkumar Shivaran Gupta and Ravikumar Mafatlal Patel had resigned on October 31, 2021 and Mr. Nevil Rameshbhai Savjani resigned on November 15, 2021, therefore, it was alleged that there was only one KMP of the Noticee i.e. Mr. Nevil Savjani between a period from November 01, 2021 to November 15, 2021 and was holding valid NISM Certificate for Series IX during this period and post resignation of Mr. Nevil Rameshbhai Savjani there was no person designated as KMP of the Noticee w.e.f. November 16, 2021. The details of the appointment, resignation and the NISM certificates of the KMPs of the Noticee is presented in the below tabular form-

Name of KMP	**Date of Appointment as KMP**	**Date of Resignation as KMP**	**Validity of NISM Series IX Certificate**
Mr. Nevil Savjani	01/06/2017 (Since Application for reg. as MB, date of Registration 04/06/2018)	15/11/2021	05/04/2016 to 04/04/2019 And 29/09/2019 to 28/09/2022
Mr. Sandipkumar Shivaran Gupta	10/10/2018	31/10/2021	16/12/2018 to 15/12/2021
Ravikumar Mafatlal Patel	01/02/2021	31/10/2021	16/12/2021 to 15/12/2024

16) Therefore, it was alleged in the SCN that Noticee was non-compliant with SEBI notification no. LAD-NRO/GN/2013-14/15/6319 dated August 02, 2013 read with Regulation 3(1) of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007, from April 05, 2019 to September 28, 2019 and then from November 01, 2021 to November 15, 2021 and November 16, 2021 till the date of inspection and Regulation 9A(1)(e) of the SEBI (Merchant Bankers) Regulations 1992.

17) Noticee, in its reply to the SCN, submitted that Mr. Nevil Savjani was already having experience of more than 10 years in the Merchant Banking field and Mr. Nevil Savjani had NISM Series IX certificate since April 5, 2016 till September 28, 2022 except for a period of 6 month 5/4/2019 to 28/09/2019. Noticee accepted that NISM certificate of KMP was not available for a period commencing from April 05, 2019 to September 28, 2019. Noticee further submitted that Mr. Nevil Savjani resigned as KMP w.e.f. November 15, 2021 therefore there was no KMP of Noticee w.e.f. November 16, 2021. Noticee further submitted that it did not appoint any KMP as it was in the process of surrendering its registration as a merchant banker. Noticee in its submission stated that the last assignment taken by it was on September 22, 2021. It has submitted documentary evidence in this regards.

18) It was also observed that Mr. Vanesh Pramod Panchal (compliance officer of the Noticee) resigned on July 21, 2022 and the NISM certificate of Mr. Vanesh Panchal commenced from June 02, 2018 and expired on June 01, 2021. Thereafter, Mr. Pradip Ramprasad Sandhir was appointed as compliance officer of the company on July 21, 2022 and he obtained NISM series IIIA certificate within one year from the date of his appointment i.e. on May 23, 2023. The date of appointment, resignation and validity of Series IIIA certificate examination of compliance officers of the Noticee is presented below in the tabular form:

Name of Compliance Officer	**Date of Appointment**	**Date of Resignation**	**Validity of NISM Series IIIA Certificate**
Mr. Vanesh Panchal	26/08/2014 (Since Application for reg. as MB, date of Registration 04/06/2018)	21/07/2022	02/06/2018 to 01/06/2021 and 13/12/2022 to 12/12/2025
Mr. Pradip Ramprasad Sandhir	21/07/2022	--	23/05/2023 to 22/05/2026

19) Therefore, it was alleged that Noticee was non-compliant with SEBI notification no. LAD-NRO/GN/202-13/33/1103 dated March 11, 2013 read with Regulation 3 of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 and Regulation 9A(1)(e) of the SEBI (Merchant Bankers) Regulations 1992.

20) Noticee in its reply to the SCN submitted that Mr. Vanesh Panchal was already having valid NISM Series IIIA certification upto June 01, 2021 and later upto July 21, 2022.

21) From the foregoing I observe that the KMP of the Noticee Nevil Savjani did not have valid NISM cerification for period of 6 months from April 2019 to September 2019. Further after the resignation of 2 KMPs viz: Mr. Sandipkumar Shivaran Gupta and Ravikumar Mafatlal Patel in October 2021 Noticee had only one KMP i.e. Mr Nevil Savjani who too resigned in November 2021. This is not in compliance of regulation 3 of SEBI (Certification of Associated Persons in the Securities Market), 2007 read with SEBI notification no. LAD-NRO/GN/2013-14/15/6319 dated August 02, 2013.

22) Further I observe that the compliance officer of the Noticee Mr Vanesh Panchal was not having NISM Certification from June, 2, 2021 to July 21, 2022. This was observed to be in non-compliance of SEBI notification no. LAD-NRO/GN/202-13/33/1103 dated March 11, 2013 read with Regulation 3 of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 from June 02, 2021 to July 21, 2022 and Regulation 9A(1)(e) of the SEBI (Merchant Bankers) Regulations 1992.

23) The merchant banker performs a crucial role while discharging his responsibility of providing appropriate, and accurate disclosures for the investors to take informed decisions for investment. While there has been technical violation by the Noticee I observe that Noticee took its last assignment in September 2021 and was in the process of closing down its business. It has filed its application for surrender to SEBI on July 1, 2023. There have been no allegations of any discrepancy observed in the documents handled by the Noticee during the period of delinquency. Had the Noticee showed interest to continue to do business as merchant banker, it would have been advised to be careful in the future. Given all of the above, I am therefore inclined to hold that a penalty in the matter may not be justified, and accordingly dispose of the show cause notice in the matter.

ORDER

24) In view of the above, I do not find it to be a fit case for imposition of penalty under section 15HB of SEBI Act, 1992. Hence, the SCN dated December 07, 2023 is disposed of, without imposition of penalty

25) In terms of the provisions of rule 6 of the SEBI Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

Place: Mumbai **BARNALI MUKHERJEE**

Date: February 28, 2024 **ADJUDICATING OFFICER**