

# National Stock Exchange of India

## Circular

Department: Investigation	
Download Ref No: NSE/INVG/61318	Date: March 26, 2024
Circular Ref. No: 301/2024	

To All NSE Members,

**Sub: SEBI Order in the matter of unregistered Investment Advisory by Ways2Star (Proprietor: Jayesh Shantilal Raval)**

This is with reference to SEBI Order No. QJA/GR/WRO/WRO/30171/2023-24 dated March 26, 2024, wherein SEBI has debarred following entity from accessing the securities market, directly or indirectly and prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of two years from the date of this order or till the date of filing of report, as directed in para 30(e) of SEBI Order, whichever is later.

Noticee No.	Name of Entity	PAN
1	Ways2Star (Proprietor: Jayesh Shantilal Raval)	BXEPR5948G

The order comes into force with immediate effect.

The detailed order is available on SEBI website (<http://www.sebi.gov.in>).

Further, the consolidated list of such entities is available on the Exchange website <http://www.nseindia.com> home page at the below mentioned link:

<https://www.nseindia.com/regulations/member-sebi-debarred-entities>

Members are advised to take note of the above and ensure compliance.

In case of any further queries, members are requested to email us at [dl-invsg-all@nse.co.in](mailto:dl-invsg-all@nse.co.in)



---

## **National Stock Exchange of India**

**For and on behalf of  
National Stock Exchange of India Limited**

**Sandesh Sawant  
Senior Manager**

**ANNEXURE: SEBI Order in the matter of unregistered Investment Advisory by Ways2Star  
(Proprietor: Jayesh Shantilal Raval)**

## SECURITIES AND EXCHANGE BOARD OF INDIA

## ORDER

Under Section 11(1), 11(4), 11(4A), 11B (1) and 11B (2) of the Securities and Exchange Board of India Act, 1992.

---

In respect of:

Name of the Noticee	PAN
Ways2Star (Proprietor: Jayesh Shantilal Raval)	BXEPR5948G

In the matter of unregistered Investment Advisory by Ways2Star (Proprietor: Jayesh Shantilal Raval)

---

**BACKGROUND:**

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an examination based on the receipt of a complaint through SCORES against Way2Star managed by its Proprietor: Jayesh Shantilal Raval (hereinafter referred to as '**Noticee**'). It was prima facie found that the Noticee was engaged in investment advisory services and misrepresenting itself as SEBI registered intermediary and is in violation of the provisions of Section 12(1) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') and Regulation 3(1) of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as '**IA Regulations**') and Regulations 3(a), (b), (c) & (d) and 4(1), 4(2)(k) and 4(2)(s) of the PFUTP Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**').
2. Subsequently, a show cause notice dated *November 28, 2023* (hereinafter referred to as "**SCN**") was issued to the Noticee, calling upon it to show cause as to why suitable directions including directions as to refund of fees collected,

debarment, non-association with listed entities, intermediaries, etc. should not be issued against it under sections 11(1), 11(4), 11B(1) and of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) for violations of section 12(1) of the SEBI Act read with Regulation 3(1) of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as “**IA Regulations**”) and penalties under Sections 11(4A) and 11 B (2) of SEBI Act read with Sections 15 EB and Section 15HA of SEBI Act.

3. The facts of the case, as mentioned in the SCN, are following:

a. *The Noticee was running a business of Investment Advisory through its website [www.ways2star.co.in](http://www.ways2star.co.in) and providing Investment Advisory through Whatsapp Chat. Further, Noticee was collecting money in its bank account for investment advisory services. However, it was observed from the SEBI website that Noticee was not registered with SEBI as an Investment Advisor but was projecting itself as a SEBI registered entity. It was using the Sebi Registration No. INA000012306 for the said purpose. The same belongs to another SEBI registered Investment Adviser Mr. Gaurav Baldev.*

b. *The bank account details of Noticee which was used to collect payments from clients for providing investment advisory services are as under:*

<b>Name of Bank</b>	Bank of Baroda
<b>Account Type</b>	Current
<b>Account Name</b>	WAYS2STAR
<b>Account Number</b>	58050200001280
<b>IFSC Code</b>	BARBOSAMAKH
<b>Branch</b>	Sama Khiari - Kachch

c. *From the bank account statement, Bank account opening form and KYC documents of aforesaid bank account following was observed:*

<b>Name of the account holder</b>	WAYS2STAR
<b>Proprietor Name</b>	Sh. Jayesh Shantilal Raval
<b>PAN</b>	BXEPR5948G
<b>Aadhar No.</b>	3184 5493 5478
<b>Nature of Activity / Business</b>	Mobile Shop
<b>Account Type</b>	Current

<b>Date of Incorporation of Establishment</b>	01/05/2021
<b>Account Open date</b>	01-Sept-21
<b>Account Close date</b>	11-July-22
<b>Address</b>	Near Old Bus Stand, Samakhiari, Bhachau, Kachchh, Gujarat -370150
<b>Address of Noticee mentioned on Aadhar</b>	Jayesh Shantilal Raval S/O Shantilal Bhuralal Raval, 00, Ravariya Vas, Pragpar, TA- Rapar, Pragpar, Kachch, Pragpar, Gujarat-370155
<b>Mobile no.</b>	+91- 72084 52387 and 9974124421
<b>Email ID</b>	Jayraval8898@gmail.com

- d. In this connection, the complainant provided certain documents as evidence, in support of his complaint, website link of Noticee, invoices, copies of WhatsApp chats with the Noticee, telegram ID and transaction slips for the payment made by the complainant to the Noticee, through Phonepe, in four tranches i.e. INR 8,000/- on December 27, 2021, INR 20,000/- on December 28, 2021, INR 29,000/- on January 8, 2022 and INR 50,000/- on January 11, 2022.
- e. The following content had been observed to be inter alia mentioned on the website of the Noticee about itself-

*"Welcome To Ways 2 Star*

.....

*Ways 2 Star Advisory Services is a Registered Investment Advisory Organisation. We Provide Recommendation in EQUITY Stock markets. We offer flawless advice to the customer of analyse the stock market and ensure a better understanding of the market's movement backed with experts.*

*Ways 2 Star has been trusted by over 2000 satisfied customers, for consistently developing unique, exceedingly reliable, and effective services served to them. The wide range of services that we offer, for both "Intraday and Positional"*

*services deliver the best for our customers. A team of experienced and talented professionals, possessing competent knowledge of stock market trading processes forms our backbone.*

*Ways 2 Star striving hard to become the most preferred and secure financial solution provider in the financial service arena. Our business idea to secure your future by offering a wide range of well designed and affordable financial products that benefit the majority of day traders and investors.”*

*The Noticee claimed to be a SEBI registered investment advisory firm providing recommendations in equity, derivatives, and commodities segments.*

*f. The Noticee claimed to provide the following services-*

<b>Product</b>	<b>Quarterly Price</b>	<b>Half-Yearly Price</b>	<b>Yearly Price</b>
<i>Cash Intraday</i>	<i>50000</i>	<i>90000</i>	<i>150000</i>
<i>Cash Delivery</i>	<i>40000</i>	<i>70000</i>	<i>125000</i>
<i>Cash BTST</i>	<i>30000</i>	<i>55000</i>	<i>90000</i>
<i>Stock Cash Combo</i>	<i>75000</i>	<i>140000</i>	<i>250000</i>
<i>Future Intraday</i>	<i>60000</i>	<i>110000</i>	<i>200000</i>
<i>Option Intraday</i>	<i>40000</i>	<i>70000</i>	<i>150000</i>
<i>Future BTST</i>	<i>60000</i>	<i>110000</i>	<i>200000</i>
<i>Stock (FNO)</i>	<i>70000</i>	<i>130000</i>	<i>250000</i>
<i>Index Future &amp; Option</i>	<i>80000</i>	<i>150000</i>	<i>280000</i>

*“We provide services such as equity cash & Derivative and Positional Traders, has a license SEBI Investment Advisory Registered.”*

*g. Further, it was observed from the bank account statement of bank account number 58050200001280, total amount credited /deposited in the said account from date of account opening (i.e. September 01, 2021) date till July 11, 2022 (date of closer of bank account) is INR 48,81,231.72. Considering that the aforesaid bank account number was mentioned on the website of the Noticee for collecting money pertaining UIA activities and Noticee has failed to furnish amount of fees collected by it despite multiple communications, hence all the credit entries in the aforesaid bank account from the date of opening of Bank Account i.e. September 01, 2021 i.e. amounting INR 48,81,231.72 are construed as money received for UIA activities.*

- h. In this connection, it was observed that the Noticee knowingly misrepresented the fact that he was SEBI registered investment adviser, and also about its expertise in investment advisory thereby luring and inducing investors to deal in the markets by availing its services with the objective of enhancing its income.*
- i. From the above, prima facie, it was found that the Noticee was involved in unregistered investment advisory activities without obtaining SEBI Registration*
- j. Based on the aforesaid facts, it was alleged in the SCN that the Noticee has violated the provision of Section 12(1) of the SEBI Act read with Regulation 3(1) of IA Regulations for engaged in Investment Advisory activities without obtaining the requisite registration from SEBI.*
- k. Further, it was also observed and alleged that the Noticee had fraudulently represented account handling services and managed capital by trading in the markets for the clients evidently, knowingly concealed the fact that he was not registered with SEBI as an investment adviser, and had also misrepresented about its expertise in investment advisory thereby luring and inducing investors to deal in the markets by availing its services with the objective of enhancing its income.*
4. The aforesaid SCN was issued to the Noticee by digitally signed email (on the email provided by the Noticee to Bank of Baroda) dated November 09, 2023. The same was also served on the addresses of Jayesh Shantilal Raval (including one address provided in his Aadhar card) through SPAD, the tracking status of which on the website of Indian Post is appearing delivered, however no acknowledgement card was received from Indian Post. The Noticee did not submit reply of the SCN, pursuant to which vide digitally signed email dated February 14, 2024 an opportunity of personal hearing was provided to the Noticee through Hearing Notice dated February 13, 2024 ('HN'). The HN was also served through SPAD (as per the tracking status fetched from the website of Indian Post) upon the Noticee, however, no acknowledgment card is received from Indian Post. Through the said hearing notice, the Noticee was directed to appear for personal hearing on March 14, 2024 at 11.30 a.m. However, the Noticee failed to appear for the said hearing.

5. In view of the above, I note that both SCN and HN were duly served upon the Noticee and also sufficient opportunity was provided to the Noticee to respond to the charges. However, the Noticee neither filed any reply in the matter nor appeared for hearing. Hence, it is presumed that Noticee has nothing to submit in respect of the allegations levelled in the SCN. In this regard, it is pertinent to note that the Hon'ble Securities Appellate Tribunal (SAT) in the matter of **Classic Credit Ltd. vs. SEBI** (Appeal No. 68 of 2003 decided on December 08, 2006) has, inter alia, held,

*".....the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them".*

6. In view of the aforesaid observation made by the Hon'ble SAT, I find no reason to take a different view and accordingly, I deem it appropriate to proceed against the Noticee ex-parte, based on the material available on record.

#### **CONSIDERATION OF ISSUES AND FINDINGS:**

7. I have considered the material available on record including complaint, on record and the following issue requires consideration:

- ***Whether the acts of the Noticee as imputed in the SCN, have resulted in the violation of the provisions of SEBI Act, 1992 read with IA Regulations, 2013 and PFUTP Regulations, 2003, while providing the services related to Investment Advisory without having proper registration?***

8. Before proceeding further in the matter, it is pertinent to refer to the relevant provisions of the SEBI Act, IA Regulations and the PFUTP Regulations, alleged to have been violated by the Noticee, as per the SCN. The relevant provisions of law are reproduced herein below:



## **SEBI Act**

### **Section 12 (1) - Registration of stock brokers, sub-brokers, share transfer agents, etc.**

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

## **IA Regulations**

### **Regulation 2(1)(g) – Definition of Consideration**

*"consideration" means any form of economic benefit including non-cash benefit, received or receivable for providing investment advice;*

### **Regulation 2(1)(l) – Definition of Investment Advice**

*"investment advice" means advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through Provided that investment advice given through any other means of communication for the benefit of the client and shall include financial planning: Provided that investment advice given through newspaper, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public shall not be considered as investment advice for the purpose of these regulations;"*

### **Regulation 2(1)(m) – Definition of Investment Adviser**

*"investment adviser" means any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called;"*

**Regulation 3(1) – Requirement of Registration from SEBI to act as Investment Adviser**

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

**PFUTP Regulations, 2003**

**Section 3 - Prohibition of certain dealings in securities**

*“No person shall directly or indirectly-*

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

**Section 4- Prohibition of manipulative, fraudulent and unfair trade practices**

*(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.*

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

*(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities;*  
*(s) mis-selling of securities or services relating to securities market;”*

9. I now proceed to consider the matter on merits.

10. Regulation 2(1)(m) of the IA Regulations defines the term ‘*investment adviser*’. As per Regulation 2(1)(m) of the IA Regulations, investment adviser means any person, who is engaged in the business of providing investment advice to clients or other person or group of persons for consideration. Further, it includes any person who holds himself out as an ‘*investment adviser*’. Regulation 2(1)(m) of the IA Regulations refer to terms ‘*consideration*’ and ‘*Investment advice*’. As per Regulation 2(1)(g) of the IA Regulations, consideration means any form of economic benefit including non-cash benefit, received or receivable for providing investment advice. As per Regulation 2(1)(l) of the IA Regulations, ‘*investment advice*’ means advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning. However, advice given through newspaper, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public, shall not be an investment advice within the meaning of Regulation 2(1)(l) of the IA Regulations.

11. From the facts mentioned in the SCN such as shared details of various plans through, website, whatsapp chats and telegram channel including the details of fees for account handling services along with profit details, capital required and validity of the plan and also sharing the bank account details for collecting the fees for service rendering as well as the narration of the bank statement like fees, clearly indicates that the Noticee was engaged in investment advisory service relating to investing in, purchasing, selling or otherwise dealing in securities or investment

products, through its website, in lieu of consideration. It is therefore noted that, if an entity is engaged in providing advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client in lieu of consideration, including entities which are holding themselves out as investment advisers, will be covered by the definition of '*Investment Adviser*' as given in Regulation 2(1)(m) of the IA Regulations. This apart, as noted above, the receipt of consideration of Rs.1,07,000/- from the complainant in Bank of Baroda bank account for the investment advisory services provided by the Noticee is nothing but were services being offered by the Noticee in lieu of the consideration. Hence, I find that without any doubt in terms of Regulation 2(1)(l) of IA Regulations, 2013, the Noticee was doing Investment advisory services through its website. Therefore, I find that the Noticee was engaged in the business of providing investment advice to its clients, for consideration, and was holding himself out to be '*Investment Adviser*' as given in Regulation 2(1)(m) of the IA Regulations, 2013.

12. Further, despite the various opportunities given to the Noticee, I note that Noticee has not made any submissions to prove that the said funds were earned from other source of income. Hence, I find that these services were being offered by the Noticee for the consideration, as noted above. Therefore, I find that the Noticee was engaged in the business of providing investment advice to its clients, for consideration, and thus acted as an investment adviser, as defined under Regulation 2(1)(m) of the IA Regulations.

13. I also note that, in terms of Section 12(1) of the SEBI Act and Regulation 3(1) of the IA Regulations, registration of the investment advisers is mandatory. It provides that, "*On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations*".

14. It is imperative that any person carrying out investment advisory activities has to necessarily obtain registration from SEBI and conduct its activities in accordance with the provisions of the SEBI Act and Regulations framed thereunder. In this regard, Section 12(1) of SEBI Act reads as under:

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

15. Therefore, I note that in order to obtain a certificate of registration for acting as an investment adviser, an entity is required to satisfy, inter alia, the following requirements, as provided under the IA Regulations:

- i. An application for seeking certificate of registration to be made to Local Office, Regional Office or Head Office, of SEBI, as the case may be, in Form A as specified in the First Schedule to IA Regulations, 2013 along with requisite nonrefundable application fee;
- ii. The applicant, in case of an individual investment adviser or its principal officer shall be appropriately qualified and certified as under:
  - a. A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognized by the Central Government or any State Government or a recognized foreign university or institution or association or a professional qualification by completing a Post Graduate Program in the Securities Market (Investment Advisory) from NISM of a duration not less than one year or a

professional qualification by obtaining a CFA Charter from the CFA Institute;

- b. An experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management;
  - c. Applicant in case of individual investment adviser or its principal officer in case of a non-individual investment adviser, and persons associated with investment advice shall have, at all times a certification on financial planning or fund or asset or portfolio management or investment advisory services, from (a) NISM; or (b) any other organization or institution including Financial Planning Standards Board of India or any recognized stock exchange in India provided such certification is accredited by NISM.
- iii. Individual applicant must have net worth of not less than 5 lakh rupees and non-individual applicant must have net worth of not less than 50 lakh rupees.

16. Further, the IA Regulations requires minimum professional qualification and prescribes mandatory net-worth. Further, it *inter-alia* provides for disclosures of any conflict of interest, risk profiling of clients, maintenance of records related to client assessments and the suitability of advice. The prescriptions in the IA Regulations are intended to safeguard the interest of investors and curb the perpetration of unregistered entities entering the field of investment advisory services and indulging in unscrupulous market practices.

17. Therefore, in the present matter it was noted that the Noticee was not registered with SEBI in the capacity of Investment Adviser while acting as investment adviser. Further, the bank account of Noticee in Bank of Baroda, which was mentioned on its website and where the complainant was making payment, was opened on September 01, 2021 and closed on July 11, 2022. The said period coincides with the time during which the domain name [ways2star.co.in](http://ways2star.co.in) was registered and the website was active i.e. September 30, 2021 to September 20, 2022. Hence, I note from the SCN that the amounts received by the Noticee to the tune of

Rs.48,81,231.72/- in the bank account of Bank of Baroda (A/c No. 58050200001280) was construed to be in the nature of Investment Advisory fees. I also note from SCN that during investigation when details regarding the said credited amount was sought from the Noticee, no response was offered.

18. In view of the above, I find that aforesaid total credit of Rs. 48,81,231.72/- in the bank accounts of Bank of Baroda of the Noticee was received by it as fee for investment advisory services while acting as an investment adviser without obtaining certificate of registration from SEBI. In view of the above, I find that the Noticee by acting as an investment adviser within the meaning of the IA Regulations, without obtaining certificate of registration from SEBI has acted in total disregard to the requirements of law and has violated Regulation 3(1) of the IA Regulations and Section 12(1) of the SEBI Act.

19. With respect to the other allegation of fraud upon the investors and potential investors by misrepresenting itself as a SEBI registered IA, it was observed during investigation that it was using the SEBI Registration No. INA000012306 and portraying itself as a SEBI registered intermediary. Upon examination it was found out that the said registration number belonged to one Mr. Gaurav Baldev, a SEBI registered Investment Advisor. When the same was enquired with Mr. Baldev, he vide email dated July 02, 2022, informed SEBI that he has no connection with Ways2star and the same has been illegally used by the Noticee without his knowledge.

20. In view of the above, I note that the Noticee created a false picture of itself to induce the clients into availing the services it offered. The act of the Noticee to actively conceal material information is a non-genuine and a deceptive act and has been made with an intent to influence the clients to avail of its advisory services and to deal in securities. In my view, to misrepresent oneself as a SEBI registered Investment Advisor without actually obtaining one amounts to misrepresentation and misleading the investors. Such reckless conduct which was intended to knowingly misrepresent the truth or concealment of material fact and also a

suggestion as to a fact which is not true by one who does not believe it to be true constitutes 'fraud' under the PFUTP Regulations.

21. Further, It is pertinent to refer to the observations of the Hon'ble Supreme Court in the case of **SEBI Vs. Kanaiyalal Baldevbhai Patel** (2017) 15 SCC 1, which are as under-

*"The definition of 'fraud', which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a 'fraudulent act' or a conduct amounting to 'fraud'. The emphasis is on the act of inducement and the scrutiny must, therefore, be on the meaning that must be attributed to the word "induce".....  
.....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."*

22. In this regard, the observation recorded by the Hon'ble Supreme Court of India in the matter of **SEBI Vs. Kanaiyalal Baldevbhai Patel** [(2017) 15 SCC 1] is also worth quoting: "...A person can be said to have induced another person to act in a particular way or not to act in a particular way if on the basis of facts and statements made by the first person the second person commits an act or omits to perform any particular act. The test to determine whether the second person had been induced to act in the manner he did or not to act in the manner that he proposed, is whether but for the representation of the facts made by the first person, the latter would not have acted in the manner he did..."

23. Therefore, I am constrained to observe that the acts of the Noticee of resorting to misrepresentation and spreading falsehood regarding itself being a SEBI



registered IA are fraudulent in nature, having the potential to fraudulently induce the investors to deal in securities by availing of the services of the Noticee.

24. I further note that Regulation 3 of PFUTP regulations prohibits certain dealings in securities wherein manipulative or deceptive methods are used, or any entity employs any device or scheme or artifice to defraud in connection with dealing in or issuing securities and also engage in any act, practice, course of business which operate as fraud or deceit upon any person in connection any dealing in or issue of securities. Further, I also note that Regulation 4(2)(k) of PFUTP regulations provides that dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities. Also, Regulation 4(2)(s) of the PFUTP Regulations prohibits mis-selling of securities or services related to securities market. Mis-selling has further been explained in the said Regulations to mean knowingly making false or misleading statements or not taking reasonable care to ensure suitability of the securities or services to the buyer. Therefore, I note that the Noticee was indeed involved in mis-selling of services to its clients by making false and misleading statements of itself being a SEBI registered IA.

25. Thus, I note that the Noticee by presenting itself as a SEBI registered IA with respect to its investment advisory related plans, without obtaining the necessary certificate of registration as an investment adviser and knowingly publishing false and misleading information, Noticee had used non-genuine, deceptive means like engaging in business created thereby defrauded investors and potential investors, which, I find is in violation of the provisions of Regulation 3(a), (b), (c) & (d) and 4(1), 4 (2)(k) and 4 (2)(s) of the PFUTP Regulations.

26. Thereafter, I note that the SCN has called upon the Noticee to show cause as to why appropriate penalty be not imposed upon him under Sections 15EB and 15HA

of SEBI Act for the violations alleged in the SCN. Sections 15 EB and 15HA of the SEBI Act are reproduced hereunder: -

**Section 15 EB - Penalty for default in case of investment adviser and research analyst**

*“Where an investment adviser or a research analyst fails to comply with the regulations made by the Board or directions issued by the Board, such investment adviser or research analyst shall be liable to penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.”*

**Section 15HA - Penalty for fraudulent and unfair trade practices**

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

27. From the above, I note that the Noticee’s activities show that he was acting as an investment adviser without holding the certificate of registration as investment adviser. Therefore, Noticee knowingly misrepresented itself as a SEBI registered entity to investors /clients, collected money from the investors. Such misleading representations are deceptive and fraudulent in nature and hence in violation of Regulation 3(a), (b), (c) & (d) and 4(1), 4 (2)(k) and 4 (2)(s) of the PFUTP Regulations. Further, the Noticee continuously received investment advisory fees in its bank account since date of opening of such bank accounts, in violation of Regulation 3(1) of the IA Regulations and Section 12(1) of the SEBI Act. Consequently, I find that the Noticee is liable to be imposed with penalty under both Sections 15EB and 15HA of the SEBI Act.

28. I note that Section 15J of the SEBI Act provide for factors which are required to be considered for adjudging quantum of penalty. Section 15J of the SEBI Act reads as follows: -

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

**15J.** While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
- (b) the amount of loss caused to an investor or group of investors as a result of the default;
- (c) the repetitive nature of the default.”

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

29. As observed above, I note that the Noticee received total credit of amount to the tune of Rs. 48,81,231.72/- (Rupees Forty Eight Lakhs, Eighty One Thousand, Two Hundred and Thirty-One Rupees and Seventy Two Paise Only) in the said bank account of Bank of Baroda as advisory fees. These being the proceeds of an illegal activity, are liable to be refunded to the respective clients.

**DIRECTIONS:**

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

- (a) The Noticee shall refund all the money collected/received from any investors / complainants, as fees or consideration or in any other form, in respect of its unregistered investment advisory activities immediately, and in any case, within a period of three months from the date of this order.
- (b) The Noticee shall issue public notice in all editions of two National Dailies (one English and one Hindi) and in one newspaper in vernacular language with wide circulation, detailing the modalities for refund, including the details of contact person such as name(s), address(es) and contact detail(s) of

person(s) to be approached for refund, within 15 days from the date of receipt of this order;

- (c) The repayments to the complainants/investors shall be effected only through electronic fund transfer or through any other appropriate banking channels, which ensures audit trails to identify the beneficiaries of repayments;
- (d) The Noticee is prohibited from selling its assets, properties including mutual funds/shares/securities held by him in demat and physical form except for the purpose of effecting refunds as directed above. Further, the banks are directed to allow debit from the bank accounts of the Noticee, only for the purpose of making refunds to the complainant/investors who were availing the investment advisory services from the Noticee;
- (e) After completing the aforesaid repayments, the Noticee shall file a report of such completion with SEBI addressed to the *“Division Chief, Division of Post-Inspection Enforcement Action, Market Intermediaries Regulation and Supervision Department, SEBI Bhavan II, Plot No. C7, G Block, Bandra Kurla Complex, Bandra (East) Mumbai –400051”*, within a period of 15 days, after expiry of four months from the date of public notice, as directed above, duly certified by an independent Chartered Accountant and the direction at para 30 (a) above shall cease to operate upon filing of such report;
- (f) The remaining balance amount shall be deposited with SEBI which will be kept in an escrow account for a period of one year for distribution to clients/complainants/investors who were availing the investment advisory services from the Noticee. Thereafter, remaining amount, if any, will be deposited in the ‘Investors Protection and Education Fund’ maintained by SEBI;
- (g) In case of failure of the Noticee to comply with the aforesaid directions in sub-paragraph (a) and (f), SEBI, on the expiry of the stipulated time period therein from the date of coming into force of this order, may recover such amounts, from the Noticee, in accordance with Section 28A of the SEBI Act, 1992 including such other provisions contained in securities laws,

- (h) The Noticee is debarred from accessing the securities market, directly or indirectly and prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of **two years** from the date of this order or till the date of filing of report, as directed in para 30(e) above, whichever is later;
- (i) The Noticee shall not undertake, either during or after the expiry of the period of restraint and prohibition, as mentioned in para 30(h) above, either directly or indirectly, investment advisory services or any activity in the securities market without obtaining a certificate of registration from SEBI as required under the securities laws;
- (j) The Noticee is hereby imposed with penalty of **Rs.5,00,000/-**(Rupees Five Lakhs Only) under Section 15HA of the SEBI Act and **Rs.1,00,000/-** (Rupees One Lakh Only) under Section 15EB of the SEBI Act;
- (k) The Noticee shall remit / pay the said amount of penalty, within a period of forty-five (45) days from the date of receipt of this order, through online payment facility available on the website of SEBI, i.e. [www.sebi.gov.in](http://www.sebi.gov.in) on the following path, by clicking on the payment link: ENFORCEMENT → Orders → Orders of EDs/CGMs → PAY NOW. In case of any difficulties in online payment of penalties, the Noticee may contact the support at [portalhelp@sebi.gov.in](mailto:portalhelp@sebi.gov.in).

31. For any non-compliance of this order, the Noticee shall be subject to strict action under the applicable provisions of the law, including prosecution.

32. The direction for refund as given in Para 30(a) above, does not preclude the complainants/investors to pursue the other legal remedies available to them under any other law, against the Noticee for refund of money or deficiency in service before any appropriate forum of competent jurisdiction.

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

34. A copy of this order shall be sent to the Noticee, all the recognized Stock Exchanges, the relevant banks, Depositories, Registrar and Transfer Agents of

Mutual Funds and BSE Administration and Supervision Ltd., to ensure that the directions given above are strictly complied with.

**Date: March 26, 2024**

**Place: Mumbai**

**G RAMAR**  
**QUASI JUDICIAL AUTHORITY**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**