

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA**

SETTLEMENT ORDER

S. No.	Settlement Application No.	Name of Applicant	PAN
1.	6932/2022	Bank of India Investment Managers Pvt. Ltd. (Previously: BOI AXA Investment Managers Pvt. Ltd.)	AADCB2245A
2.	6933/2022	Mr. Rajesh Chawathe	AACPC8615R
3.	6934/2022	Mr. Sandeep Dasgupta	ADTPD1196J
4.	6935/2022	Ms. Jayati Dasgupta	AAEPD6246M
5.	6936/2022	Ms. Anurupa Dasgupta	BGLPD8151R
6.	6938/2022	Mr. Alok Singh	ARUPS4303H

IN THE MATTER OF INSPECTION OF BOI AXA MUTUAL FUND

Settlement Order No. SO/AN/PR/2022-23/6932-36 & 6938

1. Bank of India Investment Managers Pvt. Ltd. (hereinafter also referred to as “Applicant No. 1” / “AMC” / BOI AXA Investment Managers Pvt. Ltd.), Mr. Rajesh Chawathe (hereinafter also referred to as “Applicant No. 2”), Mr. Sandeep Dasgupta (Applicant No. 3), Ms. Jayati Dasgupta (Applicant No. 4), Ms. Anurupa Dasgupta (Applicant No. 5), Mr. Alok Singh (Applicant No. 6), said six applicants collectively referred to as ‘Applicants’ / ‘the Applicants’, filed Settlement Applications (Application numbers as in table above), said six applications collectively referred to as ‘Settlement Applications’ / ‘said applications’ proposing to settle, without admitting or denying the findings of fact and conclusions of law, through a Settlement Order, the pending adjudication proceedings initiated vide Show Cause Notice No. EAD-5/MC/RM/18651/2022 dated May 02, 2022 (‘SCN’ / ‘said SCN’), for alleged violation of the following provisions, as per details herein under:

- 1.1. BOI AXA Investment Managers Pvt. Ltd.: Adjudication proceedings initiated under Section 15D(b), 15E and 15HB of the Securities Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act”) for the alleged violations of Clause 3(b) of the Seventh Schedule read with Regulation 44(1) of SEBI (Mutual Funds), Regulation 1996 (hereinafter referred as ‘**MF Regulations**’), Clause (a), (c), (g), (h) of Investment Valuation Norms as specified in the Eighth Schedule of MF Regulations read with Regulation 25(19), and 47 of MF Regulations, Clauses 1, 8 and 9 of the Fifth Schedule read with Regulation 25(16) of MF Regulations;
- 1.2. Mr. Rajesh Chawathe: Adjudication proceedings initiated under Section 15HB of the SEBI Act for the alleged violations of Regulation 18(4d) of MF Regulations;
- 1.3. Mr. Sandeep Dasgupta: Adjudication proceedings initiated under Section 15HA and 15HB of the SEBI Act for the alleged violations of Regulation 3(a), 4(1), 4(2)(q) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) 2003 (hereinafter referred as ‘**PFUTP Regulations**’) and Regulation 25(6A) of MF Regulations
- 1.4. Ms. Jayati Dasgupta, Ms. Anurupa Dasgupta and Mr. Alok Singh: Adjudication proceedings initiated under Section 15HA of the SEBI Act for the alleged violations of Regulation 3(a), 4(1), 4(2)(q) of PFUTP Regulations.
2. Securities and Exchange Board of India (hereinafter referred to as ‘**SEBI**’) conducted thematic inspection of BOI AXA Mutual Fund for the period August 01, 2018 to February 28, 2019 to verify the books of accounts, records and other documents pertaining to the mutual fund with respect to Inter Scheme Transfer (IST) and valuation of downgraded debt securities. The findings /observations of the Inspection were communicated to Applicant No. 1 and AMC furnished its reply vide letter dated July 16, 2020. Further, certain

clarifications were sought from the AMC vide emails during August 25, 2020, November 12 & 19, 2020 to which the AMC replied vide its emails dated August 26, 2020, November 12 & 19, 2020. During the post inspection analysis certain information was sought from the valuation agencies. Certain additional information was also sought from the AMC to which it replied vide its email dated December 15, 2020. Based on the observations, adjudication proceedings were initiated.

3. Ms. Maninder Cheema, Chief General Manager was appointed as Adjudicating Officer (hereinafter referred to as “AO”), to inquire into and adjudge under Section 15D (b), 15E, 15HA and 15HB of the SEBI Act, 1992 the aforesaid alleged violations, vide communique dated September 06, 2021. Pursuant to the transfer out of Ms. Maninder Cheema, the matter was reassigned to Dr. Anitha Anoop, Chief General Manager, vide communique dated June 07, 2022. Pursuant to the transfer of Dr. Anitha Anoop, the undersigned was appointed as Adjudicating Officer vide communique dated September 05, 2022.
4. A Show Cause Notice No. EAD-5/MC/RM/18651/2022 dated May 02, 2022 was issued and duly served upon the applicants under the provisions of Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “Adjudication Rules”). The following was inter alia alleged in the said SCN, in respect of the applicants:

4.1. **Non-compliances / violations allegedly committed by Applicant No. 1:**

- 4.1.1. Inter Scheme Transfers resulting into transfer of high risk securities to schemes categorised as low/medium risk, which did not confirm to their investment objectives.

Accordingly, Applicant No. 1 was alleged to have violated clause 3(b) of Schedule Seven of MF Regulations read with Regulation 44(1) of MF Regulations.

- 4.1.2. Failures /non-compliances in regard to valuation of securities viz., Applicant No. 1 allegedly failed to value securities in accordance with the overarching principles of fair valuations and failed to follow its own approved valuation policy by arbitrarily deciding figure of per day provisioning and continued with per day provisioning ignoring material events and major developments regarding filing of recovery proceeding against the issuer with NCLT, valuation committee met after delay /failed to meet immediately to review /discuss related developments.

Accordingly, Applicant No. 1 was alleged to have violated Clause (a), (c), (g), (h) of Investment Valuation Norms as specified in the Eighth Schedule of MF Regulations read with Regulation 25(19), and 47 of MF Regulations, and Clauses 1, 8 and 9 of the Fifth Schedule read with Regulation 25(16) of MF Regulations.

4.2. Violations / Non-compliances by Applicant No. 2:

- 4.2.1. Applicant No. 2, as a Compliance Officer of Applicant No. 1, failed to monitor compliance of MF Regulations by the AMC. While Applicant No. 2 was obliged to immediately and independently report to the Board any non-compliance observed by him, however he allegedly failed to report non-compliances w.r.t valuation of securities, despite being a member of valuation committee failed to monitor compliance of Schedule VIII of MF Regulation i.e., fair valuation of the security and also failed to report non-compliance of the same to the Board, failed to ensure that mutual fund complied with Investment Valuation Norms of

SEBI (Mutual Funds) Regulations and that ISTs were not carried out in violation of MF Regulations, failed to ensure that the investments made by the fund manager are in the interest of the unit holders.

In view thereof, Applicant No. 2 was alleged to have violated Regulation 18 (4d) of MF Regulations.

4.3. Violations / Non-compliances by Applicant No. 3:

4.3.1. Having regard to the observations regarding alleged violations by Applicant No. 1, in terms of Regulation 25(6A) of MF Regulations, Applicant No. 3 as CEO of Applicant No. 1, failed to ensure that AMC complied with all the provisions of MF Regulations by the AMC, despite as a member of the valuation committee failed to ensure compliance of schedule VIII of MF Regulation i.e. fair valuation of the security, failed to ensure that the mutual fund complied with Investment Valuation Norms of MF Regulations and that ISTs were not carried out in violation of MF Regulations, failed to ensure that the investments made by the fund manager is in the interest of the unit holders.

4.3.2. Applicant No. 3 as CEO and part of the local controls committee and valuation committee of Applicant No. 1, was in possession of all unpublished material information about the valuation of the defaulted securities and while possessing the said information, he withdrew almost his entire investment from the fund to his advantage.

In view of thereof, Applicant No. 3 was alleged to have violated Regulation 25(6A) of MF Regulations, and Regulation 3(a), 4(1), 4(2)(q) of PFUTP Regulations.

4.4. Violations / Non-compliances by Applicant No. 4:

- 4.4.1. Applicant No. 4 is wife of Applicant No. 3 (the CEO of the AMC). As detailed earlier Applicant No. 3 possessed all unpublished information regarding valuation of defaulted securities, looking at the pattern of investment and redemption, information possessed by Applicant No. 3, it was alleged that Applicant No. 3 being wife of CEO was also privy to material unpublished information and she took advantage of the information and withdrew entire holding from the scheme.

In view thereof, Applicant No. 4 was alleged to have violated Regulation 3(a), 4(1), 4(2)(q) of PFUTP Regulations.

4.5. Violations / Non-compliances by Applicant No. 5:

- 4.5.1. Applicant No. 5 is daughter of Applicant No. 3 (the CEO of the AMC). Applicant No. 3 possessed all unpublished information regarding valuations of defaulted securities. Looking at the pattern of investment and redemption, information possessed by Applicant No. 3, there is sufficient reason to believe that Applicant No. 5, being the daughter of Applicant No. 3 was also privy to material unpublished information and took advantage of the information and withdrew her entire holding from the scheme.

In view thereof, Applicant No. 5 was alleged to have violated Regulation 3(a), 4(1), 4(2)(q) of PFUTP Regulations.

4.6. Violations / Non-compliances by Applicant No. 6:

- 4.6.1. Applicant No. 6 as the fund manager and as part of valuation committee and local controls committee, possessed all unpublished information regarding valuations of defaulted

securities, was privy to material unpublished information regarding per day provisioning. Applicant No. 6 withdrew his entire holding basis unpublished information to his advantage.

In view thereof, Applicant No. 6 was alleged to have violated Regulation 3(a), 4(1), 4(2)(q) of PFUTP Regulations.

5. Pending adjudication proceedings initiated vide Show Cause Notice No. EAD-5/MC/RM/18651/2022 dated May 02, 2022, Settlement Applications dated July 01, 2022 had been filed by the applicants with SEBI under SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter also referred to as, 'Settlement Regulations') proposing to settle the instant proceedings, without admitting or denying the findings of fact and conclusions of law, through a Settlement Order.
6. The said applications were placed before the Internal Committee of SEBI (hereinafter also referred to as, the "IC") in its meeting held on September 01, 2022. Pursuant to the IC meeting, the Applicants had submitted the revised settlement terms (RST) vide email dated September 22, 2022.
7. The Internal Committee on consideration of the facts and circumstances of the case, material brought before it, factors enumerated under Regulation 10 and Schedule II of the Settlement Regulations, inter alia noted that the RST proposed by the applicants were in line with the amount formulated as per the Settlement Regulations and recommended the case for settlement. Thereafter, the settlement applications were placed before the High Powered Advisory Committee (hereinafter be referred to as, the "HPAC") for its consideration.
8. The HPAC in its meeting held on October 20, 2022, inter alia agreeing to the recommendation of the IC, suggesting separate settlement amount for Applicant No. 2, recommended the case for settlement upon payment of

settlement amount viz., Applicant No. 1: Rs.1,36,50,000/-, Applicant No. 2: Rs.39,00,000/-, Applicant No. 3: Rs.93,60,000/-, Applicant No. 4: Rs.39,00,000/-, Applicant No. 5: Rs.39,00,000/-, Applicant No. 6: Rs.45,50,000/-.

9. The recommendations of the HPAC were approved by the Panel of the Whole Time Members of the SEBI on November 09, 2022. Subsequently, the Notices of Demand were issued to the applicants vide email dated November 14, 2022.
10. The applicants vide email dated December 14, 2022 had informed the remittance of settlement amount using the online payment module {Applicant No. 1: Rs.1,36,50,000/- on December 07, 2022, Applicant No. 2: Rs.39,00,000/- on December 13, 2022, Applicant No. 3: Rs.93,60,000/- on December 05, 2022, Applicant No. 4: Rs.39,00,000/- on December 05, 2022, Applicant No. 5: Rs.39,00,000/- on December 14, 2022 and Applicant No. 6: Rs.45,50,000/- on December 02, 2022}. The remittance of the settlement amount was confirmed by the concerned department of SEBI.
11. Therefore, in view of the acceptance of the settlement terms and the receipt of settlement amount as above by SEBI, the Adjudication Proceedings initiated against Bank of India Investment Managers Pvt. Ltd. (Previously: BOI AXA Investment Managers Pvt. Ltd.), Mr. Rajesh Chawathe, Mr. Sandeep Dasgupta, Ms. Jayati Dasgupta, Ms. Anurupa Dasgupta and Mr. Alok Singh vide aforesaid Show Cause Notice No. EAD-5/MC/RM/18651/2022 dated May 02, 2022, are hereby disposed of in terms of Section 15JB of the SEBI Act read with Regulation 23(1) of Settlement Regulations.
12. This order is without prejudice to the right of SEBI to take enforcement actions, in terms of Regulation 28 of the SEBI (Settlement Proceedings) Regulations, 2018, including restoring or initiating the proceedings in

respect of which this settlement order is passed against the Applicant(s), if SEBI finds that:

12.1.1. any representation(s)/disclosure(s) made by the applicant(s) in the present Settlement Proceedings is subsequently found to be untrue, or

12.1.2. the applicant(s) breaches any of the clauses /conditions of undertakings /waivers filed during the present settlement proceedings, or

12.1.3. there was a discrepancy while arriving at the settlement terms.

13. This Settlement Order is passed on this 28th day of December 2022 and shall come into force with immediate effect.

14. In terms of Regulation 25 of SEBI (Settlement Proceedings) Regulations, 2018, a copy of this Order shall be sent to the applicants and also be published on website of SEBI.

December 28, 2022
Mumbai

Amar Navlani
Adjudicating Officer