

**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**SETTLEMENT ORDER ON APPLICATION NO. 2749 OF 2013**  
**FILED BY**  
**M/s Reliance Capital Asset Management Ltd.**  
**(PAN: AAACR2668G)**  
**(SEBI Registration No. INP INP000000423)**

1. M/s Reliance Capital Asset Management Ltd. having registered office at H Block, 1st floor, Dhirubhai Ambani Knowledge City, Koparkhairne, Navi Mumbai-400710 had filed a voluntary settlement application dated August 13, 2013 seeking settlement of any action(s) anticipated with reference to the alleged defaults indicated in the report of the inspection that was carried out on March 21-22, 2013 to look into the portfolio management services (PMS) offered by the applicant.
2. The inspection report broadly alleged the following irregularities:
  - a. Inadequate disclosure of information relating to the management of related party accounts in the Disclosure document, resulting in the violation of Regulations 13 and 14(2) of SEBI (Portfolio Managers) Regulations, 1993 read with Clauses 3 and 5 of the Code of Conduct of SEBI (Portfolio Managers) Regulations, 1993;
  - b. By holding the securities of certain clients in their own account, the applicant had violated Regulation 14 read with Schedule V and Regulation 13 read with Clauses 3 and 12 (a) of the Code of Conduct of SEBI (Portfolio Managers) Regulations, 1993;
  - c. The Portfolio Manager had incomplete account opening forms and complete KYC documents for some corporate entities were not available, resulting in the violation of Regulation 13 read with Clause 3 of the Code of conduct of SEBI (Portfolio Managers) Regulations, 1993;
  - d. Non-furnishing of the physical copies of the reports containing prescribed details to clients on a half yearly basis, resulting in the violation of Regulation 21 read with Schedule IV of SEBI (Portfolio Managers) Regulations, 1993;
  - e. Not conducting business with high standards of integrity and fairness in all dealings with clients, not rendering high standards of service, not ensuring proper care in their dealing and not handling complaints from their clients in a proper and timely manner (including complaints in respect of investment made in M/s Sai Rayalseema Paper Mills Ltd), resulting in violation of Regulation 13 read with Clauses 1 and 3 of the Code of Conduct along with Regulation 15 (6) of SEBI (Portfolio Managers) Regulations, 1993.
3. During the meeting of the Internal Committee on October 3, 2013, the applicant proposed an amount of Rs. 19,50,000/- (Rupees Nineteen Lacs fifty thousand only) and undertook to provide non-monetary undertakings formulated in terms of the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014. To that effect, the applicant vide letter dated December 6, 2013 submitted the following:-
  - "i. the necessary disclosures as required have been updated in the Disclosure Document dated November 27, 2013. The duly approved Disclosure Document by the Board of Directors has been submitted to your office and also uploaded on the website of our company for the investors of PMS.*
  - ii. As on date, no securities are lying in the pooled account with respect to the clients mentioned in the Inspection report, and that the securities have either been transferred out to their individual demat account or have been sold"*
4. The applicant vide letter dated December 13, 2013 also submitted the following:-
 

*"We declare that, as advised by SEBI, we will carry out further changes in Para 7(i) [client Representation] of the Disclosure Document on the lines of draft as enclosed. Further, we declare that the revised Disclosure Document will be submitted to your office immediately after the receipt of Auditor's certificate and approval of the revised Disclosure Document by the board of Directors".*
5. The applicant vide letter dated December 18, 2013 submitted the updated Disclosure Document [as on November 27, 2013] along with the certified true copy of the Board Resolution approving the

updated Disclosure Document, Confirmation from the principal officer in Form C and Certificate from the chartered accountants..

6. The High Powered Advisory Committee (HPAC) on February 21, 2014 considered the terms proposed by the applicant and sought information regarding (i) exact time of investment made by the applicant in the scrip of M/s Sai Rayalseema Paper Mills Ltd (SRPM); (ii) the financial condition of SRPM when the investment was made; (iii) rationale for making the investment in SRPM; (iv) whether SRPM was connected to the applicant or its management.
7. The applicant vide email dated March 25, 2014 submitted the investment details in SRPM, financial condition of SRPM at the time of investment, rationale for investment in SRPM and relation of SRPM with the applicant. The HPAC in its meeting on July 22, 2014 considered the information provided by the applicant and sought further information regarding the due diligence exercise, proper investment analysis and valuation analysis carried out by the applicant in respect of the investment made by it in SRPM.
8. The applicant submitted the required information by letter dated October 16, 2014, which was considered by the HPAC along with the facts of the case on December 18, 2014 and recommended the case for settlement on the basis of the monetary and non-monetary terms proposed by the applicant. The Panel of the Whole Time Members accepted the said recommendations of the Committee which was communicated to the applicant, vide email dated April 21, 2015.
9. Accordingly, the applicant, vide its letter dated December 22, 2015, forwarded a Demand Draft No. "696813" dated December 21, 2015 drawn on HDFC Bank, payable at Mumbai, for Rs. 19,50,000/- (Rupees Nineteen Lacs fifty thousand only) towards the monetary settlement charges.
10. In view of the above, in terms of Regulation 15(2) of SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 it is hereby ordered that:
  - i. This Settlement Order disposes of the proceedings with regard to the aforesaid non-compliances by the Applicant as mentioned in Para 2 above and;
  - ii. Passing of this Order is without prejudice to the right of SEBI to take enforcement actions including commencing/ reopening of the proceedings against the Applicant, if SEBI finds that:
    - a. any representation made by the Applicant in the settlement proceedings are subsequently found to be untrue;
    - b. the Applicant has breached any of the clauses/ conditions of undertakings/ waivers filed during the current settlement proceedings.
11. This settlement order passed on this the 14th day of January, 2016 shall come into force with immediate effect.

**RAJEEV KUMAR AGARWAL**  
**WHOLE TIME MEMBER**

**PRASHANT SARAN**  
**WHOLE TIME MEMBER**