BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

SETTLEMENT ORDER
On the Application No. 2878 of 2014

filed by
Mr. NALIN PASRICHA
PAN NO. AADPP9618A

SETTLEMENT ORDER NO. EAD-5/SVKM/01/2015-16

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1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) conducted an examination into the alleged irregularities in the services provided by Mr. Nalin Pasricha (hereinafter referred to as **'Applicant'**) and into the possible violation of provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **'SEBI Act, 1992'**) and various Rules and Regulations made thereunder. For the purpose of examination, SEBI sought information from the Applicant vide letter dated February 21, 2014, April 07, 2014 and June 04, 2014. The Applicant had furnished the information sought vide letters dated March 10, 2014, April 15, 2014, June 12, 2014 and August 08, 2013. The examination revealed the following:

    a) An application for registration as an Investment Adviser under the SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as **'IA Regulations, 2013'**) was received from the Applicant wherein it was observed that the Applicant had developed a trading system for Stock and Nifty Futures that provide trading signals from these systems to his clients. Applicant was providing this

service since October 2003. From March 2009, Applicant had disconnected the system for stock futures but continued the system for trading Nifty Futures.

b) The system works by generating trading signals and sending them to the concerned client who may execute them.

c) Signals were also directly sent to the client's broker for execution and in such cases the client gives a letter of standing instructions to the broker to execute all the said trading signals.

2. It appeared that the service provided by the Applicant i.e. where he send the signals directly to the brokers of the clients fell within the definition of portfolio manager as defined under Regulation 2(c b) of SEBI Portfolio Manager Regulations, 1993 (hereinafter referred to as **'SEBI (PMS) Regulations, 1993'**). Therefore, it was alleged that the services provided by the Applicant are in violation of Section 12 (1) of the SEBI Act, 1992 read with Regulation 3 of SEBI (PMS) Regulations, 1993.

3. In view of the above, SEBI initiated adjudication proceedings in respect of the Applicant to inquire into and adjudge under Section 15HB of the SEBI Act, 1992 the alleged violation of the provisions of Section 12 (1) of the SEBI Act, 1992 read with Regulation 3 of the SEBI (PMS) Regulations, 1993. Shri A. Sunil Kumar was appointed as the Adjudicating Officer vide Order dated July 09, 2014 to inquire into and adjudicate the alleged violations committed by the Applicant. Accordingly, a Show Cause Notice (hereinafter referred to as **'SCN'**)

dated August 07, 2014 was issued to the Applicant under Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995. Consequent to the transfer of Shri A. Sunil Kumar, the Competent Authority has appointed the undersigned, as the Adjudicating Officer on June 02, 2015 under Section 19 of the SEBI Act, 1992 read with Section 15(I) of the SEBI Act, 1992 and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995.

4. While the adjudication proceedings pursuant to the said SCN were in progress the applicant vide application dated September 29, 2014 had filed an application with SEBI in terms of SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 proposing to settle, the aforementioned charges of the adjudication proceedings.

5. The applicant appeared before the Internal Committee of SEBI on December 05, 2014 where the terms of settlement were deliberated upon. Thereafter, the applicant vide letter dated December 13, 2014 proposed the revised consent terms to settle the aforesaid adjudication proceedings for the violation of the provisions of Section 12 (1) of the SEBI Act, 1992 read with Regulation 3 of SEBI (PMS) Regulations, 1993 by offering to pay a sum of ₹ 54,40,000/- (Rupees Fifty Four Lakh Forty Thousand only) towards settlement charges.

6. The High Powered Advisory Committee (hereinafter referred to as **'HPAC'**) in its meeting held on February 06, 2015 considered the settlement terms proposed by the applicant and recommended the case for settlement upon payment of ₹ 54,40,000/- (Rupees Fifty Four

Lakh Forty Thousand only) by the Applicant towards settlement charges. The Panel of Whole Time Members of SEBI accepted the said recommendations of the HPAC and the same was communicated to the applicant vide an e-mail dated May 05, 2015.

7. Accordingly, the applicant has forwarded a demand draft No.'054996' dated May 07, 2015 drawn on 'HDFC Bank' and payable at Mumbai for a sum of ₹ 54,40,000/- (Rupees Fifty Four Lakh Forty Thousand only) towards the settlement charges.

8. In view of the above, in terms of Regulation 15(1) of SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 it is hereby ordered that:

I. This Settlement Order disposes of the said Adjudication Proceedings pending in respect of the Applicant as mentioned above and;

II. Passing of this Order is without prejudice to the right of SEBI to take enforcement actions including commencing/ reopening of the pending proceedings against the Applicant, if SEBI finds that:

a. any representations 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

9. This Settlement Order is passed on this **Fourth day of June, 2015** and shall come into force with immediate effect.

10. In terms of Regulation 17 of SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014, copies of this order are being sent to the Applicant and also to Securities and Exchange Board of India, Mumbai.

PLACE: MUMBAI   **S.V. KRISHNAMOHAN**

                                                              ADJUDICATING OFFICER