

SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER

UNDER SECTION 12(3) OF SEBI ACT, 1992 READ WITH REGULATION 27 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008.

In respect of:

NOTICEE	SEBI REGISTRATION No.	PAN
Star World Research	INA000005499	BBEPG7803F

BACKGROUND

1. Star World Research (hereinafter referred to as the “**Noticee**”) is registered with Securities and Exchange Board of India (hereinafter referred to as ‘**SEBI**’) as an Investment Adviser (hereinafter referred to as ‘**IA**’) with effect from September 1, 2016 having SEBI registration number INA000005499. The Noticee is a proprietorship firm and Mr. Manish Kumar Gour is its proprietor. As per available records, the Noticee has its registered office at 601, Dhan Trident Vijay Nagar Square, Indore, Madhya Pradesh-452001. The website address of the Noticee is <http://starworldresearch.com/>.
2. SEBI had received certain complaints in SCORES against the Noticee, *inter alia*, pertaining to assuring unrealistic returns, loss incurred due to inappropriate advice given by the Noticee, handling of client Demat account, providing misleading information and not resolving the complaints in SCORES. In view of the same, SEBI conducted an examination into the matter. Thereafter, SEBI initiated enquiry proceedings against the Noticee under Chapter V of the SEBI (Intermediaries) Regulations, 2008 ("**Intermediaries Regulations**") and

appointed a Designated Authority ("DA") to enquire into and recommend whether the alleged violations by the Noticee warranted cancellation or suspension of the certificate of registration granted by SEBI or any other action provided in Chapter V of the Intermediaries Regulations.

3. On completion of the proceedings, the DA submitted a report dated May 13, 2022 (hereinafter referred to as the "DA's Report") recommending that certificate of the registration (registration number INA00003197) granted by SEBI to the Noticee be cancelled. Pursuant to this, a post enquiry SCN dated June 7, 2022 (hereinafter referred to as the "**SCN**") was issued to the Noticee, under Regulation 27 (1) of Intermediaries Regulations, to show cause as to why action, as recommended by the DA or any other penalty in terms of Regulation 27 of Intermediaries Regulations, should not be taken and/or imposed against the Noticee. A copy of the DA's Report was also forwarded to the Noticee along with an advice to file reply, if any, within 21 days from the date of receipt of the notice. The SCN was sent to the Noticee by way of Speed Post with Acknowledgement Due. However, the SCN was returned undelivered. Thereafter, the SCN was hand delivered to the Noticee and due acknowledgement of the same was taken from the Noticee. The SCN was also sent by email to the Noticee's email ID. However, despite the same, no reply was received from the Noticee. In order to proceed with the matter, the matter was placed before me for grant of hearing in the matter in terms of Regulation 27(4) of the Intermediaries Regulations, 2008 as the DA had recommended cancellation of the certificate of registration of the Noticee. A hearing was granted on November 4, 2022. However, the Noticee, vide email dated November 2, 2011 sought an adjournment. The request of the Noticee was granted and the hearing was rescheduled to November 14, 2022. On the scheduled date, Shri Manish Gupta, Advocate, the Authorized Representative ("AR", of the Noticee) appeared for the hearing and made submissions. The AR also sought time to file written submissions, which was granted. I note that proceedings under Section 11B of the SEBI Act were also initiated against the Noticee. As the said matter pertains to the same facts, the hearing for both

proceedings were held simultaneously. The Noticee filed written submissions dated November 14, 2022. However, in the said letter, only the show cause notice pertaining to the proceedings under Section 11B of the SEBI Act is referred to. However, the allegations are similar and a common hearing was held in both Enquiry and Section 11B matters. Hence, I am inclined to consider the reply of the Noticee before arriving at the findings in the case at hand too. For the sake of brevity, the submissions of the Noticee are not being listed below, and will be taken up issue-wise and dealt with suitably in the later part of this order.

CONSIDERATION OF ISSUES AND FINDINGS

4. The allegations levelled against the Noticee are summarised as under:
 - a. The Noticee sold products meant for High Risk Bearing Clients to Medium Risk Bearing clients.
 - b. The Noticee charged unfair and unreasonable amount of fees from the clients and also sold multiple products and services to the clients. Also, the Noticee received fee through Paytm wallet, cash and/hawala system.
 - c. Risk profiling of the clients was not done properly by the Noticee.
 - d. The Noticee promised/assured/guaranteed unrealistic returns to the clients
 - e. Investor grievances of the clients were not redressed by the Noticee and the Noticee threatened the complainant to close the complaint on SCORES
 - f. The Noticee collected GST from clients even after suo motu cancellation of GSTN by Noticee itself.
 - g. The Noticee provided wrong guidance to clients and misrepresented the clients with respect to products; and
 - h. The Noticee handled client demat account and promised assured return to the client.

5. In view of the above, it was alleged that the Noticee has violated the provisions of Regulations 13(b), 15(1), 16 (a) and (b), 17 (a) (c) (d) and (e), 21, 22 (1) of the IA Regulations, Clauses 1, 2, 6, 8 and 9 of Code of Conduct for Investment Advisers as specified in The Third Schedule of IA Regulations read with regulation 15(9) of IA Regulations as well as the provisions of regulation 3 (a) (b) (c) and (d) of PFUTP Regulations read with sections 12(A) (a), (b) and (c) of the SEBI Act, 1992 and clause 1 (iii) of SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019 and Circular /OIAE/2014 dated December 18, 2014. The relevant extracts of the aforesaid regulations are reproduced below for ease of reference:

IA Regulations.

Conditions of certificate.

13. The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:-

(a) ...xxxxxxxxxxxx.....

(b) the investment adviser shall forthwith inform the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted;

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General responsibility.

15. (1) An investment adviser shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interests as and when they arise.

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(9) An investment adviser shall abide by Code of Conduct as specified in Third Schedule.

Risk profiling.

16. Investment adviser shall ensure that,-

(a) it obtains from the client, such information as is necessary for the purpose of giving investment advice, including the following:-

(i) age

- (ii) investment objectives including time for which they wish to stay invested, the purposes of the investment;*
 - (iii) income details;*
 - (iv) existing investments/ assets;*
 - (v) risk appetite / tolerance;*
 - (vi) liability / borrowing details.*
- (b) it has a process for assessing the risk a client is willing and able to take, including:*
- (i) assessing a client's capacity for absorbing loss;*
 - (ii) identifying whether client is unwilling or unable to accept the risk of loss of capital;*
 - (iii) appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers.*

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Suitability.

17. Investment adviser shall ensure that,-

- (a) All investments on which investment advice is provided is appropriate to the risk profile of the client;*
- (b) It has a documented process for selecting investments based on client's investment objectives and financial situation;*
- (c) It understands the nature and risks of products or assets selected for clients;*
- (d) It has a reasonable basis for believing that a recommendation or transaction entered into:*
 - (i) meets the client's investment objectives;*
 - (ii) is such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance;*
 - (iii) is such that the client has the necessary experience and knowledge to understand the risks involved in the transaction.*
- (e) Whenever a recommendation is given to a client to purchase of a particular complex financial product, such recommendation or advice is based upon a reasonable assessment that the structure and risk reward profile of financial product is consistent with clients experience,*

knowledge, investment objectives, risk appetite and capacity for absorbing loss.

Redressal of client grievances.

- 21.** (1) *An investment adviser shall redress client grievances promptly.*
- (2) *An investment adviser shall have adequate procedure for expeditious grievance redressal.*
- (3) *Client grievances pertaining to financial products in which investments have been made based on investment advice, shall fall within the purview of the regulator of such financial product.*
- (4) *Any dispute between the investment adviser and his client may be resolved through arbitration or through Ombudsman authorized or appointed for the purpose by any regulatory authority, as applicable.*

Client level segregation of advisory and distribution activities.

- 22.** (1) *An individual investment adviser shall not provide distribution services.*
- (2) *The family of an individual investment adviser shall not provide distribution services to the client advised by the individual investment adviser and no individual investment adviser shall provide advice to a client who is receiving distribution services from other family members.*
- (3) *A non-individual investment adviser shall have client level segregation at group level for investment advisory and distribution services.*

Explanation. –

- (i) *The same client cannot be offered both advisory and distribution services within the group of the non-individual entity.*
- (ii) *A client can either be an advisory client where no distributor consideration is received at the group level or distribution services client where no advisory fee is collected from the client at the group level.*
- (iii) *Group' for this purpose shall mean an entity which is a holding, subsidiary, associate, subsidiary of a holding company to which it is also a subsidiary or an investing company or the venturer of the company as per the provisions of Companies Act, 2013 for non-individual investment adviser which is a company under the said Act and in any other case, an entity which has a controlling interest or is subject to the controlling interest of a non-individual investment adviser.*

(4) Non-individual investment adviser shall maintain an arm's length relationship between its activities as investment adviser and distributor by providing advisory services through a separately identifiable department or division.

(5) Compliance and monitoring process for client segregation at group or family level shall be in accordance with the guidelines specified by the Board.

THIRD SCHEDULE

Securities and Exchange Board of India (Investment Advisers) Regulations, 2013

[See sub-regulation (9) of regulation 15]

CODE OF CONDUCT FOR INVESTMENT ADVISER

1.Honesty and fairness

An investment adviser shall act honestly, fairly and in the best interests of its clients and in the integrity of the market.

2.Diligence

An investment adviser shall act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives.

6.Fair and reasonable charges

An investment adviser advising a client may charge fees, subject to any ceiling as may be specified by the Board, if any. The investment adviser shall ensure that fees charged to the clients is fair and reasonable.

8. Compliance

An investment adviser including its representative(s) shall comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.

9.Responsibility of senior management

The senior management of a body corporate which is registered as investment adviser shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the body corporate.

Securities and Exchange Board of India Act, 1992

12A. No person shall directly or indirectly—

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

2(1) (c) “fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

- (1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
- (2) a suggestion as to a fact which is not true by one who does not believe it to be true;
- (3) an active concealment of a fact by a person having knowledge or belief of the fact;
- (4) a promise made without any intention of performing it;
- (5) a representation made in a reckless and careless manner whether it be true or false;
- (6) any such act or omission as any other law specifically declares to be fraudulent,
- (7) deceptive behaviour by a person depriving another of informed consent or full participation,
- (8) a false statement made without reasonable ground for believing it to be true.

- (9) *the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.*

And “fraudulent” shall be construed accordingly;

Nothing contained in this clause shall apply to any general comments made in good faith in regard to—

- (a) the economic policy of the government*
 - (b) the economic situation of the country*
 - (c) trends in the securities market;*
 - (d) any other matter of a like nature*
- whether such comments are made in public or in private;*

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.*

Circular CIR/OIAE/2014 dated December 18, 2014

9. All listed companies and SEBI registered intermediaries shall review their investors grievances redressal mechanism so as to further strengthen it and correct the existing shortcomings, if any. The listed companies and SEBI registered intermediaries

to whom complaints are forwarded through SCORES, shall take immediate efforts on receipt of a complaint, for its resolution, within thirty days. The listed companies and SEBI registered intermediaries shall keep the complainant duly informed of the action taken thereon.

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13. Failure by listed companies and SEBI registered intermediaries to file ATR under SCORES within thirty days of date of receipt of the grievance shall not only be treated as failure to furnish information to SEBI but shall also be deemed to constitute non-redressal of investor grievance.

SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019

“Receiving fees through banking channel only

It is observed that investment advisors are receiving advisory fee in the form of cash deposit in their bank accounts or through payment gateways which does not provide proper audit trail of fees received from the clients. To bring the transparency in dealing with the clients, IAs shall accept fees strictly by account payee crossed cheques/ demand draft or by way of direct credit into their bank account through NEFT/RTGS/IMPS/UPI. It is clarified that, IAs shall not accept cash deposits”.

6. Having noted the provisions cited above, I will now proceed with consideration of the issues.

I Sale of products unsuitable to risk profile of clients:

7. It is alleged that the Noticee had sold products meant for High Risk Bearing Clients to Medium Risk bearing clients. The Noticee had categorized various investment products according to the risk involved in those products as under:

Table no.1

Products for High Risk Bearers	Products for Medium Risk Bearers
Equity future Stock Future Golden Stock Future Rhodium Stock Option Stock Option Golden Stock Option Rhodium Nifty Option Nifty Future BTST STBT MCX HNI	Stock Cash Stock Cash Golden Stock Cash Rhodium Stock Cash SIP

8. Certain clients having 'Medium Risk' profile were sold products/services meant for clients categorized as 'High Risk' to clients, as shown in the table below:

Table no.2

Name of the Client	Risk Category of the Client as mentioned in RPF of client	Product/ Services Sold	Amount charged for the service (Rs.)
Ashutosh Kumar	Medium	HNI	255555
		Stock Cash HNI	5000
		Stock Cash HNI	55000
		Stock Cash HNI	60000
		Stock Cash HNI	30000
		Stock Cash HNI	150000
		Stock Cash HNI	180000
		Stock Cash HNI	100000
		Stock Cash HNI	152000
Amrit Pal Singh Bagga	Medium	HNI	197370
		HNI	35526
		HNI	223763

9. As noted at Table no.1, “HNI” was categorized as a product for clients categorised as high risk bearers but was offered to Ashutosh Kumar and Amrit Pal Singh Bagga, who were categorized as clients of “medium” risk category. The product “Stock Cash HNI”, which was offered to Ashutosh Kumar was not available in the product list provided by the Noticee. The Noticee had not offered any products for low risk category clients, while offering products for medium risk category clients and 11 products for high risk bearing clients.
10. In its reply, the Noticee has contended that it is a mere human error of the client because on a careful perusal of the RPF it can be understood that the risk profile score of Ashutosh Kumar was 67 and any score above 66 is considered as high risk. The Noticee has stated that due to an error Ashutosh Kumar was categorised as medium risk, though he was actually in the high risk category and was also sold high risk category products. Having heard the submission of the Noticee, I am inclined to give the benefit of doubt to the Noticee regarding the incorrect categorization as it has not caused any prejudice to Ashutosh Kumar and appears to be a human error.
11. With respect to the allegation regarding Amrit Pal Singh, the Noticee had contended that as the client has never made a complaint to SEBI, the allegations are unwarranted. I note that this contention of the Noticee does not hold any merit. The fact that the client has not filed any complaint does not exempt the Noticee from its obligations under the IA Regulations. As noted above, Amrit Pal Singh Bagga, was a ‘medium’ risk bearing client and was sold products meant for ‘high’ risk bearing clients. Regulation 15(1) of IA Regulations, casts a responsibility on IAs to act in fiduciary capacity towards its clients. Regulation 17(a) mandates that IAs shall ensure that all investments on which investment advice is provided is appropriate to the risk profile of the client. Since the client’s categorisation was not aligned with the products sold to him, the Noticee failed to comply with the aforesaid requirement. Regulation 17(c) states that the IA has the responsibility to ensure that it understands the nature and risk of products or assets selected for clients and as per Regulation

17(d), it has to ensure that it has a reasonable basis for believing that a recommendation or transaction entered into, meets the client's investment objectives and that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance. As the client was sold products that were higher than his risk tolerance, the Noticee violated the Regulation 17(c) and (d) of the IA Regulations. Further, Regulation 17(e) provides that the IA has to ensure that whenever a recommendation is given to a client to purchase a particular complex financial product, such recommendation or advice is based upon a reasonable assessment that the structure and risk reward profile of financial product is consistent with the particular client's experience, knowledge, investment objectives, risk appetite and capacity for absorbing loss. It is reiterated that since the products sold to the client did not match his risk profile, the Noticee did not comply with the said requirements.

12. Further, an IA has to act honestly, fairly and in the best interests of its clients and in the integrity of the market. It is required to act with due skill, care and diligence in the best interests of its clients and to ensure that its advice is offered after thorough analysis and taking into account available alternatives as provided under Clauses 1 and 2 of the Code of Conduct laid down in the Third Schedule read with regulation 15(9) of IA Regulations. By selling products meant for high risk category clients to Amrit Pal Bagga, the Noticee failed to comply with the same.

13. I also note that these are illustrative cases taken from a random sample and in fact there could be many more such instances. Hence, I am of the view that the Noticee has violated the provisions of Regulations 15(1), 17 (a) (c) (d) and (e), Clauses 1 and 2 of the Code of Conduct as specified in the Third Schedule read with regulation 15(9) of IA Regulations.

II Unfair and unreasonable amount of fees charged from the clients.

14. The next allegation against the Noticee is that it was charging unfair and unreasonable fees from the clients. From the risk profile of the clients, the

Noticee had access to information regarding the annual income and proposed investment of the client. It is alleged that despite the same, the Noticee misled the clients regarding investments and charged exorbitant fees for the same. It is alleged that the Noticee was charging higher fees than the proposed investment in the clients' risk profiling form, the details of which are as under:

Table no.3

Sl. no	Name of client	Fees received from client (Rs.)	Proposed investment by client as per RF form provided by the Noticee (Rs.)
1	Suraj Bhan	24,42,000	1-2 Lakh
2	Ashutosh Kumar	15,34,070	Less than 1 lakh
3	Syamal Biswas	14,33,660	1-2 Lakh
4	G Durairaj	12,31,000	1-2 Lakh
5	Amrit Pal Singh Bagga	10,11,407	1-2 Lakh
6	Yogesh Vasant Khond	9,14,000	1-2 Lakh
7	Pravin Punjahari Dighe	5,18,000	1-2 Lakh
8	Santosh Hanamant Patil	4,75,900	1-2 Lakh
9	Dushyant Jivanlal Desai	4,41,000	1-2 Lakh
10	Megharam Kanaram Suthar	3,66,000	1-2 Lakh
11	Vijay Singh	3,19,729	1-2 Lakh
12	Sahil Kalariya	2,95,556	1-2 Lakh
13	Muthyam Reddy Vemula	2,91,516	1-2 Lakh
14	Kiran Oza	2,50,508	1-2 Lakh
15	Nirmal Singh	2,35,920	1-2 Lakh
16	Italiya Ashwin	1,48,500	1-2 Lakh
17	Kiran Kondawale	1,15,500	1-2 Lakh
18	Sunny Mishra	1,10,616	1-2 Lakh

15. With respect to the same, the Noticee has stated that SEBI had mandated capping of fees only in 2020. Prior to that there was no cap on the fees chargeable by an investment adviser. The fees were charged with the consent and demand of the customer for multiple services spread over several months and years at times. The Noticee has also stated that in case of the client Suraj Bhan, the entire amount received was refunded as the Noticee found that the same was not in line with the client's Risk Profile Form (RPF) and accordingly the company had no malafide intention. The Noticee has stated that all complaints have been resolved to the satisfaction of the clients.

16. SEBI Circular SEBI/HO/IMD/DF1/CIR/2020/182 was issued in September 23, 2020 setting out guidelines *inter alia* with respect to maximum fees to be charged by an IA. While, the allegations levelled against the Noticee is for the period prior to the issuance of the aforesaid Circular, Clause 6 of the Code of Conduct under the IA Regulations mandated that an IA shall ensure that fees charged to clients is *fair and reasonable*. I note that as shown in Table no.3 above, the Noticee was charging exorbitant fees. On several occasions, the fee charged was more than the annual income of the clients. In other instances, the fee charged by the Noticee is far more than the proposed investment disclosed by clients in their risk profiling form. The charging of such exorbitant fees by the IA is a failure to abide by Clause 6 of the Code of Conduct under the IA Regulations. Further, the Noticee has also failed to comply with Clause 1 and 2 of the Code of Conduct under the IA Regulations as it did not act in a fair manner and in the best interests of the clients. The Noticee also failed to discharge the duty to act in fiduciary capacity towards clients, as required under Regulation 15 of the IA Regulations. Despite having details with respect to annual income and risk profile of the clients, the Noticee charged exorbitant fees from its clients.

17. Further, the Noticee has claimed to have refunded fees to certain clients, but has not produced any documents to prove the said contention. Even assuming that the fees have been refunded as a remedial action post the non-compliance. Therefore, I find that the Noticee has violated the provisions of Regulations 15(1), Clauses 1, 2 and 6 of the Code of Conduct as specified in the Third Schedule read with regulation 15(9) of IA Regulations.

III Not doing risk profiling of the clients properly

18. The next allegation against the Noticee is that it had not carried out proper risk profiling of the following clients:-

Table no.4

Sl. No	Name of client	DOB as per KYC	Age group mentioned in Risk Profile	Difference in years	Fees charged from clients (Rs.)
1	G Durairaj	14-07-1960	Under 35	24	1,231,000
2	Suraj Bhan	15-05-1971	Under 35	13	2,95,556
3	Santosh Hanamant Patil	31-08-1979	Under 35	5	24,42,000
4	Kamlesh Kumar	02-11-1980	Under 35	4	NA
5	Syamal Biswas	01-04-1972	35-45	2	4,75,900
6	Dipak Mali	10-03-1983	Under 35	1	1,433,660

19. The Noticee is alleged to have intentionally lessened the age of the clients in order to categorize them as capable of bearing higher risk. It is alleged that the Noticee did so to receive higher amount of fees by selling maximum number of products. I note that the difference in age of two clients is as large as 24 and 13 years while for other clients the difference ranges from 5 years to 1 year.

20. In its submissions, the Noticee has stated that the RPF is filled by the clients themselves. Any inconsistency therein is attributable to the client and not to the Noticee. The Noticee has stated that none of the clients mentioned in the SCN have any pending grievance with the company. All grievances have been resolved to the satisfaction of the clients and fee were refunded wherever such discrepancy was found. Hence, it has been submitted that the Noticee has not unlawfully benefitted by such mistakes, if any.

21. I note that the submission of the Noticee that the RPF was filled in by the clients and so the mistakes therein are attributable to the clients is not tenable, The Noticee cannot delegate its duty of due care and caution to its clients, as it is the Noticee who is required to ensure that the products offered to its clients are suitable according to their respective risk profiles. Moreover, it is highly unlikely that clients would make mistakes in filling in their ages, and that too with a gap of 15 years or 24 years as was noted in some cases. Such a huge difference, even if incorrectly provided by the client, should have come to its notice. As mentioned above, Clause 2 of the Code of Conduct as specified in the Third Schedule read with regulation 15(9) of IA Regulations requires an IA to act with due skill, care and diligence in the best interests of its clients and to ensure that

its advice is offered after thorough analysis and taking into account available alternatives. Further, as per regulation 15(1) the IA while discharging its duties acts in a fiduciary capacity towards its client`s. As per regulation 16(a), it is the IA who has to ensure that it obtains from the client such information as is necessary for the purpose of giving investment advice, including age and risk appetite/tolerance. Hence, the Noticee cannot hold the clients responsible for these matters. It appears that the Noticee intentionally decreased the age of the clients, to categorize them as ones capable of bearing higher risk so that the Noticee is able to receive higher amount of fees by selling maximum number of products. In my view, as an IA, the Noticee ought to know its customers properly before selling any securities market product. In view of the same, I find that the Noticee has violated Regulations 15(1) and 16(a) and Clause 2 of the Code of Conduct for IA as specified in the Third Schedule read with Regulation 15 (9) of IA Regulations.

IV Charging arbitrary fee from clients and selling them multiple products/services.

22. It is alleged that the Noticee sold same product/service to its clients repeatedly for the period for which fees/charges had already been collected, thus making the client pay multiple times for the service that he/she would have got by paying only once. In this regard, the Noticee has stated that the allegations have arisen due to a misunderstanding of invoicing pattern of the company by SEBI. The Noticee has stated that the invoices belong to the same duration because the client made payments in instalments after being satisfied by the services of the company and the company issued invoice to the tune of amounts received. The Noticee has also stated that the complaints have been resolved.

23. In this regard, I note that a service named “cash” had been repeatedly offered to the client Ashutosh Kumar for an overlapping period of time. The Noticee charged Rs. 5000 on December 19, 2020 for a 6 month period. Thereafter, on December 27, 2020 for the same product and duration, the Noticee charged

Rs. 2,90,000 (58 times higher). The product “Cash” was offered 10 times during the period from December 19, 2019 to December 27, 2019. The duration of service was same 6 months for all services. The details of these transactions are shown in the table below:

Table no.5

Sr. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount Rs.)
1	19-12-2019	INV2952	Cash	6 months	5000
2	20-12-2019	INV2963	Cash	6 months	55000
3	20-12-2019	INV2964	Cash	6 months	60000
4	20-12-2019	INV2965	Cash	6 months	30000
5	20-12-2019	INV2966	Cash	6 months	150000
6	23-12-2019	INV2973	Cash	6 months	180000
7	27-12-2019	INV3012	Cash	6 months	100000
8	27-12-2019	INV3013	Cash	6 months	152000
9	27-12-2019	INV3023	Cash	6 months	290000
10	21-12-2019	INV3062	Cash	6 months	10000
11	09-01-2020	INV3155	HNI	2 months	255555
				Total	1287555

24. The Noticee, as noted above, has stated that these were instalments. Different invoices were issued for each instalment. However, I note that four different invoices have been issued on the same date, i.e., December 20, 2019 and three different invoices have been issued for December 27, 2019. It is obvious that different instalments would not be paid on the same date if the contention of the Noticee was genuine. Further, if the submission of the Noticee is to be accepted, it would mean that 11 instalments have been paid in the space of 10 days. Hence, it is apparent that the contention that the different invoices pertained to instalments and not because the same product was sold for the same period multiple times, is not tenable.

25. With respect to the client Durairaj, for the product named “option” Rs. 11,000 was charged on November 15, 2019 (for 1 month service) and Rs. 1,00,000 was charged on November 18, 2019. Further the product named “option” was sold 7 times from November 15, 2019 to November 22, 2019, with different durations which ranged from 1 month to 2 years. The details are as under:

Table no.6

Sr. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount (Rs.)
1	15-11-2019	INV2702	Option	1 month	11000
2	15-11-2019	INV2703	Option	1 month	20000
3	18-11-2019	INV2717	Option	1 month	70000
4	18-11-2019	INV2718	Option	1 month	100000
5	21-11-2019	INV2733	Option	2 years	500000
6	19-11-2019	INV2763	Option	2 years	430000
7	22-11-2019	INV2772	Option	2 years	100000
				Total	1231000

26. Again, I note that multiple invoices have been issued for the same date or very proximate dates, which belies the argument that these payments were in the nature of instalments, as noted above.

27. I note that the Noticee had offered a product named “Equity Option” to the client Italiya Ashwin. The details of the same are as under:

Table no.7

Sr. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount (Rs.)
1	18-09-2019	INV2120	Equity Option	6 months	30000
2	18-09-2019	INV2121	Equity Option	6 months	5500
3	18-09-2019	INV2125	Equity Option	6 months	63000
4	21-09-2019	INV2187	Equity Option	6 months	50000
				Total	148500

28. From the above, I note that on the same day for the same product, the Noticee had charged Rs. 5500 and Rs. 63,000 by two different invoices. Further, the product "Equity Option" was offered 4 times from September 18, 2019 to September 21, 2019, the duration of all the products being 6 months. As noted above, the proximate/ identical date of invoices makes it apparent that these were not instalments as argued by the Noticee.

29. In the case of the client Kiran Gangadhar Kondawale, for the product "Rhodium Cash" the Noticee charged Rs. 50,000 on July 24, 2019 and again charged Rs. 15,500 on July 29, 2019. As shown in the table below:

Table no.8

Sr. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount (Rs.)
1	24-07-2019	INV638	Rhodium Cash	1 month	50000
2	29-07-2019	INV686	Rhodium Cash	1 month	15500
				Total	65500

30. Once again, the invoices with proximate dates along with differential amounts indicate that the same were not instalments, as contended by the Noticee.

31. For the client Kiran Ojha, the Noticee charged Rs. 3,450 for a product named "Equity Cash" on July 31, 2019, for a 10 day service. For the same service on August 7, 2019, it again charged Rs. 63,000. Further, the product called "Equity Cash" was sold four times from August 20, 2019 to September 16, 2019, for the same duration. The details are as under:

Table no.9

Sr. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount (Rs.)
1	31-07-2019	INV750	Equity cash	10 days	3450

2	06-08-2019	INV794	Equity cash	10 days	55100
3	07-08-2019	INV828	Equity cash	10 days	63000
4	20-08-2019	INV913	Equity cash	1 Month	60000
5	27-08-2019	INV987	Equity cash	1 Month	42858
6	30-09-2019	INV2274	Equity cash	1 Month	22000
7	16-09-2019	INV2291	Equity cash	1 Month	4100
				Total	250508

32. From the above table, I note that for a ten day service, 3 separate invoices have been raised and for a one month service 4 separate invoices have been raised. It is not tenable that such frequent invoices for such short durations and at an interval of a few days are for instalments.

33. The client Sahil Kalariya, for the product “Stock Option & Stock Future” was charged Rs. 10,000 on August 30, 2017 for a 6 month period service and on August 19, 2017 was again charged Rs. 1,00,000. Further, this product was sold six times during the period from August 10, 2017 to September 11, 2017, when the duration of the products was same. The details are as under:

Table no.10

Sr. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount (Rs.)
1	10-08-2017	INV500	Stock Option and Stock Future	6 months	50000
2	17-08-2017	INV501	Stock Option and Stock Future	6 months	50000
3	19-08-2017	INV509	Stock Option and Stock Future	6 months	100000
4	21-08-2017	INV515	Stock Option and Stock Future	6 months	20000
5	30-08-2017	INV520	Stock Option and Stock Future	6 months	10000
6	11-09-2017	INV544	Stock Option and Stock Future	6 months	10000
				Total	240000

34. Within a space of one month, the client above was charged 6 times. As noted above, the proximate dates of the invoices make it apparent that these were not instalments.

35. The client Sunny Mishra, for the product “Stock Cash” (for 1 month service sold on September 23, 2019), was charged Rs.20672/-. For same service sold on September 27, 2019, the client was charged Rs.34000/-. Further, the product “Stock Cash” was sold 4 times from September 23, 2019 to September 27, 2019 and the duration was the same for all products. The details are as shown below:

Table no.11

Sr. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount (Rs.)
1	23-09-2019	INV2214	Stock cash	1 month	20672
2	23-09-2019	INV2216	Stock cash	1 month	24444
3	27-09-2019	INV2245	Stock cash	1 month	34000
4	27-09-2019	INV2253	Stock cash	1 month	32500
				Total	111616

36. As noted above, multiple invoices of the same date and proximate dates for the exact same service makes it apparent that these were not instalments.

37. Suraj Bhan, a client of the Noticee was sold a product named “HNI Option” for 2 year service on December 21, 2018 for Rs.22,000. On the same date, for the same service, the Noticee had charged Rs.200000/- which is 9 times higher. On December 22, 2018 the client was again charged Rs.200000/-. Further, “HNI Option” product was sold 11 times from August 25, 2018 to December 22, 2018. The details of the same are as under:

Table no.12

Sr. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount (Rs.)
1	25-08-2018	INV1000	HNI Option	1 Month	41000
2	27-08-2018	INV1001	HNI Option	6 Month	40000
3	28-08-2018	INV1002	HNI Option	6 Month	40000
4	29-08-2018	INV1003	HNI Option	1 Year	100000
5	30-08-2018	INV1004	HNI Option	1 Year	220000
6	30-08-2018	INV1005	HNI Option	1 Year	100000
7	03-09-2018	INV1006	HNI Option	1 Year	50000
8	05-09-2018	INV1012	HNI Option	2 Year	76400
9	21-12-2018	INV1020	HNI Option	2 Year	200000
10	21-12-2018	INV1021	HNI Option	2 Year	22000
11	22-12-2018	INV1022	HNI Option	2 Year	200000
				Total	1089400

38. The Noticee's submission that these were not instances of the client being charged multiple times for the same service, but rather payments in instalments offers no explanation as to why different invoices for different amounts were raised on the same date or very next date. Hence, I am of the view that the submission of the Noticee is not tenable.

39. The above discussion shows that the Noticee was not acting in a fair and transparent manner while offering services and charging fees. I note that in most of the cases as shown in the tables above, the same service was being sold to the clients multiple times for the same period. The clients were made to pay huge amounts multiple times for the same service. I note that as stated in the foregoing paragraphs, the responsibility entrusted on an IA is fiduciary in nature and an IA has to act in the best interest of its clients all the time. By charging arbitrary fee from the clients and selling them the same service multiple times, I note that the Noticee has failed in its responsibility to act in

fiduciary capacity to its client which is entrusted upon them under Regulation 15 (1) of IA Regulations. The Noticee also failed to abide by Clauses 1 and 6 of the Code of Conduct for Investment Advisors as specified in The Third Schedule of IA Regulations read with regulation 15 (9) of IA Regulations. Therefore, I find that the Noticee has violated the provisions of regulation 15 (1) and clauses 1 and 6 of the Code of Conduct for Investment Advisors as specified in the Third Schedule of IA Regulations read with regulation 15 (9) of IA Regulations.

V Promised/assured/guaranteed unrealistic return to the clients.

40. It is also alleged that the Noticee had promised unrealistic returns on the investments made by the clients. Details of the same are given below:

- (a) Complaint of one Suraj Bhan received in SCORES provides the copies of the emails transacted between him and the Noticee. The extracts of the said e-mails are as under:

Table no.13

Date of email	Content of email
29-08-2018	<i>"Dear Suraj Ji, Greetings from Star World Research. Welcome to Star World Research. We are looking forward to long term relationship with you. As per as discussion with Mr. Maheshwari your <u>PDP Plan</u> charge is INR. 7,20,000/-. After offer your plan amount is INR 4,40,000/- & your <u>profit slab is INR 9 lakh (Duration 25 days)</u> Your paid amount is INR 1,20,000/- and your remaining amount is INR 3,20,000/- Kindly complete your remaining amount. Than your service will be activate within 24 hours"</i>
20-12-2018	<i>"As per as discussion with Mr. Rohan your HNI service is INR 22,42,000 (with GST) your plan has been</i>

	<p>approved. For this plan total paid amount is INR 20,20,000/-. As per company policy you have to pay remaining amount INR 2,22,000/- This is your final due amount. After complete this amount your profile will be fully activated. <u>Profit slab amount INR 45,00,000/-</u> (on your dmat investment) <u>Profit Duration 6 months.</u> So kindly complete this profile and enjoy your HNI service. Than your service will be activate with in 24 hour”</p>
25-12-2018	<p>“As per discussion with Mr. Maheshwari your HNI service is INR 22,42,000/- (with GST) your plan has been approved. As per the company policy your HNI plan is fully approved. Your plan amount is fully completed. <u>Your profit slab amount INR 50,00,000/-</u> <u>profit duration 6 month</u> so enjoy your HNI service. Than your service will be activate with in 24 hours”</p>

(b) As is noted from the above table, it is alleged that vide emails dated August 29, 2018, December 20, 2018 and December 25, 2018 the Noticee had mentioned profit slabs with specific duration like 25 days, 6 months and so on, within which such promised profit is assured to the client. The PDP as mentioned in email dated August 29, 2018 had not been shown as part of product/ service list mentioned in its website. The same product is also not part of the list of services sold to medium and high risk category clients.

(c) With respect to G Durairaj, from the call data records, it is alleged that the Noticee had guaranteed assured returns to the client, as shown in the table below:

Table no.14

Recording	Duration	Details communicated
Call-1	00:00 to 00:10	<i>your profile was transferred to me only to make you profit and recover your amount</i>
	00:35 to 00:45	<i>the amount doesn't matter we are here to give the profit we are here to give the profit, we are here to recover your amount you have lost</i>
	01:40 to 02:00	<i>are you giving me 40 lakh, are you giving me 40 lakh send me 40 lakh immediately I will give you guarantee sir, within two minutes I will give you guarantee. I will give it on stamp paper of Rs. 1000. Pay me 40 lakhs right now.</i>
	06:57 to 07:05	<i>within next ten trading session you will be in the profit of 10 lakhs after recovering every single penny you have lost</i>
Call-2	09:24 to 09:35	<i>sir how much fund is there in your dmat? Even if you are putting one lakh also on a intra day basis we can recover Rs. 30,000 to Rs. 40,000 easily and we are taking the responsibility.</i>
	10:05 to 10:17	<i>now what the management is going to write a mail management is writing a mail, that sir we are ready to recover your losses we are taking the responsibility of recovering your losses and we provide good services.</i>
Call-3	00:00 to 00:30	<i>The market we are going to earn very big ok. That's why I called you. Today I am going to make you profit of minimum 1 lakh. Today we will make it.</i>

(d) Complaint of Mr. Yogesh Vasant Khond (SEBIE/MP19/0000078) received on SCORES provided the email transacted between the Noticee and the client. From the email dated September 21, 2018, I note that the Noticee promised the client assured returns within a specific time period. The details of emails are as under:-

Email dated September 21, 2018

"As per discussion with Mr. Sourabh your ASBP Plan charge is INR 5,00,000/- for this plan total paid amount is INR 5,00,000/-.

As per the company policy you have to pay your service remaining GST amount INR 90,000/-. This is your final due amount. After complete this amount your service will be fully activated..

Profit slab amount INR 15,00,000/- profit duration 45 working days. So kindly complete this profile and enjoy your ASBP Plan. Than your service will be activate with in 24 Hours”.

(e) Copies of the emails and Call Data Records were made available to the Noticee. The Noticee has submitted that the said call records do not belong to the Noticee nor any of its representatives and in the absence of any Forensic verification the said recordings could not be attributed to any employee of Noticee. The Noticee has also specifically denied that the company or any person associated with company has sent these emails. The Noticee has also stated that the invoices sent to clients and welcome mail clearly and unequivocally mentions that "Investments are subjected to market risk". With regard to complaint of Yogesh Vasant and emails attributed to the Noticee, the Noticee submitted that the Noticee or any person associated with the Noticee had not sent the said emails. Further, the Noticee submitted that email starworldrch@gmail.com and star.world@gmail.com were never used by it and they are fake ids made by one Bharat.

41. In this regard, I note that the KYC documents of some of its clients as provided by the Noticee show that it was not using a common email address to send welcome email to the clients. For instance, the Noticee has used info@starworld.com to send welcome mail to the client Kamlesh Kumar and infoworldsrs@gmail.com to send welcome mail to another client, Muthyam Reddy. However, the email addresses as mentioned above were received from email ids starworldrch@gmail.com and star.world@gmail.com . The material on record does not indicate that the aforesaid emails addresses belonged to the Noticee. Further, the call recordings are not supported by any further

examination. Hence, I am unable to rely on them to arrive at any finding of violation with respect to the making promises of assured or unrealistic return, as alleged.

VI Receiving fees through Paytm wallet

42. It is alleged on the basis of a complaint received through SCORES (SEBI/MP20/0000090/1), that the Noticee received fees through Paytm wallet. I note that an amount of Rs. 3480/- was received by the Noticee from complainant on January 8, 2020. I also note that the Noticee has submitted that the amount received was immediately returned to the client's account and that the same was a mistake of the client.

43. In this regard, I note that as per the SEBI's circular dated December 27, 2019, IAs were *inter alia* advised to receive fee through banking channels only. The relevant portion of the said Circular reads as “.....it is observed that investment advisors are receiving advisory fee in the form of cash deposit in their bank accounts or through payment gateways which does not provide proper audit trail of fees received from the clients. To bring the transparency in dealing with the clients, IAs shall accept fees strictly by account payee crossed cheques/ demand draft or by way of direct credit into their bank account through NEFT/RTGS/IMPS/UPI. It is clarified that, IAs shall not accept cash deposits”.

44. I note that the Noticee has admitted that it received fee through Paytm App, but has stated that the amount was instantly refunded. However, the Noticee has not submitted any material to show that the amount was refunded to the client. Therefore, I am of the view that the Noticee has violated clause 1(iii) of SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019.

VII Receiving fees through cash/hawala system

45. I note that certain complaints were received against the Noticee, alleging that it accepted money through cash. For instance, the complainant Ashutosh Kumar in his SCORES complainant (SEBIE/MP20/0000987/1) stated as under:

“Date-10/12/2019: Since huge money was at stake and under immense pressure I arranged for remaining cash- 4,45,000. They asked to round off the amount to 4,50,000. They asked me to come to Patna anyhow and handover the cash to their executive who has flown all the way to Patna at the behest of the director of the company. I had no other option but to pay as I thought that huge sum of mine is at stake. I paid 4,45,000 by cash at Patna.”

46. It is also alleged that the same complainant, vide email dated June 19, 2020, stated that a total of Rs. 18,89,070/- was paid to the Noticee through various channels including the above cash payment. However, as per the complaint invoices of only Rs. 12,87,555/- were issued to the said client. The details of Rs. 12,87,555/- fees received from client is mentioned in the Client Master provided by the Noticee. The Noticee has stated that the allegation is false but has not submitted any evidence of receiving the said amount through any banking channel. Hence, I am of the view that the submission of the Noticee is not acceptable.

47. It was also alleged that the Noticee received cash through hawala. In this regard, it was alleged that through WhatsApp communication on January 10, 2020, exchanged the following text to the complainant for receiving cash through hawala:

“1~55B 670289 Pandit 9155953411

Photo bhejiye note ki urgent“.

48. The Noticee has denied having made the WhatsApp communication with the complainant. The Noticee has stated that the conversation does not depict a

phone number and therefore cannot be verified. I am inclined to accept the submission of the Noticee. Moreover, to make such serious allegations, proof with adequate weightage is required. The allegation is therefore dropped in favour of the Noticee.

VIII Non redressal of Investor grievances.

49. It is alleged from the data obtained from SCORES that 5 unique complaints were pending against the Noticee as on July 17, 2020. Of these, in 4 complaints, the Noticee had failed to file Action Taken Report (**ATR**) within the prescribed timeline of 30 days. The complaint of Suraj Bhan was pending for more than one year with the Noticee. It was therefore alleged that the Noticee has violated SEBI Circular CIR/OIAE/2014 dated December 18, 2014 and the provisions of Regulation 21 of IA Regulations.

50. As per Regulation 21 of IA Regulations, the Noticee was required to redress clients' grievances promptly. SEBI's Circular CIR/OIAE/2014 dated December 18, 2014 also states that registered intermediaries, to whom complaints are forwarded through SCORES, shall take immediate efforts on receipt of a complaint, for its resolution, within thirty days.

51. The Noticee has submitted that the Hon'ble Supreme Court had suspended all limitations in view of COVID-19 and that no statutory limitation of any kind can be enforced from the period of 14/3/2020 to 3/10/2021 and holding an IA responsible for a delay of 15 days during such an emergency is abuse of power and contempt of the order of the Hon'ble Supreme Court.

52. I note that the order of the Hon'ble Apex Court pertains to petitions/ applications/ suits/ appeals/ all other proceedings with respect to the respective courts/ tribunals. The DA has noted that the Noticee was not applying for some relief to any court or tribunal. However, before me the Noticee has reiterated submission and prayed that in view of the horrors of the Covid-19 a lenient view

may be taken for the delay of 15 days. I note that the complaint of Suraj Bhan was pending for more than one year. SCORES being an online portal, this delay is substantial. Even if a lenient view is taken for the other complaints, the delay of one year cannot be overlooked. In view of the same, I find that the Noticee has failed to comply with SEBI's Circular CIR/OIAE/2014 dated December 18, 2014 and the provisions of Regulation 21 of IA Regulations.

IX Threatening the Complainant to close the complaint on SCORES

53. I note that multiple complaints were received against the Noticee in SCORES as well as PMOPG platform. Details of the complaints filed by one Ashutosh Kumar are shown under:-

Table no.15

Complaint reg. no	Date of complaint
SEBIE/MP20/0000987/1	06-05-2020
MINPA/E/2020/00099	14-02-2020
CBOEC/E/2020/00796	14-02-2020
DOCAF/E/2020/00712	14-02-2020
PMOPG/E/2020/0073779	13-02-2020
DARPG/E/2020/03138	14-02-2020
SEBIE/MH20/0000934/1	18-01-2020
SEBIE/MP20/0000188/1	18-01-2020

54. It is alleged that when SEBI forwarded these complaints to the Noticee, instead of resolving the said complaints, it threatened the complainant to withdraw the complaint. With respect to the same, reliance was placed upon call data records as received from the complainant. The Noticee has denied the allegations and contended that without a proper Forensic verification of the said call recordings they cannot be attributed to the Noticee. I am inclined to accept the contention made by the Noticee as there is no material available on record that would show that the calls were made by the Noticee.

X Collection of GST from clients even after suo-moto cancellation of GSTN

55. During examination, it was observed that, the Noticee had, suo-moto, cancelled the GSTN number 23BBEPG7803F1Z3 on April 03, 2019. However, it is alleged that the invoices issued by the Noticee to its clients showed the amount charged as fees and GST from such fees separately, even though the GST number was cancelled. As per the Client Master provided by the Noticee, it had received fee of Rs. 24,437,161/- (including GST amount) even after the GSTN mentioned above was cancelled. From the details it was alleged that the Noticee was collecting fees including GST amount on cancelled GSTN.
56. The Noticee has submitted that the matter is subject to the jurisdiction of the GST department. The Noticee has also contended that, GST is dependent on net sales done by a service provider and in this case, SEBI has not considered the refunds made by the IA to clients in the subjected periods. Also, SEBI is not empowered under the Act to take any cognisance of violations, if any, of GST Act as it is completely out of SEBI's jurisdiction.
57. I find that an apparent illegality committed by an Intermediary under any other law can be taken note, to the extent it reflects the conduct of such intermediary. In this regard, I note that as per Code of Conduct for IAs, an investment advisor shall comply with all regulatory requirements applicable to the conduct of its business activities. The Noticee has failed to abide by clause 8 of Code of Conduct for Investment Advisors as specified in The Third Schedule of IA Regulations read with regulation 15 (9) of IA Regulations. Clause 8 also requires the Noticee to promote the best interest of its clients and integrity of the market. By charging GST amounts even after cancellation of its GSTN, the Noticee has failed to act in the manner required of him as a registered IA. Therefore, I find that the Noticee violated the provisions of Clause 8 of Code of Conduct for Investment Advisors as specified in the Third Schedule of IA Regulations read with Regulation 15 (9) of IA Regulations.

XI Misrepresentation/ wrong guidance to clients

58. It is alleged on the basis of call recordings that the Noticee was giving certain misleading information to its clients as is noted from the complaint of one client named Durairaj. The complainant has submitted records of calls exchanged with the purported representative of the Noticee, wherein the Noticee is giving false information related to its address and regarding the number of directors.

59. The Noticee, in this regard, has stated that the call records do not belong to the Noticee or any its employee. Further the phone number in any of these call recordings do not belong to the Noticee and without Forensic report these allegations cannot be substantiated and cannot be attributed to it.

60. I note that there is no material on record that would substantiate the veracity of the call recordings and in view of the same, I am inclined to accept the submission of the Noticee and drop the allegations.

XII Handled client demat account and promised assured returns to the client

61. It is alleged that the Noticee had handled the demat account of the clients. I note that the allegation is based on the complaint of Gaurish Dwivedi lodged on SCORES (complaint ref no. SEBIE/MP20/0000638/1). The complainant had also provided various WhatsApp communications that purportedly took place between the Noticee and the complainant. The Noticee has denied the aforesaid conversations. The Noticee also stated that the screenshot of the chats do not display the phone number of the Noticee.

62. On perusal of the copies of WhatsApp communication, it is noted that the said chat screenshots do not display the phone number of the Noticee. Hence, there is no evidence on record based on which the chats are attributable to the Noticee. In view of the same, I am inclined to accept the submission made by the Noticee in this regard and drop the allegations in this regard.

Violation of PFUTP Regulations

63. I note that it is alleged that the acts/omissions of the Noticee as discussed above resulted in “fraud” as defined in regulation 2(1)(c) of the PFUTP Regulations. Such acts/omissions include selling products meant for High Risk Category clients to clients having Medium Risk profile, charging of unfair, unreasonable and exorbitant fee from the clients and also selling the clients multiple products/services, improper risk profiling of the clients, promising/assuring unrealistic return to clients and collection of GST from the clients even after suo motu cancellation of the GST number. Thus, it was alleged in the SCN that the acts of the Noticee and its proprietor are “fraud” as defined in regulation 2(1)(c) of the PFUTP Regulations which provides as under:

“(c) “fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include -

- (1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;*
- (2) a suggestion as to a fact which is not true by one who does not believe it to be true;*
- (3) an active concealment of a fact by a person having knowledge or belief of the fact;*
- (4) a promise made without any intention of performing it;*
- (5) a representation made in a reckless and careless manner whether it be true or false;*
- (6) any such act or omission as any other law specifically declares to be fraudulent,*
- (7) deceptive behaviour by a person depriving another of informed consent or full participation,*
- (8) a false statement made without reasonable ground for believing it to be true.*
- (9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.*

And “fraudulent” shall be construed accordingly”

64. It was thus alleged that the Noticee has violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a) to (d) of the PFUTP Regulations.

65. With respect to the definition of “fraud” under regulation 2 (c), I am of the view that the same is very wide and general in nature. The definition of “fraud” alone does not bring an act within the purview of PFUTP Regulations. There has to be “dealing in securities” as defined under regulation 2(1)(c) of PFUTP Regulations. There is no proof to show that the IA has committed fraud while “dealing in security” as contemplated under the PFUTP Regulations. In view of this, the misleading representations made by the IA to its clients and the wrong categorisation of clients and selling high risk products to unsuitable clients or levying GST after cancellation of its GSTN, etc., would not bring the Noticee’s acts within the prohibition under the PFUTP Regulations. These are violations of the prescriptions laid down in various provisions of the IA Regulations and the Code of Conduct. I am, therefore, inclined to drop the allegation of fraudulent and unfair trading in favour of the Noticee. In view of the above, I am inclined to reconsider the recommendation proposed by the DA and reduce it to suspension for a period of 6 months. Further, the Noticee is hereby warned that when it resumes its activity as an IA, after the period of suspension, it shall exercise due care and caution with respect to all compliances contained in the IA Regulations in letter and spirit.

Directions:

66. In view of the above, I, in exercise of the powers conferred upon me in terms of Section 12(3) and Section 19 of the SEBI Act read with Regulation 27 (5) of the Intermediaries Regulations, do hereby issue the following directions: -

- a. The certificate of registration, bearing SEBI Registration No. INA000005499, granted to Star World Research as an Investment Adviser is suspended for a period of six months from the date of this order;

- b. The Noticee is warned to exercise due care and caution while conducting the business of Investment Adviser and ensure compliance with applicable rules and regulations.

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

68. A copy of this order shall be served on the Noticee.

Date: January 31, 2023

Place: Mumbai

Sd/-

GEETHA G.

CHIEF GENERAL MANAGER

SECURITIES AND EXCHANGE BOARD OF INDIA