BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Section 12(3) of Securities and Exchange Board of India Act, 1992 read with Regulation 23, Regulation 27 and Regulation 35 of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 and Regulation 31 of Securities and Exchange Board of India (Research Analyst) Regulation, 2014.

IN RESPECT OF:

NOTICEE	SEBI Registration No.	PAN
Manish Goel – Research Analyst	**INH100004775**	**AHWPG4252B**

Background:

1. Manish Goel (hereinafter referred to as the **'Noticee'**) is registered as a Research Analyst ('RA') having SEBI Registration No. INH100004775 under the Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (hereinafter referred to as **'Research Analysts Regulations/RA Regulations'**) with effect from May 16, 2017. As per the records, his registered office is at 'Flat No. 2209B, Block 13, Chandigarh Housing Board, Sector 63, Chandigarh, Chandigarh, 160022. Further, he was also the Director/Principal Officer/Shareholder of Multibagger Securities Research and Advisory Pvt. Ltd. **('MSRAPL')** a SEBI registered Investment Advisor **('IA').**

2. Securities and Exchange Board of India (**'SEBI'**) had conducted an inspection of the books of accounts of the Noticee in respect to his RA related activities with effect from December 16, 2021 to December 17, 2021, to look into the compliance of regulatory requirements stipulated under RA Regulations as well as the relevant circulars issued by SEBI. The period of inspection was from April 01, 2020 to March 31, 2021 (hereinafter referred to as **'inspection period'/ 'IP'**). During the inspection, it was observed and alleged that the Noticee has violated the certain

provisions of Rules and Regulations of SEBI Act 1992 and the circulars made thereunder.

3. The findings of the inspection are as under;

   3.1. Noticee did not have any internal policy nor following any internal policy and control procedure that governs his dealing and trading in the securities.

   3.2. Noticee failed to ensure independence of research activities from other business activities and failed to maintain an arms-length relationship between research activities and other activities.

   3.3. Noticee had traded in the restricted period on multiple instances and traded in a manner contrary to his recommendations.

   3.4. Noticee did not maintain records of recommendations in multiple instances and had given return assured recommendation.

   3.5. Noticee had given recommendations without any adequate documentary basis and failed to comply with in respect of contents of research report.

   3.6. Noticee had failed to provide necessary disclosure in his research reports and recommendations made in general or through public appearances.

   3.7. Noticee did not follow and refused to follow KYC procedures specified in SEBI circulars and guidelines issued in respect of KYC/CDD/AML/PMLA.

   3.8. Noticee had failed and refused to provide relevant records and all such assistance and co-operation as required in connection with the inspection.

   3.9. Noticee had failed to conduct annual audit and misrepresented the clients through website.

   3.10. Noticee had failed to comply with the conditions of registration certificate.

4. In view of the above, it was alleged that the Noticee had violated the followings:

   4.1. Regulation 13 (i), (ii), (iii), 15(1), 15(2), 24(1), 25(1), 18(7), 19, 20(1), 21(1), 25(3) and the Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations;

   4.2. Regulations 16(2), 16(3) and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA

Regulations read with Regulation 21(2) and point 35 of the FAQs to RA Regulations issued by SEBI;

4.3. Regulations 29(1) and 29(2) of the RA Regulations r/w Sections 11(2)(i) and 11(2)(ia) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act") and the Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations;

4.4. Regulation 3(a), (b) (c) and (d) and 4(1) and 4(2) (k), (o) and (s) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations") read with sections 12A (a), (b) and (c) of the SEBI Act and Regulation 2(1)(c) of PFUTP Regulations and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations; and

4.5. Circulars ISD/CIR/RR/AML/1/06 dated January 18, 2006 (hereinafter referred to as "SEBI PMLA Circular 1") and ISD/CIR/AML/2/06 dated March 20, 2006 (hereinafter referred to as "SEBI PMLA Circular 2") read with SEBI Master Circular SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019 (hereinafter referred to as "SEBI Master Circular"; aforesaid circulars are hereinafter collectively referred to as the "SEBI PMLA Circulars") and Clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations.

5. The above mentioned alleged violation of the findings of the inspection led to the initiation of enquiry proceedings against the Noticee in terms of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as **"Intermediaries Regulations"**) and a Designated Authority (hereinafter referred to as **"DA"**) was appointed under Regulation 24 of the Intermediaries Regulations to enquire into the aforesaid alleged violations against the Noticee.

Enquiry by the Designated Authority:

6. The Designated Authority **('DA')** had issued a Show Cause Notice dated June 26, 2023 (hereinafter referred to as **'SCN'**) under Regulation 25 of the Intermediaries Regulations, calling upon the Noticee to show cause as to why an appropriate recommendations for the alleged violations should not be made against him.

7. An attempt was made to deliver the SCN on the address available on record. The said SCN was duly served vide SPAD and e-mail. In response thereto, vide emails dated June 28 & 30, 2023, and July 01, 2023, the Noticee requested for inspection of documents and the extension of time to submit his reply to the SCN. Further he also sought copies of relevant documents in the matter. Accordingly, vide emails dated June 30, 2023 and July 07, 2023, the Noticee was granted permission to inspection of documents as requested in the aforesaid email. However, the Noticee did not come for the scheduled inspection and also not sought any further extension on the same. Subsequently, Noticee submitted his reply to the SCN vide emails dated July 29, 2023 and August 01, 2023. Thereafter, in the interest of natural justice, vide Hearing Notice dated August 01, 2023, which was duly served on Noticee via Digitally Signed Email, granted an opportunity of personal hearing on August 04, 2023. In response, vide email dated August 01, 2023, the Noticee replied that he had nothing to submit apart from what he had already submitted in the aforesaid written reply and would not attend the hearing on August 04, 2023.

8. Thus, I note that as the Noticee did not want to avail any opportunity of personal hearing in the instant matter, the DA proceeded based on the material available on record as well as the reply submitted by the Noticee and thereafter submitted an Enquiry Report dated August 11, 2023 (hereinafter referred to as **'Enquiry Report'/ 'ER'**) recommending suspension of the registration of the Noticee as an RA for the period of six months.

Post Enquiry Proceedings:

9. A post-enquiry Show Cause Notice dated August 28, 2023 (hereinafter referred to as '**Post Enquiry SCN**') was issued to the Noticee, enclosing a copy of the Enquiry Report dated August 11, 2023 submitted by the DA, calling upon him to show cause in terms of Regulation 27 of the Intermediaries Regulations as to why actions as recommended by the DA should not be taken against the Noticee in terms of the said Regulations.

10. The Post Enquiry SCN was issued to the Noticee through e-mail dated August 28, 2023 and was duly delivered. In response thereto, the Noticee submitted his written reply vide letter and email dated September 12, 2023. Thereafter, in terms of Regulation 27(4) of the Intermediaries Regulation, an opportunity of personal hearing was granted to the Noticee on September 27, 2023, vide e-mail dated September 04, 2023. The said notice was duly delivered on September 04, 2023. On the day of the scheduled hearing, the Noticee himself appeared and reiterated the submissions made vide the reply dated September 12, 2023. The summary of the reply dated September 12, 2023 are as under;

    a) *"… First category of allegations in your SCN is regarding regulation 25 of RA Regulations i.e. Maintenance of Records. In this category, first allegation made by Sebi is that I have not provided details of 9 other recommendations (other than those 10 research reports/recommendations which I reported/provided to Sebi). To make this allegation, you have relied upon some WhatsApp chat extracts provided to you by one complainant named Susmita Bhowmick. Firstly, this complainant is a proven liar as proved by us in our reply to Sebi in August 2022 (attached again with this reply). Repeatedly, this complainant has made several false statements like "Lost almost total capital", "waited for 2-3 years" and "stocks were totally bad & manipulative"….*

    b) *"…Therefore, it is not possible that in some WhatsApp screenshots (allegedly from me), my profile picture is not visible. Both above reasons makes these WhatsApp screenshots highly suspicious and inadmissible as evidence. Further, There is one observation of inspecting authority in the*

document that -"In the mentioned WhatsApp group screenshots the RA has inter-alia posted that 'Happy to announce that after Aman… Further, neither Aman Verma and Dia Mirza are brand ambassador of RA nor these 2 persons promoted RA activities of Manish Goel. Even further, even the domain/website www.manishgoelstocks.com , on which Sebi is relying many times for making some other allegations on me, does not have above mentioned videos of Aman Verma or Dia Mirza. This observation of Sebi actually supports my case that those WhatsApp chat screenshots are not reliable. All the comments/rationale given by Sebi in its document 'post inspection analysis' justifying the reasons for the authenticity of WhatsApp chat screenshots are vague, unlawful and afterthought….."

c) *"….Further, it is also mentioned in your SCN that the veracity in respect of signing and dating the research reports by the RA cannot be ascertained and hence, it is observed that the RA has not duly signed and dated the research reports. Your this statement is contradictory in itself, unlawful and arbitrary because in the same statement Sebi is writing that veracity in respect of signing and dating the reports cannot be ascertained and then Sebi is writing that hence, it is observed that the RA has not duly signed and dated the research reports. You cannot allege regarding occurring or not occurring of a fact/event just because Sebi is not able to ascertain whether that fact/event occurred or not (as per your own admission above). You will have to conclusively prove that either that fact/event has either occurred or not occurred. Lastly, I provided to Sebi 3 research reports which were duly signed and dated…."*

d) *"…As the inspection was done of my research analysis activities of FY 20-21, all the research reports etc published in FY 20-21 were provided to Sebi and those were duly signed and dated. Sebi cannot include, in its SCN, allegation regarding some research report which might have been published outside of inspection period FY 20-21. Further, it is also mentioned in your SCN that the veracity in respect of signing and dating the research reports by the RA cannot be ascertained and hence, it is observed that the RA has not duly signed and dated the research reports….."*

e) *"… it may be noted in the PIQ or in any other letter/communication, Sebi never asked from me the rationale of stock specific recommendations …."*

f) *"…restriction on personal trading is applicable on 'Independent research analysts, individuals employed as research analyst by research entity or their associates' and I am NOT an Independent research analyst or an individual employed as research analyst by research entity or their associates as per RA regulations. Sebi's observation in document 'Post Inspection Analysis' regarding question number 35 of FAQs of RA regulations is unlawful and without application of mind because FAQs of some regulations are considered only when there is some interpretation issue in the main regulation. Firstly, Sebi is misinterpreting my above submission because the meaning of my above submission was that regulation 21 (1) is applicable to me in the sense that if I make public appearance, I will keep a record of those. If there are no public appearance, there is no possibility of keeping any record regarding the same…."*

g) *"…Secondly, this issue also relates to a difference in interpretation of definition of public appearance, between me and Sebi. The 10 research reports/recommendations which I published in FY 20-21 in News Channel MGNBD, I am counting them as public appearance because those 10 researchreports/recommendations were published for all the subscribers of News Channel MGNBD simultaneously. There is no public appearance by me during inspection period other than those 10 research reports/recommendations. So the allegation that I have not provided details of public appearance is arbitrary, malafide, vindictive and just an afterthought by Sebi to take revenge of my complaints and criminal cases against Sebi and its officers."*

h) *"…Only difference between those Business News Channel and MGNBC is that the formers are TV channels and MGNBC is a digital Chanel, but that difference does not change the basic nature of facts. If Sebi claims that MGNBC comes under the purview of Sebi, then Sebi will have to bring those business news channels like CNBC or Zee Business etc also in its purview and mandate them to be registered with Sebi as Registered Research Analyst. Sebi can not make differential treatment with two entities*

placed similarly. But on the ground situation is that Sebi is not regulating even that part of those business TV news channel which it should regulate like stock recommendations etc…"

i) *"…Because Sebi ignored my reply already given in this regard, that as per regulation 16 of RA regulations, restriction on personal trading is applicable on 'Independent research analysts, individuals employed as research analyst by research entity or their associates' and I am NOT an Independent research analyst or an individual employed as research analyst by research entity or their associates as per RA regulations.."*

j) *"… Therefore, the intention of the legislature in regulation 21(2) is to regulate those director or employee of an investment adviser or credit rating agency or asset management company or fund manager, who makes public appearance or makes a recommendation or offers an opinion concerning securities or public offers through public media (but not registered as research analyst).."*

k) *"… Third allegation made by Sebi in the same category 'Maintenance of records' is that RA has given at least one recommendation where he assured returns to his clients i.e. "On December 09, 2020 tomorrow Swasti Vinayak synthetics will touch its 10 years high price of 8.7". Firstly, this is a wrong fact even based on your own supporting documents because in the WhatsApp chat screenshots, attached and relied upon by Sebi, the above message appear like this - "Tomorrow Swasti Vinayak synthetics will touch its 10 year high price of 8.7". And on December 09, 2020 on which the above message is alleged to have posted, price of Swasti Vinayak Synthetics was approx 8.3 and therefore only 40 paisa increase in the price appears to be predicted which was strongly obvious because of many reasons provided above. By not mentioning this fact anywhere that only 40 paisa price rise appears to be predicted, and amplifying and emphasising just on the word '10 year high' arbitrarily, Inspecting authority has tried to mislead everybody. Lastly, in various business TV channels and other media, various research analysts are giving 'targets' on stocks on daily basis. If your vague, arbitrary, malafide and vindictive logic of assured return in above WhatsApp message regarding Swasti Vinayak Synthetics*

is accepted, that will tantamount to that all the research analysts in various TV channels and other media are giving assured returns. Lastly, one observation is made in your annexure 'Post inspection analysis' -"the RA has submitted that the message can be seen by members only, then how this message mis-sold services. In this regard it is submitted that services can be mis-sold to the existing clients also". This observation/allegation of Sebi is unlawful, vague, arbitrary, malafide and vindictive because definition of 'assured returns' in the parlance of securities markets is that while/before making a client, the client is given a guarantee that he will earn a fix return definitely. And that does not seem to be the case here..."

l) *"…Out of the 2, in one instance, Sebi is including a sell order of just 17 qty of Andhra Petrochemicals ltd which were allegedly sold after 27 days of buy recommendation… Your second instance regarding trading in a manner contrary to recommendation is regarding alleged sale of 1505 shares of Jyoti Resins ltd on the date of my recommendation. But while that Alleged sale of 1505 shares of Jyoti Resins happened on the same date of recommendation but 'before' the time of recommendation as recommendation was given at 3:15 pm and sale happened before that already. This example of me selling Jyoti Resins just hours before my recommendation is actually a proof of my extremely high standards of service and integrity, because I could have sold these 1505 shares 'After' recommendation time of 3:15 pm at high price…."*

m) *"…the RA, being a director/shareholder/PO of Multibagger Securities Research & Advisory Pvt ltd (IA) is also doing RA business and therefore the RA has failed to ensure independence of its research activities from its other business activities and failed to maintain an arms-length relationship between his research activities and other activities. Now firstly, as submitted earlier by me many times, I am not soliciting clients in my RA activities and clients are solicited by News Channel division named MGNBD and in that News Channel, I, in my separate capacity as a RA, publish research reports/recommendations. But even if for a moment, just for the convenience of argument, it is assumed that clients were solicited by RA division, then also there is no prohibition on a*

Director/shareholder/PO of a SEBI Registered IA to solicit clients personally as RA…"

n) *"…in general and/or through public media/appearances because the veracity of the fact that the research reports communicated by the RA to its clients actually had the said separate disclosure document can not be ascertained. Your this statement is contradictory in itself, unlawful and arbitrary because in the same statement Sebi is writing that veracity in respect of disclosures in the reports cannot be ascertained and then Sebi is writing that 'hence, it is observed that the RA does not provide disclosures in the research reports'. You can not allege regarding occurring or not occurring of a fact/event just because Sebi is not able to ascertain whether that fact/event occurred or not (as per your own admission above). You will have to conclusively prove that either that fact/event has occurred or not occurred.."*

o) *"… SEBI approved my address change request in Nov 2021."*

p) *"…it was observed that there appears to be a collusion between Noticee and Ashwani K Dhiman who conducted the compliance audit. This allegation by Sebi is patently Malafide, Vindictive, Arbitrary and illegal because Ashwani K Dhiman is not an employee of Multibagger Securities Research & Advisory Pvt ltd and is an independent practicing company secretary. And an independent practicing company secretary can do compliance/compliance audit of 2 entities…"*

q) *"…RA registration certificate was not provided to Instamojo as part of KYC… Cheque book cover page in the name of Manish Goel News Broadcast Channel which proves my case that Instamojo account was opened by Manish Goel News Broadcast division.."*

r) *"…The fact that Instamojo provided to inspecting authority both documents i.e. cheque book cover page and Sebi RA registration certificate actually supports my case/stand that Instamojo account was opened by the News Channel Division MGNBD and RA registration certificate was provided just because in that News Channel, some research reports/recommendations were also published by me in my capacity of Research Analyst. For example on May 22, 2023 one message was posted in the channel -*

'Exclusive prediction only for paid channel members — Sensex to touch Life Time High soon'. This message is not a research report/recommendation according to RA regulations and therefore it can not be said that this message was posted in my capacity as a Research Analyst. Within just 30 trading sessions after above message, Sensex indeed made fresh life time high and therefore, among others things, for this kind of useful messages also, clients subscribe the News Channel of MGNBD….."

s) *"… Its alleged that the RA vide the aforesaid points in the PIQ and his letter dated 17.12.2021 submitted during inspection refused to provide and information and records in respect of compliances in respect of Know Your Customer, fee collected from clients, Clients Due Diligence and Anti Money laundering under the pretext that he does not solicit any client in RA division and clients are solicited by News Channel division named MGNBD which does not come under the purview of Sebi. This allegation by Sebi is unlawful and malafide due to many reasons. Firstly an information can be said to be 'refused' only when the information is 'available' with the person from whom the information is sought. Many information sought by Sebi was not even available either with RA division or with MGNBD division. It is further alleged by Sebi in this category that from the extracts of WhatsApp group of RA it is noted that the RA in the said group was asking the KYC details from his existing clients on 18.12.2020 and 22.12.2020….."*

t) *"…SCN alleges that I did not provide to the inspecting authority such books, correspondence with the clients, KYC details, product offered etc etc which inspecting authority asked from me. This allegation is unlawful and arbitrary because the documents demanded by the Inspecting authority during inspection can not be more than those which RA regulation mandates me to maintain in regulation 25(1). Because otherwise the whole purpose of Regulation 25(1) will be defeated which clearly lays down as to what documents a RA is bound to maintain. And all those documents which regulation 25(1) mandates, were presented to the inspecting authority during inspection. Further regulation 29(1) & 29(2) as quoted above clearly uses the words 'in his custody or control', and therefore RA is required to*

give to the inspecting authority those records which is mandated by regulation 25(1) of the RA regulations and which are in the custody of the RA. RA can not be made bound to present any documents/records etc which are not maintained by him and therefore are not in his custody…"

u) *"…allegation in this category is that upon perusal of the internal policy submitted by the RA in PIQ vis-a-vis the submissions of the RA in respect of internal policies and procedures made while seeking registration, it is noted that both are different. Your this logic for not accepting internal policies document is vague, arbitrary, malafide and vindictive because there is no restriction on updating the internal policy document and internal policy document can be updated with time…"*

11. I have carefully examined the allegations made against the Noticee and his reply to the post enquiry SCN and the documents / material available on record. The issues that arise for consideration in the present case is to examine as to whether the Noticee has violated the various provisions of SEBI Act, RA Regulations, PFUTP Regulations and circulars as alleged in the para 4 above and the observations as well as the recommendation of DA on the same.

12. Before I proceed further with the matter, it is pertinent to mention the relevant provisions of the SEBI Act, RA Regulations, PFUTP Regulations and other relevant circulars alleged to have been violated by the Noticee. The same are reproduced herein below:

SEBI Act

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control

*"**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;"*

PFUTP Regulations

"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;"

*"**Regulation 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 thereunder;

(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 thereunder;"

*"**Regulation 4: Prohibition of manipulative, fraudulent and unfair trade practices***

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

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:

(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities;

(o) fraudulent inducement of any person by a market participant to deal in securities with the objective of enhancing his brokerage or commission or income;

…

(s) mis-selling of securities or services relating to securities market;

Explanation- For the purpose of this clause, "mis-selling" means sale of securities or services relating to securities market by any person, directly or indirectly, by—

(i) knowingly making a false or misleading statement, or

(ii) knowingly concealing or omitting material facts, or

(iii) knowingly concealing the associated risk, or

(iv) not taking reasonable care to ensure suitability of the securities or service to the buyer;"

RA Regulations

*"**Conditions of certificate.***

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

(i) the research analyst shall abide by the provisions of the Act and these regulations;

(ii) the research analyst shall forthwith inform SEBI in writing, if any information or particulars previously submitted to SEBI are found to be false or misleading in any material particular or if there is any material change in the information already submitted;

(iii) research analyst registered under these regulations shall use the term 'research analyst' in all correspondences with its clients.

Establishing Internal policies and procedures.

***15.** (1) Research analyst or research entity shall have written internal policies and control procedures governing the dealing and trading by any research analyst for:*

(i) addressing actual or potential conflict of interest arising from such dealings or trading of securities of subject company;

(ii) promoting objective and reliable research that reflects the unbiased view of research analyst; and

(iii) preventing the use of research report or research analysis to manipulate the securities market.

(2) Research analyst or research entity shall have in place appropriate mechanisms to ensure independence of its research activities from its other business activities.

Limitations on trading by research analysts.

***16.** (1) …*

(2) Independent research analysts, individuals employed as research analyst by research entity or their associates shall not deal or trade in securities that the research analyst recommends or follows within thirty days before and five days after the publication of a research report.

(3) Independent research analysts, individuals employed as research analysts by research entity or their associates shall not deal or trade directly or indirectly in securities that he reviews in a manner contrary to his given recommendation.

***Limitations on publication of research report, public appearance and conduct of business, etc**.*

18. …

(7) Research analyst or research entity shall have adequate documentary basis, supported by research, for preparing a research report.

Disclosures in research reports.

***19.** A research analyst or research entity shall disclose all material information about itself including its business activity, disciplinary history, the terms and conditions on which it offers research report, details of associates and such other information as is necessary to take an investment decision, including the following:*

(i) Research analyst or research entity shall disclose the following in research report and in public appearance with regard to ownership and material conflicts of interest:

(a) whether the research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest;

(b) whether the research analyst or research entity or its associates or relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;

(c) whether the research analyst or research entity or his associate or his relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance;

(ii) Research analyst or research entity shall disclose the following in research report with regard to receipt of compensation:

(a) whether it or its associates have received any compensation from the subject company in the past twelve months;

(b) whether it or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months;

(c) whether it or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months;

(d) whether it or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months;

(e) whether it or its associates have received any compensation or other benefits from the subject company or third party in connection with the research report.

(iii) Research analyst or research entity shall disclose the following in public appearance with regard to receipt of compensation:

(a) whether it or its associates have received any compensation from the subject company in the past twelve months;

(b) whether the subject company is or was a client during twelve months preceding the date of distribution of the research report and the types of services provided: Provided that research analyst or research entity shall not be required to make a disclosure as per sub-clauses (c), (d) and (e) of clause (ii) or sub-clauses (a) and (b) of clause (iii) to the extent such disclosure would reveal material non-public information regarding specific potential future investment banking or merchant banking or brokerage services transactions of the subject company.

(iv) whether the research analyst has served as an officer, director or employee of the subject company;

(v) whether the research analyst or research entity has been engaged in market making activity for the subject company;

(vi) Research analyst or research entity shall provide all other disclosures in research report and public appearance as specified by SEBI under any other regulations.

Contents of research report.

20. *(1) Research analyst or research entity shall take steps to ensure that facts in its research reports are based on reliable information and shall define the terms used in making recommendations, and these terms shall be consistently used.*

Recommendations in public media.

21. *(1) Research analyst or research entity including its director or employee shall disclose the registration status and details of financial interest in the subject company, if he makes public appearance.*

(2) If any person including a director or employee of an investment adviser or credit rating agency or asset management company or fund manager, makes public appearance or makes a recommendation or offers an opinion concerning securities or public offers through public media, all the provisions of regulations 16 and 17 shall apply mutatis mutandis to him and he shall disclose his name, registration status and details of financial interest in the subject company at the time of,-

(i) making such recommendation or offering such opinion in personal capacity;

(ii) responding to queries from audiences or journalists in personal capacity;

(iii) communicating the research report or substance of the research report through the public media.

General responsibility.

24. *(1) Research analyst or research entity shall maintain an arms-length relationship between its research activity and other activities.*

(2) Research analyst or research entity shall abide by Code of Conduct as specified in Third Schedule.

Maintenance of records.

25. *(1) Research analyst or research entity shall maintain the following records:*

(i) research report duly signed and dated;

(ii) research recommendation provided;

(iii) rationale for arriving at research recommendation;

(iv)record of public appearance.

…

(3) Research analyst or research entity shall conduct annual audit in respect of compliance with these regulations from a member of Institute of Chartered Accountants of India or Institute of Company Secretaries of India.

Obligation of research analyst on inspection.

29. *(1) It shall be the duty of every research analyst or research entity in respect of whom an inspection has been ordered under the regulation 27 and any other associate person who is in possession of relevant information pertaining to conduct and affairs of such research analyst or research entity including their representative, if any, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection.*

(2) It shall be the duty of research analyst or research entity and any other associate person who is in possession of relevant information pertaining to conduct and affairs of the research analyst to give to the inspecting authority all such assistance and shall extend all such co-operation as may be required in connection with the inspection and shall furnish such information as sought by the inspecting authority in connection with the inspection.

THIRD SCHEDULE

[See sub-regulation (2) of regulation 24]

CODE OF CONDUCT FOR RESEARCH ANALYST

1. Honesty and Good Faith

Research analyst or research entity shall act honestly and in good faith.

2. Diligence

Research analyst or research entity shall act with due skill, care and diligence and shall ensure that the research report is prepared after thorough analysis.

3. Conflict of Interest

Research analyst or research entity shall effectively address conflict of interest which may affect the impartiality of its research analysis and research report and shall make appropriate disclosures to address the same.

…

6. Professional Standard

Research analyst or research entity or its employees engaged in research analysis shall observe high professional standard while preparing research report.

7. Compliance

Research analyst or research entity shall comply with all regulatory requirements applicable to the conduct of its business activities.

8. Responsibility of senior management

The senior management of research analyst or research entity shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures."

*"**SEBI CIRCULAR***

ISD/CIR/RR/AML/1/06 dated January 18, 2006

Guidelines on Anti Money Laundering Standards.

1. The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, Government of India.

2. As per the provisions of the Act, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. Such transactions include:

❒ *All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.*

❒ *All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.*

❒ *All suspicious transactions whether or not made in cash.*

3. The Guidelines *enclosed herewith are being issued to the intermediaries as specified above, in the context of the recommendations made by the Financial Action Task Force (FATF) on anti-money laundering standards. Compliance with these standards by all intermediaries and the country has become imperative for international financial relationships. It may be noted that these Guidelines lay down the minimum requirements / disclosures to be made in respect of clients. The intermediaries may, according to their requirements specify additional disclosures to be made by clients to address concerns of Money Laundering and suspicious transactions undertaken by clients.*

4. All intermediaries are advised to ensure that a proper policy framework as per the Guidelines on anti-money laundering measures is put into place within one month from the date of the circular. The intermediaries are also advised to designate an officer as 'Principal Officer' who would be responsible for ensuring compliance of the provisions of the PMLA. Names, designation and addresses (including e-mail addresses) of 'Principal Officer' shall also be intimated to the Office of the Director-FIU, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi -110021, India on an immediate basis.

5. The detailed procedure incorporating the manner of maintaining information and matters incidental thereto for SEBI registered intermediaries, under the prevention of Money Laundering Act, 2002 and the Rules made thereunder and formats for reporting by the intermediaries are being finalised and would be issued subsequently.

6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market."

"SEBI CIRCULAR

ISD/CIR/AML/2/06 dated March 20, 2006

Prevention of Money Laundering Act, 2002, Obligations of intermediaries in terms of Rules notified thereunder

1. Please refer to our circular no. ISD/CIR/RR/AML/1/06 dated January 18, 2006 laying down broad guidelines on Anti Money Laundering Standards. As per the circular, all the intermediaries registered with SEBI under Section 12 of the SEBI Act were advised to ensure that a proper policy framework on anti-money laundering measures is put into place within one month from the date of the circular. The intermediaries were also advised to designate an officer as 'Principal Officer' and intimate their details to the Financial Intelligence Unit, India on an immediate basis.

2. It is brought to the attention of all the intermediaries that the Government of India, Ministry of Finance, Department of Revenue has issued notifications dated July 1, 2005 and December 13, 2005 in the Gazette of India, notifying the Rules under the Prevention of Money Laundering Act (PMLA), 2002. In terms of the Rules, the provisions of PMLA, 2002 came into effect from July 1, 2005. Section 12 of the PMLA, 2002 casts certain obligations on the intermediaries in regard to preservation and reporting of certain transactions. Intermediaries are therefore, advised to go through the provisions of PMLA, 2002 and the Rules notified there under and take all steps considered necessary to ensure compliance with the requirements of section 12 of the Act ibid.

3. Maintenance of records of transactions

All the intermediaries shall put in place a system of maintaining proper record of transactions prescribed under Rule 3, as mentioned below:

(i) all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;

(ii) all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;

(iii) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;

(iv) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

4. Information to be maintained

Intermediaries are required to maintain and preserve the following information in respect of transactions referred to in Rule 3:

(i) the nature of the transactions;

(ii) the amount of the transaction and the currency in which it was denominated;

(iii) the date on which the transaction was conducted; and

(iv) the parties to the transaction.

5. Maintenance and Preservation of records

Intermediaries should take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 have to be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and intermediary.

Intermediaries should formulate and implement the client identification program containing the requirements as laid down in Rule 9 and such other additional requirements that it considers appropriate. The records of the identity of clients have to be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and intermediary.

6. Reporting to Financial Intelligence Unit-India

In terms of the PMLA rules, intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,

Financial Intelligence Unit-India,

6th Floor, Hotel Samrat,

Chanakyapuri,

New Delhi-110021.

Intermediaries should carefully go through all the reporting requirements and formats enclosed with this circular. These requirements and formats are divided into two parts- Manual Formats and Electronic Formats. Details of these formats are given in the documents (Cash Transaction Report- version 1.0 and Suspicious Transactions Report version 1.0) which are also enclosed with this circular. These documents contain detailed

guidelines on the compilation and manner/procedure of submission of the manual/electronic reports to FIU-IND. The related hardware and technical requirement for preparing reports in manual/electronic format, the related data files and data structures thereof are also detailed in these documents. Intermediaries, which are not in a position to immediately file electronic reports, may file manual reports to FIU-IND as per the formats prescribed. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, intermediaries should adhere to the following:

(a)The cash transaction report (CTR) (wherever applicable) for each month should be submitted to FIU-IND by 15th of the succeeding month.

(b)The Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.

(c) The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;

(d)Utmost confidentiality should be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.

7.Intermediaries should not put any restrictions on operations in the accounts where an STR has been made. Further, it should be ensured that there is no tipping off to the client at any level.

8.Reporting of 'Principal Officer' details to FIU -India

It has been brought to the notice of SEBI by FIU-IND that a large number of entities have not submitted details of their 'Principal Officer' to FIU-IND as required by the SEBI circular no. ISD/CIR/RR/AML/1/06 dated January 18, 2006. All the Intermediaries, which have yet not reported these details to FIU-IND are directed to do so forthwith.

9.This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, and Rule 7 of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies,

Financial Institutions and Intermediaries) Rules, 2005 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market."

"SEBI CIRCULAR

SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019

Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under

1. *The Prevention of Money Laundering Act, 2002 ("PMLA") was brought into force with effect from 1st July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 01, 2005 by the Department of Revenue, Ministry of Finance, Government of India.*

2. *As per the provisions of the PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non- banking financial company) and intermediary (includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with the securities market and registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act)) shall have to adhere to client account opening procedures and maintain records of such transactions as prescribed by the PMLA and rules notified there under.*

3. *Pursuant to amendments made to the PMLA and Rules made thereunder, updated guidelines in the context of recommendations made by Financial Action Task force (FATF) on anti-money laundering standards is enclosed. These guidelines have been divided into two parts; the first part is an overview on the background and essential principles that concern combating Money Laundering (ML) and Terrorist Financing (TF). The second part provides a detailed account of the procedures and obligations to be followed by all registered intermediaries to ensure compliance with AML/ CFT*

directives. These guidelines shall also apply to registered intermediaries' branches and subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, to the extent local laws and regulations permit. When local applicable laws and regulations prohibit implementation of these requirements, the same shall be brought to the notice of SEBI.

4. *The key circulars/ directives issued with regard to KYC, CDD, AML and CFT have been mentioned in Schedule I. These directives lay down the minimum requirements and it is emphasized that the intermediaries may, according to their requirements, specify additional disclosures to be made by clients to address concerns of money laundering and suspicious transactions undertaken by clients. Reference to applicable statutes and reporting guidelines for intermediaries is available at the website of the Financial Intelligence Unit – India (FIU-IND).*

Note: Annexures to the Circulars to be referred."

Consideration of issues and Findings:

13. In terms of Regulation 25 (1) of the RA Regulations, the Noticee as an RA is required to maintain records w.r.t. research reports which are duly signed and dated, research recommendations provided, the rationale for arriving at research recommendations, and also the record of public appearances. However, in the present matter, the DA observed and recorded in the ER that the Noticee has not signed and dated the research reports and not maintained the proper records of the research recommendations provided and also the rationale for arriving at research recommendations. Further, he has also not kept records of public appearances.

14. In this regard and more particularly with regard to the allegation of not maintaining and providing the records relating to the details of 9 other recommendations (other than those 10 research reports/recommendations which I reported/provided to Sebi), wherein SEBI relied upon some the WhatsApp chat extracts provided by the complainant, the Noticee contented that the complainant was a proven liar and this complainant had made several false statements like "Lost almost total capital", "waited for 2-3 years" and "stocks were totally bad & manipulative". More so, in

some WhatsApp screenshots (allegedly from me), the profile picture was also not visible to say it was him. Further he claimed that the aforesaid reasons make those WhatsApp screenshots highly suspicious and inadmissible as evidence. In this regard, he finally stated and submitted that as the inspection was done for his research analysis activities of FY 20-21, all the research reports i.e. 10 research reports/recommendations published during the period were provided to SEBI. He has further submitted that he has provided SEBI with 3 research reports which were duly signed and dated.

15. However, with regards to above contention of the Noticee on the allegation of research reports being not signed and dated, the DA in the ER has observed that a copy of research report of the scrip, Investment Trust of India (also known as Fortune Financial), published by the Noticee, was provided to SEBI during the inspection and a reference of this recommendation was also made available by the Noticee in his WhatsApp/Telegram group, as stated in the preceding paras. Further, it was observed from ER that the said research report was not signed and dated by the Noticee. In fact, it was observed in the inspection report that the Noticee stated to have submitted the copies of the research report signed in prior date subsequent to the inspection.

16. Given the aforesaid submission of the Noticee and the observation of the DA, the admission of the Noticee that he has provided only 3 duly signed and dated reports to SEBI clearly establish the above violation as all the duly signed and dated reports were not provided by the Noticee to SEBI.

17. I note from ER that the Noticee had not maintained any records of rationales in respect of at least 16 out of 19 stock specific recommendations made by him and that the Noticee gave recommendations without any adequate documentary basis, supported by research. In this regard, Regulation 18(7) of RA Regulations says, '*Research analyst or research entity shall have adequate documentary basis, supported by research, for preparing a research report*'. Further, Regulation 20 of RA Regulations prescribes the contents of research report wherein 20(1) states '*Research analyst or research entity shall take steps to ensure that facts in its*

research reports are based on reliable information and shall define the terms used in making recommendations, and these terms shall be consistently used'. In view of the above, the Noticee had allegedly violated the provisions of Regulations 18(7), 20(1) and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA regulations.

18. In this regard, I note from ER that Noticee was asked to provide all details with respect to the research reports and recommendations made by him. However, the Noticee had not provided the rationale in respect of at least 16 out of 19 stock specific recommendations made by him. Further in his reply, Noticee has contended that he was maintaining all the rationale of stock specific recommendations and that the rationale of stock specific recommendations was never asked for by SEBI. However, DA rejected the said contention by stating that all details and records pertaining to the Research reports and recommendations were sought from Noticee during inspection and the same were not submitted.

19. Further, the Noticee has, in his reply before the DA, had produced documents, which according to him state the rationale for his recommendations. For which the DA observed, *"the Noticee did not produce the said records before the inspecting authority, the aforesaid documents, enclosed with his submissions, seem to have been created as an afterthought for the purpose of the instant enquiry proceedings."* Accordingly, the same was rejected.

20. Considering the aforesaid facts, I find no reason to differ from the findings of DA as the possibility of subsequent creation of the documents by the Noticee can't be ruled out. The Noticee was bound to produce all such documents during the inspection itself which he admittedly failed. Hence, I find the said contention of Noticee to be baseless. Therefore, the Noticee failed to comply with the provisions of Regulations 18(7) and 20(1) of RA Regulations. I also find that by failing to comply with the aforesaid provisions of RA Regulations, Noticee has failed to effectively address conflict of interest and act honestly and in good faith with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and

compliance with regulatory requirements applicable to the conduct of its business activities. Hence, I agree with the view taken by the DA that the Noticee has violated the provisions of Regulations 18 (7), 20(1) of RA Regulations and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of the RA regulations.

21. With regards to the allegation of not maintaining records of public appearance, the Noticee contended before DA that the Whatsapp/Telegram chats in which he had made stock recommendations were not "*public appearances*" and thus he was not required to maintain records in respect of such Whatsapp/Telegram chats. However, the Noticee has also submitted that the 10 research reports/recommendations published in FY 20-21 and provided to SEBI were considered as public appearance because those 10 research reports/recommendations were published for all the subscribers of News Channel MGNBD simultaneously and there is no public appearance by him during inspection period other than those 10 research reports/recommendations.

Further, the Noticee has also stated, "*WhatsApp chat screenshots sent by the above complainant and relied upon by SEBI cannot be treated evidence as per law because in those screenshots my mobile number is not showing. Anybody can save any mobile number in my name and later can say that these conversations in those WhatsApp chat screenshots are from me. Further, even my WhatsApp profile photo is not showing in those WhatsApp screenshots. Both above reasons makes these WhatsApp screenshots highly suspicious and inadmissible as evidence*".

22. With respect to the aforesaid contentions, I note that DA observed that in terms of the definition of "public appearance" under Regulation 2(1)(q) of RA Regulations, Noticee's research reports/recommendations made using instant messaging platforms in publicly accessible Whatsapp/Telegram groups amounted to public communication of such research reports/recommendations and were tantamount to "*public appearance*" as defined under Regulation 2(1)(q) of RA Regulations. Further with regards to the other contention of the Noticee that there is no requirement and therefore he did not maintain records pertaining to the research

recommendations made in his Whatsapp/Telegram chats. I note that the DA did not agree to the aforesaid contention and recorded that the Noticee was under an obligation to maintain records of such Whatsapp/Telegram chats in terms of Regulation 25(1) of RA Regulations which he has failed to maintain.

23. With regard to the other contention in respect of the genuiness of the said Whatsapp/telegram chats by the Noticee, I note from the ER that the aforesaid Whatsapp/Telegram chats were sent from/received at the Whatsapp/Telegram account associated with the mobile number 97201XXXX9 as per the complaint. In this regard, I also note that the Noticee has admitted that the complainant was subscriber of the Whatsapp/Telegram broadcast channel where the Noticee used to broadcast his research reports. Further, I note that the scrips mentioned in the said screenshot (provided by the complainant) are same on which the Noticee had given recommendation and submitted the report to SEBI. It was also noted that as per KYC details obtained from the respective broker/depository participant of the Noticee, the aforesaid number belongs to the Noticee. More so, the Noticee has not furnished any evidence with respect to his contention that the Whatsapp/Telegram chats were not genuine as claimed. It is therefore the aforesaid facts establish the genuinity of the whatsapp chats and the fact of the mobile number 97201XXXX9 belonging to the Noticee as per the KYC details.

24. Further, the definition of the 'public appearance' under the RA Regulations, states the following,

'(q)"public appearance" means any participation in a conference call, seminar, forum (including interactive and non-interactive electronic forum), radio or television or internet or web or print media broadcast, authoring a print media article or other public speaking activity in public media in which a research analyst makes a recommendation or offers an opinion, concerning securities or public offer:

Provided that it does not include a password protected webcast, conference call or such other events with the clients, if all of the event participants previously received the research report or other documentation that contains the required applicable

disclosures and that the research analyst appearing at the event corrects and updates during the public appearance any disclosures in the research report that are inaccurate, misleading or no longer applicable.' (emphasis supplied)

25. Upon the literal interpretation of the aforesaid definition, it is clear that any recommendation made or opinion offered involving securities on an electronic forum shall be considered as public appearance. From the said Whatsapp/telegram chats, it is apparent that the Noticee was disseminating securities related recommendations, such as, *"Hi All.. Today You can buy this multibagger stock… Saven Technologies ltd… BSE Code 532404"* dated December 10, 2020. The said communication was accessible to all the subscribers of the said group and hence is tantamount to public appearance. This fact was also admitted by the Noticee, as he himself has submitted that he considers the 10 research reports/recommendations published in FY 20-21 as public appearance because those 10 research reports/recommendations were published for all the subscribers of News Channel MGNBD simultaneously. The aforesaid facts establish that the Noticee was liable to maintain proper record for all such communication as per Regulation 25(1) of RA Regulation.

26. In view of the above stated facts, I agree with the findings of DA that the Noticee has failed to comply with Regulation 25(1) of RA Regulations and has failed to act with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of his business activities. Thus, the Noticee has violated the provisions of Regulation 25 (1) of RA Regulation and Clauses 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.

27. I note from the ER that it is alleged against the Noticee that he had promised assured returns to his clients through his recommendations. By such promising returns the Noticee misled and mis-sold his services with a possible objective of enhancing income and hence has allegedly violated the provisions of Regulations 3 (a), (b), (c) and (d) and 4 (1) and 4 (2) (k), (o) and (s) of PFUTP Regulations read

with sections 12 A (a), (b) and (c) of the SEBI Act and Regulation 2 (1) (c) of PFUTP Regulations and clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations.

28. In this regard, the DA observed that the Noticee while sending messages in his WhatsApp/Telegram groups on the stock specific recommendations, assured the returns particularly in the stocks such as, Swasti Vinayak Synthetics Ltd. And Yash Pakka Ltd, wherein it was stated that the same would undergo a rise in price and fetch high returns for Noticee's clients. However, there was no disclaimer as to risks associated with investing in the said stocks in those chats. This apart, the Noticee had also sent messages in his Whatsapp/Telegram groups terming the future stock prices as highest price in ten years without stating the particulars of the stock price movement in the last ten years. And also vide the aforesaid messages, the Noticee assured the members of the Whatsapp/Telegram groups that they would get one stock recommendation for free in case anyone suffers a loss on account of a particular stock recommendation. It is therefore, the DA has opined that the Noticee was promising assured returns to his clients through such Whatsapp/Telegram chats.

29. In this regard, I note that Noticee in his reply to the DA, stated that the recommendations made by him in the aforesaid Whatsapp/Telegram chats did not amount to assured returns claiming that the aforesaid chats were in the nature of price targets which are generally provided by various news media and similarly the aforesaid recommendations of him also based on the fact that the prices of the aforesaid stocks had already risen in earlier trading sessions. In this regard, the DA noted that the Whatsapp/Telegram chats sent by Noticee, which indicate certainty in the outcome of stock price movement, are misleading because such certainty of outcome does not manifest in a stock market due to its inherent associated risks. Thus, the DA opined that the said stock recommendations were sensationalistic and gave an assurance to Noticee's clients stating that buying the said stocks would necessarily fetch them high returns.

30. Further, the DA has noted that Regulation 4(1) of the PFUTP Regulations provides for a prohibition on indulging in fraudulent or unfair trade practices in securities. In terms of the definition of fraud under Regulation 2(1)(c) of PFUTP Regulations, "*fraud*" includes any act, expression, omission or concealment 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. Further, Regulation 4(2)(k) of PFUTP Regulations prohibits disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities. Also, Regulation 4(2)(o) of PFUTP Regulations prohibits fraudulent inducement of any person by a market participant to deal in securities with the objective of enhancing his brokerage or commission or income. Regulation 4(2)(s) of PFUTP Regulations prohibits mis-selling of securities or services relating to securities market by knowingly concealing the associated risk. As per Regulation 4(2) of PFUTP Regulations, the acts specified under Regulations 4(2)(k), 4(2)(o) & 4(2)(s) are deemed to be a fraudulent or an unfair trade practice.

31. I further note that the DA has referred to the decision of Hon'ble Supreme Court of India in the matter of ***SEBI vs. Shri Kanaiyalal Baldevbhai Patel*** (Civil Appeal No. 2595 of 2013; Decided on September 20, 2017) wherein it was observed that, in the context of PFUTP Regulations, proof of fraud only requires an inference that the person induced would not have acted in the manner that he did, but for the inducement. In the aforementioned judgment, the Hon'ble Supreme Court of India, while discussing the ambit of *fraud* under PFUTP Regulations, has held as under:

> "*The difference between inducement in criminal law and the wider meaning thereof as in the present case, is that 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. No element of dishonesty or bad faith in the making*

of the inducement would be required… To attract the rigor of Regulations 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and the correct test is one of preponderance of probabilities… The inferential conclusion from the proved and admitted facts, so long the same are reasonable and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified."

32. In view of the aforesaid facts on the charges made against the Noticee, I note that the promise of an assured return in the aforesaid Whatsapp/Telegram chats, which were not supported by any research on Noticee's part, amounted to dissemination of misleading information intended to induce investors to deal in securities constitutes 'fraud' under the PFUTP Regulations which is in violation of Regulation 4(2)(k) of PFUTP Regulations. In a similar way, it would not be wrong to conclude that the aforementioned promise of one free stock recommendation in case of any loss suffered by Noticee's clients, without informing investors about the downside risks, was made by Noticee to increase his income by fraudulently inducing investors to invest in such stocks which would amount to violation of Regulation 4(2)(o) of PFUTP Regulations. I am also inclined to view that such act of Noticee amounts to mis-selling of services. Hence, I note that by promising assured returns and mis-selling services, Noticee has failed to act honestly and in good faith with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of his business activities. Thus, based on the foregoing observations, I agree with the view taken by DA and find that the Noticee has violated the provisions of Regulations 3 (a), (b), (c) and (d) and 4 (1) and 4 (2) (k), (o) and (s) of PFUTP Regulations read with sections 12A (a), (b) and (c) of the SEBI Act and Regulation 2(1)(c) of PFUTP Regulations and clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations.

33. As regard to the allegation of difference in the copy of internal policy submitted by the Noticee during the course of inspection vis-à-vis the submissions of the Noticee in respect of internal policies made while seeking registration, I note from the

observation of the DA in the ER that as the subsequent change in internal policy is of material in nature, it was required to be communicated to SEBI in line with Regulation 15(1) of the RA Regulations. In this regard, DA has noted that the same has not been communicated by the Noticee as admitted which is in violation of Regulation 15(1) of RA Regulations and Clauses 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.

34. In this regard, I note that in terms of Regulations 15(1) of the RA Regulations, Noticee was required to have internal policies and control procedures governing the dealing and trading by research analyst and also to have in place appropriate mechanisms to ensure independence of his research activities from his other business activities. On perusal of the registration form "Form-A" submitted by the Noticee at the time of registration, it was observed from ER that he had not submitted a detailed policy document along with the said registration form. From the ER, I also note that in the point 3.b. of the said registration form, details about internal policies and procedures were sought from the Noticee and he had only stated, "*My policy is that I will make research report only on those companies with which I have no relation directly or indirectly.*"

35. Further, I note from the ER that Noticee had framed his internal policy document in relation to activities as a research analyst and submitted the same before the inspecting authority. However, Noticee had not filed the aforesaid document to SEBI. The DA has observed that the subsequent framing of internal policy document by Noticee was a material change in the information from what submitted by Noticee during registration, as per Regulation 13(ii) of RA Regulations, owing to the fact that such policy document had not been previously filed with SEBI. Thus, Noticee was under an obligation to submit the same to SEBI in terms of Regulation 15(1) as well as clause 7 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, which he had failed.

36. In his reply to the aforesaid allegation, Noticee has denied that he has violated any provisions of RA Regulation. However, the Noticee has admitted that changes were made in the internal policy. But the Noticee has contended that he had merely updated the internal policy and there is no restriction of updating the internal policy as per the RA Regulations. I note that the Noticee did not furnish any evidence to show that Noticee had filed the said updated internal policy with SEBI or that an application was made to SEBI before making updates to his internal policy. Considering that the change in the internal policy of Noticee was material change in information in terms of Regulation 13(ii) of RA Regulations, Noticee should have disclosed the same to SEBI, in terms of Regulation 15(1) and clause 7 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, which he failed to do so. Therefore, agreeing with the DA's findings, I note that by failing to comply with Regulation 15(1) of RA Regulations and clause 7 of the Code of Conduct, Noticee has failed to act with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities.

37. I note from ER that Noticee had traded in stocks recommended by him during the restricted period as provided in Regulation 16(2) of RA Regulations in 5 instances and had also traded contrary to his stock recommendations on two instances, which was in violation of Regulation 16 and internal policies of the RA. In view of the above, it was alleged that Noticee had violated Regulations 16(2) and 16(3) of RA Regulations and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of the RA regulations read with Regulation 21(2) and point 35 of the FAQs to RA Regulations issued by SEBI.

38. Regulation 16(2) of RA Regulations states that, *"Independent research analysts, individuals employed as research analyst by research entity or their associates shall not deal or trade in securities that the research analyst recommends or follows within thirty days before and five days after the publication of a research report."*

Further, Regulation 16(3) of RA Regulations says that, "*Independent research analysts, individuals employed as research analysts by research entity or their associates shall not deal or trade directly or indirectly in securities that he reviews in a manner contrary to his given recommendation."*

From the above, I note that the provision prohibits an RA from trading during the restricted period and in a manner contrary to his given recommendations.

39. I note from the ER that the Noticee had recommended 5 stocks namely, Andhra Petrochemicals Ltd. (Buy recommendation on June 22, 2020), Jyoti Resins Ltd. (Buy recommendation on February 17, 2021), Saven Technologies Ltd. (Buy recommendation on October 12, 2020), Smruthi Organics (Buy recommendation on November 18, 2020), and Yash Pakka (Buy recommendation on December 08, 2020). DA observed from the Trade logs provided by NSE and BSE in respect of Noticee's trades executed between April 01, 2020 and March 31, 2021 that Noticee traded in the aforesaid 5 stocks which were recommended by him during the restricted period i.e., he had executed buy trades in the scrips of Andhra Petrochemicals Ltd. on June 22, 2020, buy trades in Saven Technologies Ltd. on October 12, 2020, buy trades in Smruthi Organics on November 23, 2020, buy trades in Yash Pakka Ltd on December 08, 2020 and had executed sell trades in the scrips of Andhra Petrochemicals Ltd. on July 17, 2020 as well as in Jyoti Resins Ltd. on February 17, 2021.

40. In this regard, I note that the aforesaid regulations unambiguously prohibit trading within the restricted period (30 days) in stocks which are recommended by a RA. The aforesaid instances clearly indicate that he has executed trades in his recommended stocks during the restricted period, which is a violation of Regulation 16(2) of the RA Regulations. In his reply, the Noticee has contended that the aforesaid trades were not in violation of Regulation 16(2) of RA Regulations as he is not an independent research analyst in terms of Regulation 16 of RA Regulations. For the said contention, the DA has referred to the FAQs on RA Regulation and specifically to Point 35 of the said FAQ which states that,

"Research Analyst or his associate shall not deal or trade any securities that the research analyst recommends or follows within 30 days before and 5 days after the publication of a research report on the subject company. Research analyst or his associate shall not deal or trade directly or indirectly any securities that he reviews in a manner contrary to his outstanding recommendation, etc."

41. Further in his submissions, Noticee has denied the aforesaid allegation and has contended that his sell trade in Andhra Petrochemicals Ltd stock, which was contrary to his buy recommendation, was executed 27 days after he had communicated buy recommendation to his clients.

42. The DA has concluded that, the Noticee's trades in aforesaid 5 stocks during the restricted period were in violation of Regulation 16(2) of RA Regulations. Further, out of the trades in the said 5 stocks, Noticee traded contrary to his recommendations in respect of 2 stocks namely, Andhra Petrochemicals Ltd. and Jyoti Resins Ltd. Thus, DA observed that the Noticee's trades in the aforesaid 2 stocks were also in violation of Regulation 16(3) of RA Regulations.

43. I note that the provision of Regulation 16(3) of RA Regulations do not stipulate any time period for the purpose of restricting the trading of a Research Analyst which are contrary to the recommendations made by him. In view of the aforesaid along with the submission of the Noticee in this regard, I do not agree with the recommendation of the DA and accordingly note that the violation of Regulation 16(3) of RA Regulations by the Noticee is not established.

44. However, in view of the above stated facts and the material available on record w.r.t. violation of Regulation 16(2), I agree with the DA's findings that the Noticee failed to comply with Regulations 16(2) of RA Regulations as he traded during the restricted time period. Therefore, Noticee has failed to effectively address conflict of interest and act honestly and in good faith with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities. Therefore, it is established that the Noticee has violated Regulations 16(2) of RA Regulations and Clauses 1, 2, 3,

6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA regulations read with Regulation 21(2) of RA Regulations.

45. I note from ER that Noticee did not provide necessary disclosure in his research reports and recommendations made in general and/or through public appearances/media and therefore, Noticee has violated the provisions of Regulations 19 & 21(1) of RA Regulations and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations. In terms of Regulations 19 and 21(1) of the RA Regulations, Noticee is required to disclose all material information about itself including its business activity, disciplinary history, the terms and conditions on which it offers research report, details of its registration status, details of financial interest if any in the subject company, details of associates and such other information as is necessary to take an investment decision.

46. I further note from ER that a copy of research report of scrip Investment Trust of India (also known as Fortune Financial), published by Noticee, was provided to SEBI during inspection. I also note that a reference of this recommendation was made by Noticee in his WhatsApp/Telegram group chats of the period December 07, 2020 to December 22, 2020. It was observed that the said research report as well as the recommendation did not disclose material information about Noticee including his business activity, disciplinary history, the terms and conditions on which it offers research report, details of its registration status, details of financial interest if any in the subject company, details of associates and other investment related information as stipulated in Regulation 19 of RA Regulations.

47. In his reply to DA, Noticee has contended that Regulation 19 prescribes many disclosures to be provided along with research reports and not all those disclosures are practical to be provided with just stock specific research recommendation. Hence, the DA observed that the Noticee has not disputed the allegation that he had failed to provide the necessary disclosures as stipulated under Regulation 19 of RA Regulations.

48. In addition to above, the Noticee in his reply has also vehemently denied the genuineness and authenticity of the said Whatsapp/Telegram chats and contended that the Whatsapp/Telegram chats in which he had made stock recommendations were not '*public appearances*' and thus he was not required to maintain records in respect of such Whatsapp/Telegram chats. Noticee has also contended that his Whatsapp/Telegram chats were in the nature of recommendations, which are usually made on news media channels and needs to be treated alike.

49. I note that it has already been established in the preceding paragraphs that Noticee's WhatsApp/Telegram group chats were '*public appearances*' and thus, the aforesaid contention does not require any reconsideration. I note that in terms of Regulation 21(1) of RA Regulations, Noticee was under an obligation to disclose in his research reports and research recommendations made through Whatsapp/Telegram chats, the details of his registration status and details of financial interest in the subject company in respect of which he makes research report/recommendations. However, I note from ER that the impugned research reports and WhatsApp/Telegram group chats did not contain the aforesaid details as stipulated under Regulation 21(1) of RA Regulations.

50. Therefore, I agree with the view taken by DA on the basis of admission by the Noticee that Noticee had failed to comply with the provisions of the RA Regulations and also effectively failed to address the conflict of interest and act honestly and in good faith with due skill, care and diligence, as well as failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities. Thus, I find that the allegation that Noticee has violated Regulations 19 & 21(1) of RA Regulations and Clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations stands established.

51. As per ER , the Noticee has allegedly not complied with 'Know Your Client' ('KYC') procedure in respect of his clients and in accordance with the provisions of SEBI

Circulars ISD/CIR/RR/AML/1/06 dated January 18, 2006 and ISD/CIR/AML/2/06, dated March 20, 2006 read with SEBI Master circular SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019 issued with regard to KYC, client due diligence ('CDD'), Anti-Money Laundering ('AML')/Prevention of Money Laundering Act, 2002 ('PMLA') and Combating the Financing of Terrorism ('CFT').

52. For the aforesaid alleged violation, I note from ER that Noticee refused to provide any information and records in respect of compliances and procedures adopted by him for KYC, fee collected from clients, Client Due Diligence ('**CDD**') and Anti-Money Laundering ('**AML**') guidelines in the SEBI PMLA Circulars under the pretext that he does not solicit any client and does not take any fees and Noticee's Whatsapp/Telegram groups and MGNBD do not come under the purview of SEBI as an RA. Hence, it was observed by DA that Noticee did not do KYC of his clients and hence has not complied with the aforesaid circulars and guidelines.

53. From the Whatsapp/Telegram chats for the December 07, 2020 to December 22, 2020, I note from ER that Noticee collected Rs.4,16,16,669/- from 583 clients during the inspection period by providing research recommendations/reports as a Research Analyst on his Whatsapp/Telegram group chats. Further, from the extracts of the WhatsApp group of Noticee, it was observed that the Noticee has asked for KYC details from his existing clients on December 18, 2020 and December 22, 2020. However, I further note from ER that Noticee did not provide any records of KYC during the inspection.

54. Noticee has also submitted in this response that he has not taken KYC Registration Agency (KRA) and Central KYC ('CKYC') registrations stating that the applicability of AML/PMLA cannot be made on all intermediaries and AML circular nowhere mentioned Research Analysts in those who are covered. In this regard, I note that the said circular categorically states, regarding the applicability, that *'any <u>other intermediary associated with the securities market and registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act)) shall have to adhere to client account opening procedures</u> and maintain records of such*

transactions as prescribed by the PMLA and rules notified there under.' Hence, an RA is also covered being an intermediary registered with SEBI under Section 12 of SEBI Act and hence cannot plead exemption.

55. In view of the above I agree with the observation of DA on account of Noticee's own admission that he did not provide information and records in respect of compliances in respect of KYC procedures, fee collected from clients, CDD and AML guidelines. Therefore, it is clear that Noticee failed to comply with the provisions of SEBI PMLA Circulars and thereby, Noticee has failed to act honestly and in good faith with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities. Thus, I find that the allegation that Noticee violated the provisions of SEBI Circulars ISD/CIR/RR/AML/1/06 dated January 18, 2006 and ISD/CIR/AML/2/06, dated March 20, 2006 read with SEBI Master circular SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019 along with key circulars/directives issued with regard to KYC, CDD, AML and CFT as mentioned in the said circulars and the clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations stands established.

56. I note from ER that the annual audit in respect of Noticee's compliance with RA Regulations was not conducted by an independent entity and the certificate in respect of the said compliance audit was issued by the compliance officer of the associated entity of Noticee, i.e. MSRAPL. In view of the above, it has been alleged that Noticee has violated Regulation 25(3) of the RA Regulations and clauses 1, 2, 6, 7, 8, of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of RA Regulations.

57. I note that in terms of Regulation 25(3) of RA Regulations, Noticee is required to conduct annual audit ('**compliance audit**') by a member of Institute of Chartered

Accountants of India ('**practicing Chartered Accountant**') or Institute of Company Secretaries of India ('**practicing Company Secretary**') in respect of its compliance with RA Regulations. I note from ER that that Ashwani K Dhiman, Company Secretary, had issued a certificate dated April 23, 2021 in respect of annual audit verifying the Noticee's compliance with the RA Regulations and the said certificate confirmed compliance with the RA Regulations. The DA has further observed from MSRAPL's letter dated August 12, 2021, addressed to one of its clients, that Ashwani K. Dhiman was the compliance officer of MSRAPL, which was the associated entity of the RA. In his response to the said allegation, Noticee has admitted that Ashwani K Dhiman was a practicing Company Secretary and the compliance officer of MSRAPL. Noticee has further contended that an independent practicing company secretary can do compliance/compliance audit of 2 entities. However, the text of Regulation 25(3) of RA Regulations is silent as to whether the compliance audit stipulated thereunder should be undertaken by a third party or not. Thus, in view of lack of clarity in this regard, the DA gave benefit of doubt to the Noticee in this regard. In view of the aforesaid observation and the applicable provision, I don't find any reason to differ with the view taken by the DA and hence I note that the allegation that the Noticee violated Regulation 25(3) of RA Regulations does not stand established.

58. From the ER, I note that Noticee had made 19 Research reports/stock specific recommendation during the inspection period. I further note from the ER that the aforesaid Whatsapp/Telegram chats that, Noticee made research reports/recommendations with respect to 9 stocks in the said WhatsApp/Telegram group chats but he did not use the term 'Research Analyst' in such recommendations and Whatsapp/Telegram chats and also did not disclose the details of his credentials as SEBI registered Research Analyst in the aforesaid correspondence with his clients. In this regard, I note that while Noticee has denied the aforesaid allegation, he had not furnished any evidence to show that he had complied with the aforesaid regulatory requirement stipulated under Regulation 13(iii) of RA Regulations. Thus, the DA in his findings has established that Noticee had failed to comply with Regulation 13(iii) of RA Regulations.

59. In view of the above and upon failure of Noticee to provide proper documents, I note that the Noticee has admitted to the violations and therefore, agreeing with the findings of DA, the Noticee by failing to comply with the provisions of Regulation 13(iii) of RA Regulations, has failed to act honestly and in good faith with due skill, care and diligence, and failed to observe high professional standard, appropriate standards of conduct and adherence to proper procedures and compliance with regulatory requirements applicable to the conduct of its business activities. In view of the foregoing, I find that Noticee has failed to abide by the provisions of RA Regulations and therefore violated Regulation 13(i) of RA Regulations. Thus, in view of the foregoing, I find that the Noticee has violated Regulations 13 (i) and 13 (iii) of RA Regulations and the clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.

60. From the ER, I further note that the screenshot pertaining to the SEBI Intermediary portal as provided in the records of inspection were perused, it shows that Noticee had made an application for change in his address to SEBI which was approved by SEBI on February 14, 2022. It was alleged that the material information regarding the change in address of Noticee was not informed to SEBI. In his reply, I note from ER, the Noticee has contended that he made the request for change in his address and that the same had been approved by SEBI. The DA accepted the contention of Noticee and concluded that violation of Regulation 13(ii) of RA Regulations does not stand established. Considering the fact that, the Noticee for the change in address sought prior approval, I agree with the view taken by DA.

61. I note from ER that by not using the term ‘Research Analyst’ in all the correspondences with his clients, and by not intimating his change in address to SEBI after registration, the Noticee has violated the provisions of RA Regulations and Circulars/Guidelines issued under the provisions of the SEBI Act as established in preceding paragraphs and accordingly Noticee has violated the provisions of Regulations 13 (i), 13 (ii) and 13 (iii) and the clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.

62. I note that in terms of the conditions of certificate as laid down in Regulations 13 (i), 13 (ii) and 13 (iii) of RA Regulations, Noticee is required to inform SEBI in writing, if any information or particulars previously submitted to SEBI are found to be false or misleading in any material particular or if there is any material change in the information already submitted, and also use the term 'research analyst' in all correspondences with its clients.

63. I note from ER that Noticee has failed to provide the relevant information, books, accounts and other documents available with him pertaining to his conduct and affairs as a research analyst under the pretext that the Noticee is not soliciting clients and does not charge any fees for his research analyst services. Therefore, it has been alleged that by refusing to provide the aforesaid information and records, Noticee failed in providing all such assistance and co-operation as required in connection with the inspection. In view of the above, it has been alleged that Noticee violated the provisions of Regulations 29 (1) and 29 (2) of RA Regulations read with Sections 11(2)(i) and 11(2)(ia) of the SEBI Act and the clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.

64. I note that in terms of Regulations 29(1) and 29(2) of RA Regulations, Noticee is required to produce to the inspecting authority such books, accounts and other documents in his possession or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection. In this regard, I note that it has already been established that during the inspection, Noticee's records in respect of Noticee's research recommendations were found to be incomplete and Noticee did not furnish KYC records of Noticee's clients to the inspecting officials, despite the inspecting authority asking for such documents. In his reply, Noticee has contended that as per Regulations 29(1) and 29(2) of RA Regulations, he is obligated to produce only those documents, which are in his possession, and therefore, since the aforesaid documents were not in his possession, he has not violated Regulations 29(1) and 29(2) of RA Regulations. At this juncture, I find that in order to decide whether Noticee violated Regulations

29(1) and 29(2) of RA Regulations, it is essential to establish whether Noticee actually had possession of the aforesaid documents or not.

65. In this regard, the DA observed that the records of inspection do not clearly establish as to whether the aforesaid documents were in the possession of the Noticee at the relevant time. Thus, the DA while giving benefit of doubt to the Noticee in this regard accepted the aforesaid contention.

66. However, I note that Regulation 29 (1) of RA Regulations states the following:

> *"29. (1) It shall be the duty of every research analyst or research entity in respect of whom an inspection has been ordered under the regulation 27 and <u>any other associate person</u> who is in possession of relevant information pertaining to conduct and affairs of such research analyst or research entity including their representative, if any, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection."*
>
> Further, 2(1)(b) of Intermediaries Regulations defines associate as below:
>
> *(b) "associate" means any person controlled, directly or indirectly, by the intermediary, or any person who controls, directly or indirectly, the intermediary, or any entity or person under <u>common control</u> with such intermediary, and where such intermediary is a natural person will include any relative of such intermediary and where such intermediary is a body corporate will include its group companies (as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (Act No. 54 of 1969) or any re-enactment thereof) or companies under the same management;*

67. While examining the aforesaid submission of the Noticee with Regulation 29(1) of RA Regulations and 2(1)(b) of Intermediaries Regulations read with Regulation 27 of RA Regulations, it can be seen that the books, accounts and other documents

of the research analyst or research entity is required to be produced not only by such research analyst or research entity but also by the associate person who is in possession of relevant information pertaining to conduct and affairs of such research analyst or research entity including their representative to the inspecting authority. Further, Regulation 2(1)(b) of Intermediaries Regulations also state that the associated person means any person under common control with such intermediary.

68. It is therefore, the claim of the Noticee that he cannot be made bound to present any documents/records etc (claiming that his RA activities are part of the activities of the RA divisions of the MSRAPL) which are not maintained by him and that are not in his custody, cannot be accepted as the Noticee have common control both in the IA and RA activities carried by him as, apart from being registered as an individual RA, he also holds 80% shareholding in Multibagger Securities Research and Advisory Pvt. Ltd., a SEBI registered IA.

69. This apart, it is also noted from Noticee's submission to SEBI that the Noticee used his RA certificate for opening a payment gateway account for the News Channel, MGNBD, a division of MSRAPL.

70. Further, it is noted that Noticee has also submitted to SEBI a letter from Compliance Officer of MSRAPL, wherein it is mentioned that Mr. Manish Goyal is a Research Analyst and broadcast was an independent activity that Manish Goyal carried out in his individual capacity and the same is not connected to MSRAPL in any manner.

71. Therefore, I do not agree with the view taken by the DA and I hold that the allegation that Noticee violated the provisions of Regulations 29 (1) and 29 (2) of RA Regulations read with Sections 11(2)(i) and 11(2)(ia) of the SEBI Act and the clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations is established.

72. From the ER, I note that Noticee, being an individual RA, was also engaged as Principal Officer of a SEBI Registered Investment Adviser ('IA'). However, while undertaking business as a Research Analyst, the Noticee failed to ensure independence of his research activities from his other business activities. In other words, the Noticee failed to maintain an arms'-length relationship between his research activities and other activities and thereby violated Regulations 15 (2) and 24(1) of RA Regulations and Clauses 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of the RA Regulations.

73. I note that in terms of Regulations 15(2) and 24(1) of RA Regulations, Noticee was under an obligation to maintain appropriate mechanisms to ensure independence of his research activities from his other business activities, i.e., Noticee was under an obligation to maintain an arms'-length relationship between his research activity and other activities. I note from the ER that Noticee was the Director and Principal Officer of Multibagger Securities Research & Advisory Pvt. Ltd. ('**MSRAPL**') which is a SEBI registered IA. This implies that the investment advisory business of MSRAPL and Noticee's business as research analyst should have been managed by separate teams and separate accounts should have been maintained w.r.t. revenues/fees from Noticee's investment advisory business and Research Analyst business.

74. I note from ER that the Noticee was engaged in other business activities like, tax consultancy, SEBI registered Investment Advisor business etc., while undertaking the aforesaid business as RA. The fees for the aforesaid business activities were collected by the Noticee in Instamojo Payment Gateway account opened by the Noticee based on his RA registration. Further, I note from ER that the Noticee was unable to submit the details of the fees collected by him for the RA services out of the total amount collected in the said payment gateway.

75. The Noticee in his reply to the said allegation has not disputed the fact that he was the Director and Principal Officer of MSRAPL and has contended that RA Regulations do not prohibit a SEBI Registered IA from operating as a Research Analyst. Noticee has further contended that he did not solicit clients in his research

analyst business and clients were solicited by News Channel division named MGNBD and he publishes research reports/ recommendations in his personal capacity. However, it was noted in the ER that Noticee has not furnished any comments on the allegation that he did not maintain an arms' length distance from his investment advisory business of MSRAPL.

76. In this regard, I note that Noticee has not disputed the aforesaid observation and has further failed to provide any cogent explanation for the said charges. Further, para 67-69 above specifically brings out the fact that the Noticee have common control in both the IA and RA activities and he used his RA certificate for opening payment gateway account in the name of MGNBD, a division of MSRAPL, an IA. The aforesaid facts clearly establish that the Noticee as a RA, failed to maintain an arms' length distance from his investment advisory business of MSRAPL. Accordingly, I agree with the view of the DA that the Noticee has failed to comply with Regulations 15(2) and 24(1) of the RA Regulations. Therefore, in view of the aforesaid facts on record, I find that Noticee has violated the provisions of Regulations 15 (2) and 24(1) of RA Regulations and Clauses 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of the RA Regulations.

77. Thus, it is established above that the Noticee has, contravened various provisions of RA Regulations, PFUTP Regulations and the various Circulars issued by SEBI in respect of KYC/CDD/AML/PML.

78. In view of the facts and circumstances of the case, material placed before me as discussed above and the violations as brought out above, I find that the violations by the Noticee are grave in nature and the acts of Noticee are detrimental to the interest of the investors in the securities market.

79. I shall now proceed to consider the directions that should be issued against the Noticee that would commensurate with the violations established in this Order. The RA Regulations have been formulated with the main objective of regulating activities of research analysts with a view to safeguard the interests of investors

and users of their research. Registration of research analysts under the RA Regulations has been mandated to provide protection to investors trading in the securities market relying on the research published by such entities. Registration requirements are intended to ensure that only registered research analysts, in compliance with the terms and conditions of the Certificate of registration and by fulfilling the prudential norms, disclosure and other requirements mandated under the Regulations, carryout research analyst related activities. However, as noted in this Order, the Noticee has contravened the provisions of the RA Regulations and PFUTP Regulations by promising assured returns, by trading during restricted period, failure to maintain arms-length relationship between research activities and other activities and by not maintaining proper records and rationales of the recommendation provided by the Noticee. Given the above, I am inclined to accept the recommendation given by DA in the ER.

Directions:

80. In view of the aforesaid observations and findings, I,in exercise of powers conferred upon me in terms of Regulation 27 of the Intermediaries Regulations read with Section 12(3) and Section 19 of the SEBI Act, hereby suspend the Certificate of Registration of the Noticee, i.e. Manish Goel (SEBI Registration No. INH100004775) for a period of six (6) months.

81. The above directions shall come into force with immediate effect.

82. A copy of this order shall be forwarded to the Noticee.

PLACE: MUMBAI

DATE: OCTOBER 30, 2023

G. RAMAR
CHIEF GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA