

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 25 and Regulation 26 of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 and Regulation 32 of Securities and Exchange Board of India (Research Analysts) Regulation, 2014.

IN RESPECT OF:

NOTICEE	SEBI Registration No.	PAN
Gaurav Sarda - Research Analyst	INH000007845	EDHPS8859H

Background:

1. Gaurav Sarda (hereinafter referred to as the '**Noticee**') is registered as a Research Analyst ("**RA**") under the Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (hereinafter referred to as the "**RA Regulations**") with effect from October 29, 2020. As per the records, his registered office is at 'Shop No. F/58, 1st Floor, X Central Mall, Mahavir Nagar, Kandivali West, Mumbai, Maharashtra-400067.
2. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted inspection of Gaurav Sarda, a SEBI registered Research Analyst (hereinafter referred to as "**RA/RA-Gaurav/Noticee**") during January 09, 2023 to January 10, 2023. The period of inspection was 01st April 2021 to 31st October 2022 (hereinafter referred to as the '**Inspection period/IP**'). The area of the inspection was to look into the compliance with respect to Securities and Exchange Board of India Act, 1992 (**SEBI Act**), RA Regulations and circulars issued in this regard till date.
3. Pursuant to the inspection, the findings of the same were communicated to Noticee vide letter/email dated February 12, 2023 and June 22, 2023 and he submitted his

reply to same vide letter dated February 20, 2023 and email dated June 26, 2023. On analysis of the findings of inspection vis-à-vis the replies submitted by Noticee, SEBI observed certain non-compliances of provisions of SEBI (Research Analysts) Regulations, 2014 ("**RA Regulations**") by Noticee. The details of which are as under;

- a) *It has been alleged that Noticee did not have a valid NISM certification as applicable to Research Analysts and thereby, he violated Regulation 7 (2) & Regulation 24 (5) of the RA Regulations.*
 - b) *It has been alleged that Noticee failed to maintain requisite records in respect of his activities as a research analyst in terms of Regulation 25 of the RA Regulations and thus, violated Regulation 25 of the RA Regulations.*
 - c) *It has been alleged that 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.*
4. The above mentioned non-compliance 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 violations alleged against the Noticee.

Enquiry by the Designated Authority:

5. The DA had issued a Show Cause Notice dated September 26, 2023 (hereinafter referred to as "**SCN**") under Regulation 25 of the Intermediaries Regulations, calling upon the Noticee to show cause as to why appropriate recommendations for the alleged violations should not be made against him. The delivery of the SCN to the Noticee was attempted on the addresses available on record. The said SCN was served to the Noticee by Speed Post Acknowledgement Due ('SPAD') and through Digitally Signed Email dated

September 26, 2023 which was duly delivered. Subsequently, vide email and letter dated October 12, 2023, the Noticee submitted his reply to the SCN. Thereafter, vide Hearing Notice dated October 11, 2023, the Noticee was granted an opportunity of hearing on October 16, 2023. The said Hearing Notice was served to the by SPAD and digitally signed e-mail dated October 11, 2023, which were duly delivered. The Noticee attended the hearing on the scheduled date and reiterated his reply vide letter dated October 12, 2023.

6. Accordingly, the DA proceeded on the basis of material available on record and the reply submitted by the Noticee and submitted an Enquiry Report dated October 26, 2023 (hereinafter referred to as “**Enquiry Report**”) recommending suspension of registration for a period of one month to the Noticee as RA.

Post Enquiry Proceedings:

7. A post-enquiry Show Cause Notice dated October 31, 2023 (hereinafter referred to as “**Post Enquiry SCN**”) was issued to the Noticee enclosing a copy of the Enquiry Report October 26, 2023, submitted by the DA and 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.
8. I note that the Post Enquiry SCN was issued to the Noticee vide SPAD, which returned undelivered and e-mail dated November 11, 2023 at his e-mail id grv.sarda@gmail.com, which was duly delivered. Thereafter, in terms of Regulation 27(4) of the Intermediaries Regulations, an opportunity of personal hearing to the Noticee was granted on January 04, 2024, vide e-mail dated December 12, 2023 at the above mentioned e-mail id. The said notice was duly delivered on the same day. Thereafter, the Noticee submitted his reply dated November 28, 2023, in the matter, vide e-mail which was received on the same day. On the day of the scheduled hearing, the Noticee’s Authorized Representative (**AR**), appeared on behalf of the Noticee and reiterated the submissions made vide the reply dated November 28, 2023. During the personal hearing the Noticee had sought for one week’s time to file his additional

submissions in the matter, which was acceded to. Accordingly, the Noticee filed his additional submissions vide e-mail dated January 11, 2024. Since the details of reply dated October 12, 2023 have already been dealt with in the DA's report dated October 26, 2023, the summary of the replies dated November 28, 2023 and January 11, 2024 are as under;

- As regards the allegation of not holding a valid NISM certificate, the Noticee has submitted that till the period the Noticee was functioning as a registered RA, he had a valid NISM certificate. The Noticee also submitted that he did not renew his NISM certificate upon its expiry as he did not have any intention to carry out as a SEBI registered RA. Further he submitted that, he was in proper compliance till the time he was providing research services to the investors.
- In this regard, vide reply dated the January 11, 2024, the Noticee submitted that as and when he resumes his RA operations, he will duly obtain the NISM certificate and intimate SEBI prior to starting his operations as he holds a SEBI certificate that is valid till October 28, 2025.
- As regards the allegation of not maintaining and producing the research report and the necessary content requirement, the Noticee submitted that he had duly maintained all the relevant records in his laptop. However, due to unforeseeable reasons his laptop bag was stolen on January 07, 2022 and the Noticee lost all the records which were stored in it. The Noticee also stated that he had filed F.I.R. with the police authorities but however, the police had only mentioned loss of SEBI certificate in their F.I.R. Thus, he was unable to produce the relevant documents before the inspecting authority apart from this the Noticee had co-operated with the inspecting authority.

9. As noted in preceding parts of this order, the Noticee has been alleged to have violated various provisions of RA Regulations, which are as under;

9.1. Regulation 7 (2) & Regulation 24 (5) of the RA Regulations, for the violation of not having a valid NISM certification as required by Research Analysts.

9.2. Regulation 25 (1) & (2) of RA Regulations, for failing to maintain requisite records in respect of its activities as a Research Analyst

9.3. Regulation 29 (1) & (2) of RA Regulations, for the violation of failing to provide to the inspecting authority, 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 he is not soliciting clients and does not charge any fees for his research analyst services, resulting in non-co-operation as required in connection with the inspection.

Consideration of Issues and Findings:

10. I have carefully examined the allegations against the Noticee on the basis of his reply to the post enquiry SCN and the documents / material available on record. After considering the allegation levelled against the Noticee in the instant matter, the following issues arise for consideration;

Issue No. I: *Whether the Noticee did not have a valid NISM certification as applicable to Research Analysts and thereby, he violated Regulation 7 (2) & Regulation 24 (5) of the RA Regulations?*

Issue No. II: *Whether the Noticee failed to maintain requisite records in respect of his activities as a research analyst in terms of Regulation 25 of the RA Regulations and 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 Regulations 25, 29(1) and 29(2) of the RA Regulations?*

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

RA Regulations

Qualification and certification requirement

7(2) *An individual registered as research analyst under these regulations, individuals employed as research analyst and partners of a research analyst, if any, shall have, at all times, a NISM certification for research analysts as specified by the Board or other certification recognized by the Board*

from time to time: Provided that research analyst or research entity already engaged in issuance of research report or research analysis seeking registration under these regulations shall ensure that it or the individuals employed by it as research analyst and/or its partners obtain such certification within two years from the date of commencement of these regulations: Provided further that fresh certification must be obtained before expiry of the validity of the existing certification to ensure continuity in compliance with certification requirements.

General responsibility

24(5) *It shall be the responsibility of the research analyst or research entity to ensure that its employees or partners, as may be applicable, comply with the certification and qualification requirements under regulation 7 at all times.*

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.*
- (iv) record of public appearance.*

(2) *All records shall be maintained either in physical or electronic form and preserved for a minimum period of five years:*

Provided that where records are required to be duly signed and are maintained in electronic form, such records shall be digitally signed.

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.

12. I note that multiple allegations have been alleged against the Noticee and for the sake of convenience and clarity, I shall deal with each of the allegations independently in the following paragraphs.

Issue No. I: Whether the Noticee did not have a valid NISM certification as applicable to Research Analysts and thereby, he violated Regulation 7 (2) & Regulation 24 (5) of the RA Regulations?

- i. In this regard, I note that the Noticee is a SEBI registered Research Analyst and the related certification is valid till October 25, 2025. Further, it is observed from the inspection that the Noticee was having an NISM certificate, which was applicable to research analysts and the said NISM certificate was valid till April 15, 2022. In this regard, I noted from the enquiry report that the Noticee was having 62 clients during the period of inspection and was stated to not have carried out any activities as a research analyst during the period from April 01, 2021 to October 31, 2022. Further, I note that subsequent to the expiry of the said NISM certificate, the Noticee had not renewed it, till date.
- ii. I note that, with regard to the above allegation, the DA has observed that under Regulation 7(2) of RA Regulations, the Noticee is under an obligation to have a valid NISM certification for Research Analysts and that fresh certification must be obtained by a research analyst before expiry of the validity of the existing certification to ensure continuity in compliance with certification requirements.

Thus, DA observed that the Noticee has failed to comply with the said requirement.

- iii. In this connection, the Noticee has contended that till the period the Noticee was functioning as a registered RA, he had a valid NISM certificate. Further, he also submitted that he did not renew his NISM certificate upon its expiry as he did not have any intention to carry out as a SEBI registered RA. Furthermore, the Noticee also stated that he undertakes that as and when he resumes his RA operations, he will duly obtain the NISM certificate and intimate SEBI prior to starting his operations.
- iv. In view of the above said fact, I note that, as per Regulation 7(2) “*an individual registered as research analyst under these regulations, individuals employed as research analyst and partners of a research analyst, if any, shall have, **at all times**, a NISM certification for research analysts as specified by the Board or other certification recognized by the Board from time to time.*” However, in the present case the Noticee has not had a valid NISM certificate till date, as admitted and could not ensure continuity in compliance of the same, which clearly establishes the fact that the Noticee failed to comply with Regulations 7(2) and 24(5) of RA Regulations. Therefore, I do not find any merit in the submission of the Noticee in this regard.

Issue No. II: Whether the Noticee failed to maintain requisite records in respect of his activities as a research analyst in terms of Regulation 25 of the RA Regulations and 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 Regulations 25, 29(1) and 29(2) of the RA Regulations??

- i. In this regard, I note that the Noticee was alleged to have failed in maintaining all the records related to his RA activities for 5 years as specified under Regulation 25 of RA Regulations and was also alleged to have not submitted any annual audit report with the inspecting authority as required under Regulations 29(1) and 29(2) of RA Regulations.

- ii. In this connection, I note from the enquiry report that, the Noticee stated that he had duly maintained all the relevant records in his laptop, however, due to unforeseeable reasons his laptop bag was stolen on January 07, 2022 and he had lost all the records which were stored in it. The Noticee also stated that he had filed F.I.R. with the police authorities but however, the police had only mentioned loss of SEBI certificate in their F.I.R. With regard to the same, the DA while taking into consideration the aforesaid reply of the Noticee has stated that the FIR filed by the Noticee only mentions the loss of his SEBI registration certificate and does not mention the loss of laptop or any other documents. Further, in his reply, the Noticee has accepted that he had failed to maintain backup of the requisite records and also has not maintained the physical record of the same. Therefore, the DA was not inclined to accept the aforesaid contentions of Noticee. Thus, the DA found the charge that Noticee has violated Regulations 25(1) and 25(2) & Regulations 29(1) and 29(2) of RA Regulations stands established.
- iii. Taking note of the aforesaid, I concur with the findings of the DA and in addition, observe that, the Noticee was required to maintain the documents as specified under Regulation 25 of the RA Regulation for a period of five years and the Noticee was under an obligation to produce to the inspecting authority all the documents and information sought for the purpose of inspection. However, I find that the Noticee by failing to maintain the records, for a period of five years, electronically and physically as stipulated under Regulation 25 of the RA Regulation and by failing to provide the relevant documents to the inspecting authority as required under Regulations 29(1) and 29(2) of RA Regulations, has consequently violated the said provisions of RA Regulations. Therefore, the reply of the Noticee in this regard cannot be accepted as it is devoid of any merit.

13. Thus, it is established above that the Noticee has, contravened the provisions of the RA Regulations.
14. 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, by failing to maintain a valid NISM certification, by failing to maintain requisite records in respect of his RA activities and failing to provide to the inspecting authority, the relevant information, books, accounts and other documents available with him pertaining to his conduct and affairs, the Noticee has contravened the provisions of the RA Regulations. As a SEBI registered intermediary, the responsibility to abide by the rules are much higher on the Noticee and based on his response it appears that he has taken the system for granted by intentionally not renewing his NISM certificate when he has chosen to suspend his RA activities and not maintaining the required documents. Further, since the time of inception of inspection in the matter, despite being made aware of his misnomers, the Noticee has not taken any steps towards correcting or remedying the situation which is a clear indication of the Noticee's casual demeanour. Further, I note that he was not interested in further carrying out RA activities as admitted by him in reply dated November 28, 2023. 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.
15. I shall now proceed to consider the directions that should be issued against the Noticee that would be commensurate with the violations established in this

Order. In this regard, I note that adjudication proceedings under Chapter VIA of the SEBI Act, 1992 and Enquiry Proceedings under Section 12(3) of the SEBI Act, 1992, were initiated by SEBI. Thereafter, vide an order dated October 26, 2023, the Adjudicating Officer, SEBI, imposed a penalty of Rs. 1,00,000/- under Section 15EB of the SEBI Act, 1992, Rs. 1,00,000/- under Section 15A(c) of the SEBI Act, 1992 and Rs. 1,00,000/- under Section 15A(a) of the SEBI Act, 1992, upon the Noticee for the violation of the provisions of Regulation 7 (2), Regulation 24 (5), Regulation 25 (1) & (2) and Regulation 29 (1) & (2) of the RA Regulations. Thus, I note that a penalty of Rs. 3,00,000/- has also been imposed upon the Noticee by the Adjudicating officer. Then, DA vide report dated July 26, 2023 has recommended that the registration of the Noticee as a Research Analyst be suspended for a period of one month.

16. In the light of the foregoing, I am of the firm view that for the aforementioned violations established against the Noticee suspension of the Noticee's registration as a RA for a period of one month seems nominal as it may not have any impact on the Noticee's current situation, considering that he himself has suspended his activities as a RA by neither taking any new clients nor performing the functions of an RA for his existing clients. Further, the Noticee has intentionally not renewed his NISM certificate as he was not interested in further carrying out RA activities as admitted by him in reply dated November 28, 2023. Therefore, a direction of cancellation of the registration of the Noticee as a Research Analyst, seems to be appropriate.

Directions:

17. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Section 12(3) and Section 19 of SEBI Act, 1992 read with Regulation 27 of SEBI (Intermediaries) Regulations, 2008, hereby cancel the Certificate of Registration of the Noticee i.e. Gaurav Sarda, having SEBI registration number – INH000007845.

18. This order comes into force with immediate effect.

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

DATE: January 31, 2024

PLACE: Mumbai

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