

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11(1), 11 (4), 11B and 11D of the Securities and Exchange Board of India Act, 1992 read with Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 in respect of :-

Sr. No.	Company	DIN/CIN	PAN
1.	Stapes Capital Research Private Limited	U74140DL2015PTC286737	AAWCS5718A
Promoters / Directors			
2.	Ram Singh	07320638	AVXPS7119L
3.	Prashant Gangwar	07271002	AZLPG1169N

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- Securities and Exchange Board of India (hereinafter referred to as "SEBI") received a complaint wherein it was alleged that Stapes Capital Research Private Limited (hereinafter referred to as "SCRPL") had collected subscription fee from the complainant on assurances that by trading on the calls given by SCRPL, he would make certain assured minimum profit per month. However, the complainant incurred losses due to these trading calls. SCRPL had also informed the complainant that it was in the process of getting registered with SEBI as an Investment Adviser.
 - In order to verify the details of the activities undertaken by the entity, a letter bearing SEBI ref no. NRO/IMD/RA-IA/MV/1194/2016 dated December 06, 2016 was sent to SCRPL

on the address available on its website www.stapescapital.com i.e. “T-306, Arjun Plaza, Sector 05, Dwarka, New Delhi-110005”, seeking various information and documents. In response to the same, SCRPL vide an un-dated letter received by SEBI on December 14, 2016 submitted *inter alia* that it was providing Intraday and Delivery basis trading advice in stock market and was in the business of investment advisory / research analyst since October 2015. It further submitted that it had a total of 46 clients and had collected Rs 5,34,850/- as subscription for its stock and commodity advisory services. SCRPL further submitted that it was in the process of making registration with SEBI.

3. On an examination of the information available on the website of SCRPL i.e. www.stapescapital.com, the reply received from SCRPL and various other information / documents obtained from the MCA website (RoC portal), the following are observed:

- a) As per MCA21 website, SCRPL was incorporated on October 26, 2015. The registered office of the entity is located at “H. No C 410A, Maharishi Dayanand Marg, Chhajjupur Delhi, East Delhi, Delhi -100032”.
- b) Shri Ram Singh and Shri Prashant Gangwar are the promoters / directors of SCRPL.
- c) SCRPL has mentioned *inter alia* the following under the Object Clause in its MoA:

“1. To carry on the business of consulting and management services in the field of equity and capital market, share broking, financial risk management for banks, mutual funds, merchant bankers, asset management companies and other financial institutions and to provide services in the field of wealth management, investment banking, private and institutional equity, portfolio management, investment, financial planning, asset allocation, risk profiling and research and publications in the respective fields.

2.

3. To carry on the business or vocation of acting as advisers, trainer and consultant on all matters and problems relating to the business fundamentals & Strategies, technical Industries, Civil Administration, and Organization Structure, Management, Commencement or Expansion of Industry, Purchasing & Sales of Real Estate, Production's of material and cost control, Marketing, Advertisement and Publicity, Trade & Investment of Shares and Securities, Training people for developing Intellectual Knowledge.”

d) SCRPL has described itself in the following words, on its website i.e. www.stapescapital.com:

“Stapes Capital Research Pvt. Ltd. is registered one of the leading Stock Advisory Company in Indian Stock and Commodity Market.

Stapes Capital is a research firm specializing in providing recommendations to its customers in Indian Stock markets and Commodity market based on Technical research Analysis. Our strong hold in providing the most accurate Tips makes us stand apart from our competitors.

We strongly believe in the ideas we suggest and encourage people to make intelligent decisions in the market.

We promote smart investment not a just investment. Our analysis is solely based on the economic news and deep technical analysis done by our experts.

We are a team of highly qualified and experienced technical and fundamental market analysts, who deliver their expertise in providing intraday market calls for traders which include Stock Cash Tips, Commodity Tips, MCX Tips, Equity derivatives, etc.

All services are provided through Phone Call & SMS and E-MAILS. Our Tips is based around these services:

- *Stock Tips*
- *Equity Tips*
- *Option Tips*
- *Intraday Tips*
- *Commodity Tips*
- *Nifty Future Tips*
- *Stock Future Tips*
- *Bullion Premium Tips*
- *BTST & STBT Calls*

We are headquartered at New Delhi and planning to have associates operating across India. Our core support and service are Accuracy on calls, Market timing, Flexible support plans, constant & volatile Market track, 24×7 customer support system and a dedicated team of Analysts and support technicians without whom providing valued services to our customers would have proven to be a nightmarish task.

Stapes Capital provide customized services to our clients as per their requirements irrespective of the size and type of their portfolio at very reasonable rates. We ensure confidentiality of client data and information. We understand each of our client's unique needs, values and goals and leave no stone unturned in our endeavor to make them come true."

Mission:

We pride and differentiate ourselves from other firms in terms of the quality of our support and service. Our soul aim is minimize losses and maximize returns for our customers and we do so by educating them of the trading discipline and robust money & risk management.

To be a leading financial institution, we are offering efficient, fair and transparent advice for stock & commodity and enjoying full confidence of the investors."

- e) It is observed that SCRPL provides various advisory services like stocks tips, commodity tips, derivatives tips etc. to its clients under various plans / packages by charging subscription fees from them. From SCRPL's website, it is observed that the said services are broadly categorized as Stock Trading, Commodity Trading and Investment Services. Under the Stock Trading Services, SCRPL has various plans / packages, namely Stock Cash Intraday, Stock Future Intraday, Stock Option Intraday, Nifty Option Intraday, Nifty Intraday, Cash Jackpot, Future Jackpot, Option Strategy, BTST/STBT and Platinum++ Plan. The plans / packages under Commodity Trading are named as All Commodity Intraday, Bullion Intraday, Base Metal Intraday, Energy Intraday and Commodity Platinum++ Plan. Similarly, there are various plans / packages under Investment Services, which are named as Multibagger Package, Bulls Eye and Hedge Fund. The said plans / packages have been variedly priced according

to the validity period of the package opted for by the client, such as Monthly, Quarterly, Half Yearly, Yearly or 1.5 Years.

- f) It is observed that under the abovementioned plans / packages pertaining to advisory services, SCRPL is offering stock tips in cash, derivatives and commodities through phone calls, SMS and emails. It is also observed that depending on the plan / package opted for by the clients, certain number of recommendation calls are made by SCRPL to the client for giving tips. Further, under the said plans / packages as appearing on its website, SCRPL has also mentioned the returns on every recommendation call, the accuracy of its tips, the minimum capital required and the risk factor. For example, in respect of the Package named 'Future Jackpot', SCRPL mentions 4%-8% Return on every recommendation call, accuracy of more than 90%, minimum capital requirement of Rs. 1 Lakh and low risk factor. Similar figures and factors are mentioned under other plans / packages.
- g) SCRPL has mentioned terms and conditions, refund policy and privacy policy on its website. This indicates that SCRPL is having a contractual arrangement with its clients with respect to the plans subscribed and services provided.
- h) As per the abovementioned letter submitted by SCRPL, it has received Rs.5,34,850/- from 46 investors during October 2015 to November 30, 2016.
- i) It is also relevant to note that SCRPL in its letter received by SEBI on December 14, 2016 admitted that it is engaged in the business of providing trading advice in stock market to its clients since October 2015 and is in the process of getting registration with SEBI. In the said letter, SCRPL has stated *inter alia* that "*We provide Intraday and*

Delivery basis trading advise in stock market.” It has further stated in the said letter that “We are in the process of making registration with SEBI.”

4. Regulation 2 (l) of the SEBI (Investment Advisers) Regulations, 2013 (“the Investment Advisers Regulations” in short) defines the term ‘investment advice’ in the following manner:

2(l) “investment advice” means advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning:

***Provided** that investment advice given through newspaper, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public shall not be considered as investment advice for the purpose of these regulations;*

5. From the analysis of the available information, it is *prima facie* observed that SCRPL and its Promoters / Directors are engaged in providing investment advisory services to investors on payment of fees as discussed in the preceding paragraphs, which fall under the definition of “investment adviser” as defined by Regulation 2(m) of the Investment Advisers Regulations, which reads as under:

“investment adviser” means any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called; .

6. It is imperative that any person carrying out investment advisory activities has to obtain registration from SEBI and conduct its activities in accordance with the provisions of the Investment Advisers Regulations. Section 12(1) of the SEBI Act, 1992 reads as below:-

“No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act.”

Further, Regulation 3(1) of the Investment Advisers Regulations provides *inter alia* that *“On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations”*.

7. I note that SCRPL is not registered with SEBI as an investment adviser under Regulation 3(1) of the Investment Advisers Regulations and thus, it is clear that the entity is operating unregistered advisory services business. It is observed that even though SCRPL has submitted vide its abovementioned letter that it is in the process of getting registration with SEBI, there is no record of the entity having submitted an application to SEBI in this regard.
8. SEBI has a statutory duty to protect the interests of investors in securities and to promote the development of, and to regulate the securities market. Section 11 of the SEBI Act, 1992 has empowered it to take such measures as it thinks fit for fulfilling its legislative mandate. The Investment Advisers Regulations have been framed with the main objective of regulating such advisory activities, through registration, to safeguard the interests of the investors. Registration of investment advisers under the Investment Advisers Regulations has been mandated so as to provide protection to investors trading in the securities market

relying on the investment advices rendered by such entities. Registration with SEBI brings the investment adviser under the regulatory ambit of SEBI which not only ensures that only qualified and eligible entities are allowed to operate as investment advisers but also imposes on such entities the obligation to strictly adhere to the terms and conditions of registration and to carry out their activities in accordance with the provisions of the Investment Advisers Regulations. SEBI is empowered to initiate suitable action in case of any breach or non-compliance by such entities.

9. In view of the facts stated in the foregoing paragraphs and in light of the prima facie finding against SCRPL, it is felt necessary that as an urgent preventive measure to protect the interests of investors, an *ex-parte ad-interim order* is passed against SCRPL with immediate effect, to ensure that it does not continue any further with its unregistered investment advisory business.
10. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4)(b), 11B and 11D read with Section 19 of the SEBI Act, 1992, issue the following directions –
 - (i) Stapes Capital Research Private Limited (PAN – AAWCS5718A) and its promoters / directors, namely Shri Ram Singh (PAN – AVXPS7119L) and Shri Prashant Gangwar (PAN – AZLPG1169N), are directed to:-
 - a. *cease and desist from acting as an investment adviser and cease to solicit or undertake such activity or any other activities in the securities market, including buy, sell or otherwise deal in securities market, either directly or indirectly with immediate effect;*

- b. not to divert any funds raised from investors, kept in bank account(s) and/or in their custody until further orders, except for the purpose of refunds to the clients; and*
- c. withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, etc. in relation to their investment advisory activity or any other unregistered activity in the securities market with immediate effect.*
11. This order is without prejudice to the right of SEBI to take any other action that may be initiated against Stapes Capital Research Private Limited and its promoters / directors, namely Shri Ram Singh and Shri Prashant Gangwar, in accordance with law.
12. Stapes Capital Research Private Limited and its promoters / directors, namely Shri Ram Singh and Shri Prashant Gangwar, may file objections, if any, within twenty one (21) days from the date of this Order and, if so desired, avail of an opportunity of personal hearing before the Securities and Exchange Board of India, on a date and time to be fixed on a specific request, received from him.
13. This Order shall come into force with immediate effect and shall be in force until further orders.

Date: September 04, 2017
Place: Mumbai

G MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA