

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER
ORDER

Under Sections 11(1), 11(4)(b) and 11B of the Securities and Exchange Board of India Act, 1992 read with the SEBI (Investment Advisers) Regulations, 2013, SEBI (Portfolio Managers) Regulations, 1993 and the SEBI (Research Analysts) Regulations, 2014, in the matter of -

S. No.	Name	PAN
1	MMF Solutions (<i>alias</i> MMF and Solutions)	-
2	Shri Priyansh Patodi, Proprietor of MMF Solutions	BBDPP5436J

CASE FACTS-

1. Securities and Exchange Board of India ("SEBI") received information about the activities of MMF Solutions *alias* MMF and Solutions (hereinafter referred to as MMF Solutions) having address: 14/1, Old Palasia, 6th Floor, 601 Rukmani Plaza, A B Road, Indore, Madhya Pradesh – 452001, India, with Shri Priyansh Patodi as its Proprietor and pursuant to initial examination of the website of MMF Solutions <http://www.mmfsolutions.com> it was observed that the activities of MMF Solutions were in the nature of offering 'Investment Advisory Services' to the public.
2. SEBI sought an explanation from that entity vide letter dated May 07, 2014 for non-compliance with the SEBI (Investment Advisers) Regulations, 2013 ("**Investment Advisers Regulations**"). However no reply was received from the entity.
3. Thereafter, pursuant to the examination, on October 13, 2014 and October 24, 2014, SEBI conducted physical verification of the office premises of MMF Solutions as per the address



available on record i.e. 307, Vidyapati Complex, Race Course Road, Janjeerwala Square, Indore, Madhya Pradesh. During the course of such verification, it was discovered that the entity functioning from the aforesaid address was MMF Infotech Technologies Private Limited (“**MMF Infotech**”) and it was informed by MMF Infotech that they were not providing any advisory services and no such entity by the name of MMF Solutions operated from the aforesaid address. However, SEBI received a complaint on December 3, 2014 from a person who claimed to be an employee of MMF Infotech alleging that illegal investment advisory services were being offered by MMF Infotech through MMF Solutions, which was indeed a part of MMF Infotech.

4. Further, it was observed from the website <http://www.mmfsolutions.com> that MMF Solutions had listed an Axis Bank Limited (“**Axis Bank**”) Bank Account No. 910020033227577 under the link: Payment Options. On enquiry, Axis Bank had *inter alia* provided Bank Account details and statement of MMF Solutions maintained with Axis Bank along with PAN and KYC details. It was observed that Under the ‘Axis Bank – Current Account Opening Form’ in respect of the aforesaid Account Number, details of the applicant were reflected as ‘MMF & Solutions’ having address: 14/1, Old Palasia, 6th Floor, 601 Rukmani Plaza, A B Road, Indore, Madhya Pradesh – 452001, India, with Shri Priyansh Patodi as its Proprietor.
5. Thereafter, when SEBI once again sought an explanation from MMF Solutions (through its Proprietor i.e. Shri Priyansh Patodi) for non-compliance with the Investment Advisers Regulations vide letter dated December 17, 2014 and a reminder letter dated December 26, 2014, MMF Solutions replied to SEBI vide letter dated January 1, 2015, and *inter alia* submitted that “they are in the process to complete the application for Grant of Certificate of Registration as Investment Advisor with SEBI and soon they will be submitting the Application Form with all the required documents with SEBI. It was also informed that their Firm is a proprietorship concern and its name is ‘MMF Solutions’ and not MMF Solutions Pvt. Ltd.”
6. Pursuant to the enquiry, a phone call was received at SEBI–Indore Local Office (“SEBI–ILO”) informing that Shri Priyansh Patodi was a student and since he was in Pune, he would later personally visit SEBI–ILO for further enquiry. However, neither any such visit was made by Shri Priyansh Patodi/his representatives nor any explanation was received from MMF Solutions or Shri Priyansh Patodi.



7. It was further observed from the examination of the website <http://www.mmfsolutions.com> that MMF Solutions also offered services which were in the nature of *Research Analyst Services* and *Portfolio Management Services*.
8. Thus, SEBI conducted a preliminary examination of the activities of MMF Solutions, with a view to ascertain possible violations of the Securities and Exchange Board of India Act, 1992 (“**SEBI Act**”), the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (“**IA Regulations**”), SEBI (Research Analysts) Regulations, 2014 (“**Research Analysts Regulations**”) and *Portfolio Management Services* in violation of the SEBI (Portfolio Managers) Regulations, 1993 (“**Portfolio Managers Regulations**”).
9. *Prima facie findings/allegations in brief:* Pursuant to the examination, SEBI passed an interim order dated January 05, 2016, against MMF Solutions and its Proprietor, Shri Priyansh Patodi (hereinafter also referred to as “**Noticees**”), wherein, *inter alia*, the following *prima facie* findings/allegations were recorded:
- MMF Solutions and its Proprietor, Shri Priyansh Patodi, are collecting funds from investors for providing *Investment Advisory Services* of giving trading tips, stock specific recommendations, etc. and also *Research Analyst Services* through broadcasting of daily SMS containing equity tips and market updates, issuance of weekly reports to the investors on a contractual basis, etc. which are on payment of fees as per the Pricing Plans, as evident from the credit in the bank account of the aforesaid entity received from different individuals from throughout the country.
 - MMF Solutions is also offering *Portfolio Management Services* to the public.
 - MMF Solutions is also offering *Business Partner* scheme to attract partners for inviting clients towards subscription to its *Investment Advisory Services* and *Research Analyst Services*.
 - In one of the complaints received by SEBI, the complainant has alleged that MMF Solutions lured him into subscribing to its services by stating on its website that it is a Registered Advisory having Offices in Singapore, Malaysia and the USA. In this context,



it is noted that the MMF Solutions Offices in Singapore, Malaysia and India are one and the same on account of the following facts –

- a. Contact Numbers given on Singapore Office website were the same as those given for the Indian Office website of MMF Solutions i.e. +919039467920 and WhatsApp number i.e. +919407177557;
- b. The e-mail address i.e. support@mmfsolutions.com available for the Indian Office of MMF Solutions was the same as that for its Singapore Office;
- c. Upon clicking on the 'About Us' and 'Pay now' link on the Malaysia Office website of MMF Solutions, the page connects to the Singapore Office website of that entity i.e. <http://www.mmfsolutions.sg/about-us/>. Further, details provided on the 'About Us' link of the Malaysia Office website of MMF Solutions such as phone number i.e. +6531582180, e-mail address i.e. info@mmfsolutions.sg, Fax number and Skype ID i.e. mmfsolutionsg, are the same as those given for the Singapore Office of that entity. The payment option offered through the aforesaid 'Pay now' link, connects to Credit Card or PayPal payment option for MMF Infotech Technologies.
- d. The domain registration details of MMF Solutions' Singapore office website viz. <http://www.mmfsolutions.sg/> (as searched through <https://www.sgnic.sg/faq/domain-registration#t8n20> leading to <https://www.whois.net/>) reveals that the registrant of the said website is Shri Priyansh Patodi having email address as priyansh@mmfinfotech.com.

10. In view of the *prima facie* findings on the violations, the following directions were issued in the said interim order dated January 5, 2016 against MMF Solutions and its Proprietor, Shri Priyansh Patodi with immediate effect:

- a. *"Cease and desist from acting as an 'Investment Adviser' and cease to solicit or undertake such activities or any other unregistered activities in the securities market directly or indirectly, in any manner whatsoever;*



- b. *Cease and desist from acting as a 'Research Analyst' and cease to solicit or undertake such activities or any other unregistered activities in the securities market directly or indirectly, in any manner whatsoever;*
- c. *Cease and desist from acting as a 'Portfolio Manager' and cease to solicit or undertake such activities or any other unregistered activities in the securities market directly or indirectly, in any manner whatsoever;*
- d. *Immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, etc. in relation to those schemes/activities (Investment Adviser, Portfolio Manager and Research Analyst) or any unregistered activity in the securities market;*
- e. *Not to divert any funds raised from investors, kept in bank account(s) including in the Axis Bank Account Number 910020033227577 and/or in the custody of MMF Solutions or Shri Priyansh Patodi."*

11. In the interim order, the noticees were show caused as to why the activities identified in the said Order should not be held as 'Investment Advisory Services', 'Portfolio Management Services' and 'Research Analyst Services' in terms of the IA Regulations, the Portfolio Managers Regulations and the Research Analysts Regulations and why appropriate directions, under Section 11(1), 11(4), 11B and 11D of the SEBI Act read with the IA Regulations, the Portfolio Managers Regulations and the Research Analysts Regulations including directions, prohibiting them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, for a particular period and to refund the amount collected from the investors/clients/partners for the existing schemes of MMF Solutions, should not be issued against them. In the interim order, it was also stated that MMF Solutions and its Proprietor, Shri Priyansh Patodi would be afforded 21 days, from the date of receipt of the interim order, to file their replies, if any and to seek an opportunity of personal hearing, if they so desired.

Service of interim order

12. The interim order dated January 5, 2016 was sent to MMF Solutions and its Proprietor, Shri Priyansh Patodi, vide letter dated January 06, 2016. Shri Priyansh Patodi vide letter dated January 21, 2016 confirmed receipt of the interim order. The noticees sought extension of 30 days to file



reply and undertook to reply by February 21, 2016. The noticees also submitted that they are ready to ensure compliance and are open to follow the rules and formalities. However no reply was submitted thereafter.

Hearing and submissions:

13. Vide the notification dated October 15, 2017 published in newspaper *Times of India, Madhya Pradesh* and the notification dated October 15, 2017 published in newspaper *Dainik Bhaskar, Madhya Pradesh*, the noticees were also notified by SEBI that they will be given the final opportunity of being heard on November 23, 2017 at the time and the venue mentioned therein. The noticees were advised that in case they failed to appear for the personal hearing before SEBI on the aforesaid date, then the matter would be proceeded *ex-parte* on the basis of material available on record.
14. The noticees neither appeared for the personal hearing on November 23, 2017 nor sought any adjournment. The noticees also failed to file any reply pursuant to the aforesaid interim order.
15. I have considered the allegations. I have perused the information received by SEBI, details received from Axis Bank Limited, correspondence exchanged between SEBI and the noticees, along with the documents contained therein and other information/materials available from the website and those on record. On perusal of the materials on record, the following issues arise for consideration. Each question is dealt with separately under different headings:
 - 1) Whether MMF Solutions and its Proprietor, Shri Priyansh Patodi were providing unregistered *Investment Advisory Services*, unregistered *Research Analyst Services* and unregistered *Portfolio Management Service* ?
 - 2) If so, whether MMF Solutions and its Proprietor, Shri Priyansh Patodi, have violated section 12(1) of the SEBI Act read with Regulation 3 of the IA Regulations, Regulation 3 of the Portfolio Managers Regulations and Regulation 3(1) of the Research Analysts Regulations.
 - 3) If the findings on Issue No. 2 are found in the affirmative, who are liable for the violation committed?



Issue No. 1: Whether MMF Solutions and its Proprietor, Shri Priyansh Patodi were providing unregistered Investment Advisory Services, unregistered Research Analyst Services and unregistered Portfolio Management Services.

16. I have perused the interim order dated January 5, 2016 for the allegation of unregistered *Investment Advisory Services*, unregistered *Research Analyst Services* and unregistered *Portfolio Management Services*.
17. I have perused the documents made available on record. As per the bank account statements and KYC documents of “MMF Solutions” for Bank Account No. 910020033227577 and other information provided to SEBI by Axis Bank, it is observed that the Applicant’s name is reflected as “MMF and Solutions” and not “MMF Solutions” . Further as per the information provided to SEBI by Axis Bank, “MMF and Solutions” is a Proprietorship Firm with Shri Priyansh Patodi as its Sole Proprietor. I further note that SEBI vide e-mail dated March 26, 2015 had also sought information from ‘CCAvenues’ pertaining to the KYC documents and business details of MMF Solutions. ‘CCAvenues’ replied vide e-mail dated March 31, 2015, forwarding KYC documents wherein the applicant’s name is reflected as “MMF and Solutions” and it is reflected as a Proprietorship Firm with Shri Priyansh Patodi as its Sole Proprietor. In view of the above, I find that MMF Solutions *alias* MMF and Solutions is a Proprietorship concern of Shri Priyansh Patodi.
18. I have also perused the contents of the website of MMF Solutions viz., <http://www.mmfsolutions.com> and find that MMF Solutions and its Proprietor, Shri Priyansh Patodi were providing Investment Advisory Services which is clear from the following:
- a. On its website’s *Home Page*, the following is stated –
 - i. “Welcome to MMF SOLUTIONS – your financial advisory and wealth builder in the Equity, Commodity and Currency market!..
 - ii. We provide world class, accurate and up to the minute financial advices to maneuver investors’ profits.



- iii. *We provide customized advice and tips for client specific needs and preferences. MMF Solutions is a promising and widespread financial advisory firm with one point objective...— to help traders and investors grow their money. We have a noticeable presence across the country with specialized consultation in the Equities, Commodities and Currencies markets.”*
- b. Under the heading: *Explore MMFS: FAQ* on its website, it is stated –
- i. *“MMF Solutions has excelled to be a prolific financial advisory and a reliable trading partner for traders and investors.*
 - ii. *Our Advisors provide actionable tips for your maximum gain in targeted entities.”*
- c. *“Live calls”* have been made available on its website. The instances of the Live Calls are as follows–
- i. *“Sell IRB FUT below 252 targets 249-245 SL above 256 05/01/2015”*
 - ii. *“Sell Copper 403 403.50 SL 406.60 TGT 401 398.70 29/12/2014”*
 - iii. *“Buy Yes Bank 860 Put Above 35 Target 38-45 SL 29 09/03/2015*
Cash:”
 - iv. *“Buy SPARC Cash Above 555 Target 560-570 SL 550 09/03/2015*
MCX:”
 - v. *“MMFS: sell Gold 26490 26510 SL 26605 TGT 26410 26350 05/03/2015”*
- d. Track Sheets pertaining to recommendations suggested by MMF Solutions are also available on its website and the same are reproduced below –

TABLE I – Track Sheet		
Sr. No.	Service	Updated till
1.	COMEX	December 11, 2014
2.	Commodity	December 23, 2015



3.	FOREX	November 28, 2014
4.	NCDEX	September 5, 2014
5.	Stock Cash	December 23, 2015
6.	Stock Future	December 23, 2015
7.	Stock Options	December 23, 2015

- e. External links to MMF Solutions' Offices in Singapore and Malaysia have also been made available on its website and extracts from the links to the aforesaid Offices interalia states that-

Singapore Office website - <http://www.mmfsolutions.sg/>

"Our incredible financial advisory covers a wide range of trading interests:

- *Intraday stock picks for active stock traders in SGX Singapore*
- *Positional stock picks for investors in SGX Singapore.*
- *COMEX for commodity traders and investors in Gold, Silver, Crude Oil, etc.*
- *FOREX for currencies traders and investors with top currency pairs.*
- *CFD trading signals to trade thousands of financial products.*
- *Malaysian Intraday stock picks to make intra-day profits from KLSE market.*
- *Malaysian Mid-Term Stock Picks to get max profits in short span of time*
- *Malaysian Positional Stock Picks to gain profits in positional service.*
- *Sharia Compliant Investment to trade in Sharia stocks.*
- *FKLI Index Signals to trade in index.*

MMF Solutions strongly believes in client's profitability as a decisive factor in customer satisfaction! To meet this objective, we follow the one point philosophy – providing financial advisory well customized to their trading preferences. We employ industry's best talents and apply enormous technical research to increase profitability index, through Singapore stock picks, FOREX picks and COMEX picks.



MMF Solutions is one of the top financial advisory service providers for SGX/KLSE Stocks, COMEX & FOREX signals. Our recognition is an outcome of our versatile array of services, immaculate trading tips for Stocks, Commodities and FOREX trading and our exceptional expertise in technical research. Our financial advisory services predominantly cover SGX Singapore, KLSE Bursa Malaysia COMEX and FOREX trades!

10% – 15% returns on Monthly Basis.

75% – 85% accuracy on Monthly Basis.

Complete Portfolio Management.”

Malaysia Office website – <http://www.mmfsolutions.sg/malaysian-intraday-stock-picks-klse/>

The following extracts from the MMF Solutions' Malaysia Office website clearly shows that assured returns were also guaranteed to investors –

“...MMF Solutions has designed a special package for you owing to the fact that Malaysia market comprises many top companies. Vide this, we send you KLSE stock trading recommendations based upon our experienced stock experts and proficient technical analysts. As a result, KLSE is an incredible avenue and has innumerable profit making prospects for every trader. 10% – 15% returns on Monthly Basis.”

Certain Sample Calls given on the aforementioned website are interalia as follows-

- *“....KLSE Intraday Call Update: Our 1st Target @ 1.74 has hit in KPS (5843), please book profit in it.*
- *KLSE Intraday Call Update: Our 2nd Target @ 1.80 has hit in KPS (5843), please book more profit in it.”*

- f. The Pricing Plans are also made available by MMF Solutions on its website. It is also observed from the Pricing Plans made available by MMF Solutions on its website that it has made fee structure for its 'Investment Advisory Services' on monthly, quarterly, half yearly and yearly basis for various plans like equity plans, derivative plans, Commodity derivative plans, Forex plans, Forex Currency derivate, Inventory calls for the period March 2015 and December 2015 for fees ranging from Rs. 6000/- to Rs. 4,50,000/- depending upon the plan an investor chooses.



18. I have also perused the complaints received by SEBI against MMF Solutions. It is observed that vide an e-mail dated May 8, 2015, having subject matter '*Contract & Services of Target Plan*', MMF Solutions specifically offered investors '*Investment Advisory Services*' with a "*50% Flat Discount on Yearly and 30% Flat Discount on Half Yearly Services ... applicable to all individual services. ... Intraday Stock Picks-SGX, Positional Stock Picks-SGX, Intraday Stock Picks-MYX, FOREX Signals, COMEX.*"
19. I also take note of the complaint against MMF Solutions received by SEBI on December 3, 2014, wherein it was mentioned by the complainant therein that: MMF Solutions is operating illegal advisory services having two offices one operating as Infotech and another one is just front of that office wherein it has almost 300 students working in their advisory in the name of MMF Infotech. In this regard, it is pertinent to note that one of the Directors of "MMF Infotech Technologies" (as obtained from MCA21 Portal), is Shri Priyansh Patodi, who is also the Sole Proprietor of "MMF Solutions"
20. I have also noted from the reply of MMF Solutions dated January 1, 2015 that the noticees admittedly do not have the registration as an investment adviser with SEBI and they are in the process to complete the application for Grant of Certificate of Registration as Investment Advisor with SEBI and soon they will be submitting the Application Form with all the required documents with SEBI.
21. Further, I have perused the contents of the website of MMF Solutions viz., <http://www.mmfsolutions.com> and find that MMF Solutions and its Proprietor, Shri Priyansh Patodi were also providing *Research Analyst services* to the public which is clear from the following:
- i. *In addition, we also broadcast daily SMS such as equity tips, send market updates and provide chat room services. You can tap all these beneficial services now! Therefore, we use to issue 'WEEKLY REPORTS' on the very first day of the week i.e. on Monday. This helps our client's to get track of the market for the present week and plan accordingly. This benefits those investors who wants to spend less time in reading reports and believes in our expertise of predicting market movements.*
 - ii. *You will find weekly reports of:*
 - Agri (agriculture based Market);*
 - Commodity Market;*



Equity Market;
FOREX Market;
FOREX Market, and
COMEX Market.
Monthly – ₹4000
Quarterly – ₹6000
Half Yearly – ₹9000
Yearly – ₹12000”.

- iii. External links to MMF Solutions’ Offices in Singapore and Malaysia have also been made available on its website and extracts from the links to the aforesaid Offices inter alia states that “We the MMF Solutions proposed to convey the précised ‘Week by week Report’ in capital markets.

The above mentioned research report cover all the main markets and deliver weekly moves & predictions in a précised manner based on each market.”

Following reports are available on Singapore website of MMF:

1. SGX;
2. KLSE;
3. FOREX;
4. COMEX.

22. On perusal of the contents of the website of MMF Solutions viz., <http://www.mmfsolutions.com> I find that MMF Solutions and its Proprietor, Shri Priyansh Patodi were also offering ‘Business Partner’ scheme at the link: <http://partners.mmfsolutions.com/index.php/partnership-models/2-uncategorised> to attract partners for inviting clients towards subscription to its ‘Investment Advisory Services’ and ‘Research Analyst Services’. It is observed from the contents of the website that under the Business Partner Scheme, MMF Solutions *inter alia* offers its clients to be Business Associate wherein MMF Solutions states the clients will have the privilege to MMF Solution's brand name and gain benefits of its goodwill and global presence to attract clients. MMF offered that every time a business is generated through client’s referrals, the client will earn a commission which will begin at 30% and can go upto a higher extent as the volume of business rises. MMF offered that commission incentives are monthly and thus clients can set their own targets and make a handsome monthly earning through their Partnering to Profit program.



23. I have also perused the complaints received by SEBI against MMF Solutions and find that MMF Solutions and its Proprietor, Shri Priyansh Patodi were also providing *Portfolio Management Services* which is clear from the following-

- i. It is noted from the information collected from complaints received by SEBI against MMF Solutions, that vide an e-mail dated May 8, 2015, having subject matter '*Contract & Services of Target Plan*', MMF Solutions informed the investors therein of its *Portfolio Management Services* – '*Join with MMFSOLUTIONS and be a part of professional trading with excellent Portfolio management and a 24*7 Research and Support.*'.
- ii. In a Contract Note submitted by an investor/complainant vide complaint dated October 29, 2015, it is observed that MMF Solutions, while confirming receipt of payment amounting to ₹10000 from him, assured a return of ₹50000 on the investment made by such investor and informed him that his portfolio will be managed by an executive of MMF Solutions – "*Our trained executive trade on your behalf and look out of your profit & target and manage your portfolio and your terminal.*"

24. I note that on the website MMF Solutions, MMF Solutions had listed an Axis Bank Limited ("Axis Bank") Bank Account No. 910020033227577 under the link: Payment Options. I also note from the website of MMF Solutions that it has made available another mode of payment through the Payment Gateway–'CCAvenues' for its 'Investment Advisory Services', 'Research Analyst Services', etc. I note from the Bank Account Statements and KYC documents of '*MMF Solutions*' for Bank Account No. 910020033227577 and also other information provided to SEBI by Axis Bank, that for the period from October 01, 2013 to January 21, 2016 there are certain transactions wherein the noticees have received amount directly from its clients in its bank account which are consistent with the amount indicated in the aforementioned Pricing Plans on its website and there are certain transactions wherein the amounts have been received through Payment Gateway–'CCAvenues' for its 'Investment Advisory Services', 'Research Analyst Services', etc. I note that the total amount of consideration received by the noticee in its bank account for the period from October 01, 2013 to January 21, 2016 is Rs. 64,26,952/-



25. I also take note that in one of the complaints received by SEBI, the complainant has stated that MMF Solutions lured him into subscribing to its services by stating on its website that it is a Registered Advisory having Offices in Singapore, Malaysia and the USA. In this regard I note that external links to MMF Solutions' Offices in Singapore and Malaysia have also been made available on its website, however, I find that MMF Solutions Offices in Singapore, Malaysia and India are one and the same. This is clear from the fact that the Contact Numbers and email address given on Singapore Office website are the same as those given for the Indian Office website of MMF Solutions. The domain registration details of MMF Solutions' Singapore office website (<http://www.mmfsolutions.sg/>) reveals that the registrant of the said website is Shri Priyansh Patodi having email address as priyansh@mmfinfotech.com. Further it is noted that, upon clicking on the 'About Us' and 'Pay now' link on the Malaysia Office website of MMF Solutions, the page connects to the Singapore Office website of that entity. Further, the details provided on the 'About Us' link of the Malaysia Office website of MMF Solutions such as phone number i.e. +6531582180, e-mail address i.e. info@mmfsolutions.sg, Fax number and Skype ID i.e. mmfsolutionsg, are the same as those given for the Singapore Office of the noticee. The payment option offered through the aforesaid 'Pay now' link, connects to Credit Card or PayPal payment option for MMF Infotech.
26. In the light of the aforesaid observations, it is evident that the activities of MMF Solutions and its Proprietor, Shri Priyansh Patodi, of giving trading tips, stock specific recommendations, etc. to investors, on payment of fees as per the Pricing Plans, are in the nature of providing 'Investment Advisory Services', which falls under the definition of Investment Adviser as defined by Regulation 2(m) of the Investment Advisers Regulations. The aforesaid Regulation 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;"*
27. Similarly, the activities of MMF Solutions and its Proprietor, Shri Priyansh Patodi, of broadcasting daily SMS containing equity tips and market updates, issuance of weekly reports to the investors, etc. are in the nature of providing 'Research Analyst Services', which falls under the definition of



Research Analyst as defined by Regulation 2 (1) (u) of the Research Analysts Regulations. The aforesaid Regulations reads as under:

“Research Analyst means a person who is primarily responsible for, –

- i. preparation or publication of the content of the research report; or*
- ii. providing research report; or*
- iii. making 'buy/sell/hold' recommendation; or*
- iv. giving price target; or*
- iv. offering an opinion concerning public offer,*
with respect to securities that are listed or to be listed in a stock exchange, whether or not any such person has the job title of 'research analyst' and includes any other entities engaged in issuance of research report or research analysis. Explanation.-The term also includes any associated person who reports directly or indirectly to such a research analyst in connection with activities provided above.”
Explanation.-The term also includes any associated person who reports directly or indirectly to such a research analyst in connection with activities provided above;

28. Further, the activities of MMF Solutions and its Proprietor, Shri Priyansh Patodi, of offering 'Portfolio Management Services' falls under the definition of *Portfolio Manager* as defined by Regulation 2(cb) of the Portfolio Managers Regulations. The aforesaid Regulation reads as under:

“Portfolio Manager means any person who pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the funds of the clients, as the case may be.”

Issue No. 2: If so, whether MMF Solutions and its Proprietor, Shri Priyansh Patodi, have violated section 12(1) of the SEBI Act read with Regulation 3 of the LA Regulations, Regulation 3 of the Portfolio Managers Regulations and Regulation 3(1) of the Research Analysts Regulations.

29. I note that as a measure of investor protection, it is imperative that any person carrying out *Investment Advisory Services, Research Analyst Services and Portfolio Management Services* - has to obtain registration and conduct its activities in accordance with the provisions of the SEBI Act and the



IA Regulations, Portfolio Managers Regulations and Research Analysts Regulations. I have perused Section 12(1) of the SEBI Act which states that

“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.”

30. Further, I note that as per regulation 3(1) of the IA Regulations, *“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.”* Similarly, I note that as per regulation 3(1) of the RA Regulations, *“on and from the commencement of these regulations, no person shall act as a research analyst or research entity or hold itself out as a research analyst unless he has obtained a certificate of registration from the Board under these regulations.”*
31. The proviso to Regulation 3 of the IA Regulations states that *“a person acting as an investment adviser immediately before the commencement of these regulations may continue to do so for a period of six months from such commencement or, if it has made an application for a certificate ... within the said period of six months, till the disposal of such application.”* The IA Regulations were notified on January 21, 2013. The IA Regulations came into effect on April 21, 2013. Therefore, any person who had been providing investment advisory service before the IA Regulations came into effect can, by virtue of the proviso under regulation 3, continue to do so without a certificate of registration till October 20, 2013, beyond which the said person would have to obtain a certificate of registration or may continue to do so till the time his application for registration is disposed of. As per the material available on record, the account statement of noticees with Axis Bank it appears that that noticees have started taking fees for their services from October 01, 2013 and thus the proviso may not be applicable to them. Further the bank account statement from October 01, 2013 to January 21, 2016 clearly shows that it continued to provide services beyond October 20, 2013 without a certificate of registration as required under Regulation 3 of the IA Regulation. I also find that there is nothing on record, to show that noticees fall in any of the categories of exemption as provided under Regulation 4 of the IA Regulations.



32. Similarly, the proviso to Regulation 3(1) of the Research Analyst Regulations states that “*any person acting as research analyst or research entity before the commencement of these regulations may continue to do so for a period of six months from such commencement or, if it has made an application for a certificate ...within the said period of six months, till the disposal of such application.*” The Research Analyst Regulations were notified on September 1, 2014 and came into effect on November 30, 2014. Therefore, any person who had been providing research analyst service before the RA Regulations came into effect can, by virtue of the proviso under regulation 3, continue to do so without a certificate of registration till May 30, 2015, beyond which the said person would have to obtain a certificate of registration or may continue to do so till the time his application for registration is disposed of. As per the material available on record, the track sheets pertaining to recommendations suggested by MMF Solutions were updated on its website till December 23, 2015 and the website of the noticees was operational even at the time of passing of interim order dated January 05, 2016. Further the bank account statement from October 01, 2013 to January 21, 2016 clearly shows that it was providing its services even beyond May 30, 2015 without a certificate of registration as required under Regulation 3(1) of the Research Analyst Regulations.
33. Further, I note that as per regulation 3 of the Portfolio Managers Regulations, “*No person shall act as a portfolio manager unless he holds a certificate granted by the Board under these regulations.*” The proviso to regulation 3 of the Portfolio Managers Regulations states that “*a merchant banker acting as a portfolio manager immediately before commencement of the Securities and Exchange Board of India (Portfolio Managers) (Second Amendment) Regulations, 2006 may continue to do so for a period of six months from such commencement or, if he has made an application for registration under these regulations within the said period of six months, till the disposal of such application.*” As per the material available on record, the account statement of noticees with Axis Bank indicates that noticees have taken fees for their services from October 01, 2013 to January 21, 2016. Further, there is nothing on record to show that noticees were merchant bankers and thus the proviso to Regulation 3 of the Portfolio Managers Regulations is not applicable to the noticees.
34. The IA Regulations *inter alia* provide the framework for regulating the activity of entities that are in the business of providing investment advice in respect of securities and investment products.



The Research Analysts Regulations *inter alia* provide the framework for regulating the activity of entities that are in the business of providing research reports, etc. in respect of securities and investment products. Similarly, the Portfolio Managers Regulations *inter alia* provide the framework for regulating the activity of entities that are in the business of management or administration of a portfolio of securities or funds. The aforesaid Regulations seek to create a operating structure within which entities offering such services will operate and also make them duly accountable for their investment advices, portfolio management and research analyst activities by requiring them to comply with the criteria, set out in the relevant provisions of the aforesaid Regulations such as having the prescribed professional qualifications, certifications from competent authorities, conforming to *fit and proper* criteria, satisfying capital adequacy requirement, adequate infrastructure facilities, etc. In view of this, subjecting such intermediaries to the statutory requirement of registration with SEBI is imperative for the protection of interests of investors and to safeguard the integrity of securities market.

35. MMF Solutions admittedly do not have the registration as an Investment Adviser and vide its letter dated January 1, 2015 submitted that they are in the process of completing the application for Grant of Certificate of Registration as Investment Adviser with SEBI and soon they will be submitting the Application Form with all the required documents with SEBI. I find that there is no merit in the submission of the noticees that it was in the process of registration as per the relevant legal provisions, as they had clearly violated the law by acting as investment advisory services without mandatory certificate of registration which is not mitigated by any intention of getting registered as claimed by the noticees. Further as per the material available on record, in the instant case, MMF Solutions and its Proprietor, Shri Priyansh Patodi, have also acted as Research Analyst and Portfolio Manager without obtaining registration from SEBI. It is pertinent to note that MMF Solutions and its Proprietor, Shri Priyansh Patodi, have not submitted any reply or appeared for personal hearing to give explanation to SEBI regarding information pertaining to its aforesaid activities or controverting the findings of the interim order despite sufficient opportunities being provided to them. Several complaints have also been received against MMF Solutions and its Proprietor, Shri Priyansh Patodi, alleging that the noticees failed to provide the promised services and returns on investment and failed to refund the investment made by their investors/clients.



36. In view of the above, I find that MMF Solutions and its Proprietor, Shri Priyansh Patodi, have violated section 12(1) of the SEBI Act read with Regulation 3 of the IA Regulations, Regulation 3 of the Portfolio Managers Regulations and Regulation 3(1) of the Research Analysts Regulations.

Issue No. 3: If the findings on question No.2 are found in the affirmative, who are liable for the violation committed?

37. In view of the foregoing, MMF Solutions and its Proprietor, Shri Priyansh Patodi are liable for the aforesaid violations of section 12(1) of the SEBI Act read with Regulation 3 of the IA Regulations, Regulation 3 of the Portfolio Managers Regulations and Regulation 3(1) of the Research Analysts Regulations. In order to safeguard the interest of the investors and their investments, and to further ensure orderly development of securities market it becomes necessary for SEBI to issue appropriate directions against MMF Solutions and its Proprietor, Shri Priyansh Patodi.
38. Since the Noticees have received Rs. 64,26,952/- in their Axis Bank account as consideration for its 'Investment Advisory Services', 'Research Analyst Services', etc as reflected in their bank account for the period from October 01, 2013 to January 21, 2016, it would be reasonable that such funds collected in any name are liable to be returned to the clients.
39. In view of the discussion above, appropriate action in accordance with law needs to be initiated against MMF Solutions and its Proprietor, Shri Priyansh Patodi. The interim order has contemplated taking appropriate directions, under Section 11 (1), 11(4), 11B and 11(D) of the SEBI Act, 1992 and relevant SEBI Rules/Regulations including directions, prohibiting them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, for a particular period and to refund any money collected as fees, charges or commissions collected from the investors/clients/partners to the concerned clients/investors.
40. Section 11 of SEBI Act casts a duty on the Board to protect the interests of investors in securities and to promote the development of and to regulate the securities market. For achieving such object, it has been authorized to take such measures as it thinks fit. Thus, power to take all



measures necessary to discharge its duty under the statute which is a reflection of the objective disclosed in the preamble has been conferred in widest amplitude.

41. Section 11B and Section 11(4) of SEBI Act are functional tools in the hands of the Board. In effect, Section 11B and Section 11(4) SEBI Act are some of the measures available to SEBI to enforce its prime duty of investor protection. SEBI is empowered to issue directions in the interests of investors of any person or class of persons referred to in Section 12 of the SEBI Act or associated with the securities market.

ORDER

42. Therefore, I, in exercise of the powers conferred under section 19 of the SEBI Act read with sections 11(1), 11(4), 11B and 11D of the SEBI Act, hereby issue the following directions:
- a) MMF Solutions and its Proprietor, Shri Priyansh Patodi shall forthwith refund Rs. 64,26,952/-and any other amount received from the clients in respect of the unregistered Investment Advisory Services, unregistered Research Analyst Services and unregistered Portfolio Manager Services and submit a certificate from a peer reviewed Chartered Accountant who is in the panel of any public authority or public institution, within a period of 3 months. For the purpose of this Order, a peer reviewed Chartered Accountant shall mean a Chartered Accountant, who has been categorized so by the Institute of Chartered Accountants of India ("ICAI") holding such certificate.
 - b) The repayments to the clients shall be effected only through Bank Demand Draft or Pay Order both of which should be crossed as "Non-Transferable" or through any other appropriate banking channels with clearly identified beneficiaries.
 - c) MMF Solutions and its Proprietor, Shri Priyansh Patodi are directed not to divert any funds raised from investors, kept in bank account(s) and/or in their custody, except for the purpose of refunds to the clients.



- d) MMF Solutions and its Proprietor, Shri Priyansh Patodi are prevented from selling their assets, properties and holding of mutual funds/shares/securities held by them in demat and physical form except for the sole purpose of making the refunds as directed above and deposit the proceeds in an Escrow Account opened with a nationalized Bank. Such proceeds shall be utilized for the sole purpose of making refund/repayment to the investors till the full refund/repayment as directed above is made.
- e) MMF Solutions and its Proprietor, Shri Priyansh Patodi are directed not to, directly or indirectly, access the securities market, and are prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in whatsoever manner, till the expiry of 4 years from the date of refund of the money as directed in paragraph 42(a) above.
- f) MMF Solutions and its Proprietor, Shri Priyansh Patodi, shall not undertake, either directly or indirectly, unregistered Investment Advisory activities, unregistered Research Analyst Services and unregistered Portfolio Manager Services or any activity in the securities market without obtaining a certificate of registration from SEBI as required under the securities laws after the expiry of period of debarment as mentioned in paragraph 42(e).
- g) In case of failure of MMF Solutions and its Proprietor, Shri Priyansh Patodi to comply with the aforesaid directions, SEBI, on expiry of three months period from the date of this Order may recover such amounts for which direction in paragraph 42 (a) of this Order, in accordance with section 28A of the SEBI Act, including such other provisions contained in securities laws.
- h) The above directions shall come into force with immediate effect.
44. Copy of this Order shall be forwarded to the recognized stock exchanges and depositories, registrar and transfer agents, for information and necessary action.
45. Copy of this Order shall also be forwarded to the Monetary Authority of Singapore and the Securities Commission Malaysia for information and necessary action.

DATE: February 15, 2018

PLACE: Mumbai


MADHABPURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA