

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

ORDER

UNDER SECTIONS 11, 11B AND 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF ZOID RESEARCH (PROPRIETOR MR. TABREZ KHAN).

IN RE SECURITIES AND EXCHANGE BOARD OF INDIA (INVESTMENT ADVISERS) REGULATIONS, 2013.

IN RESPECT OF

S. No.	NAME	REGISTRATION NO.	PAN
1	Zoid Research (proprietor Mr. Tabrez Khan)	INA000001282	BBQPK0436A

1. Zoid Research, proprietor Mr. Tabrez Khan (hereinafter interchangeably referred to as "Zoid Research / IA / Mr. Tabrez Khan ") is registered as an Investment Adviser ("IA") under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (hereinafter referred to as the "IA Regulations") with effect from March 20, 2014. It has its registered office at 202, Mangal City Mall, Plot No. A-1 PU 4, Commercial Scheme 54, Opposite Vijay Nagar Police Thana, Vijay Nagar, AB Road, Indore - 452010. Its website address is www.zoidresearch.com.
2. Securities and Exchange Board of India ("SEBI"), has been receiving large number of complaints against Zoid Research. The relevant numbers (financial year wise) are as under:

	Total number of complaints	Complaints from unique investors
2015-16	11	9
2016-17	97	53
2017-18	383	135
April, 1 - September 18, 2018	36	36

3. On a preliminary examination of the complaints, the documents enclosed therewith and the information available on the website of Zoid Research, it was observed that in its advisory activity, Zoid Research sells to its clients packages such as Stock Cash, Stock futures, Stock/Nifty Option, Nifty/Bank Nifty Future, Commodity Market, NCDEX, Forex, etc., at different price points depending upon the period of subscription. The advisory fee varies from Rs 7,753/- to Rs 6,19,235/- as seen from its website.
4. It is noted that during the period April 2016 to May 2018, 491 complaints have been lodged against Zoid Research. As these complaints were in large numbers against a registered intermediary, a separate examination of the complaints received during this above period was carried out. After filtering out multiple complaints by a complainant, it was observed that there were 188 unique complaints against Zoid Research. The complaints mainly related to the following subject matters / issues:

Nature of complaint	No of unique complaints
Non-disclosure of complete charges, extracting money from clients under different pretexts	74
Profit commitment by the IA	60
Alleged fraud and poor service	30
Client paid money to open account/do trading	12
Upgrades plan without consent/forces to upgrade plan	12
Total	188

5. From sample analysis of the above complaints, following was observed-

a) Promising assured/guaranteed returns to its clients:

- (i) Zoid Research has been assuring guaranteed returns to its clients in the agreements executed with them. In some cases, the returns promised are subject to the client taking a trading exposure of a specific amount. Certain instances of assured returns promised in the agreements by Zoid Research to its clients are as under.

Client's Name	Agreement Date	Return Assured (in Rs.)	Client's required exposure/ trading commitment (in Rs.)	Service Fee (in Rs.)
Anurag Saini	21/02/2017	1,20,000	--	40,000
Girija Shankar	19/12/2017	1,50,000	1,00,000	47,200
Dharmendra Singh	26/08/2017	10,00,000	2,00,000	3,41,800
Daler Singh	04/10/2017	14,83,000	3,00,000	4,50,000
Daler Singh	03/06/2017	10,00,000	1,00,000	3,80,000
Dharmesh Kumar	25/08/2017	4,50,000	80,000	1,20,000

(ii) It is observed that the promise of assured returns is a part of the standard terms in all the service agreements between Zoid Research and its clients. The same is also reflected in the understanding of the clients, who have filed complaints against Zoid Research. Excerpts of some of such complaints are reproduced below:

- Complaint of Shri Girja Shankar received at Indore - Local Office (LO) on March 5, 2018 wherein the complainant has stated *"I have paid Rs 40,000 to Zoid Research Indore to get return 1,50,000"*.
- Complaint of Shri Jaidev Kumbhakar received at Patna LO on July 19, 2016 wherein complainant has stated that *"First they (Zoid) say that pay Rs 35000 and they provide me Rs 2.4 lac profit".... "total payment to Zoid Research is Rs 55,000 and my IDP commitment plan is Rs 4.5 lac, but they have not given me a single paise profit in stock market"*.
- Complaint of Shri Aswani Parmar received at Dehradun LO on February 3, 2017 wherein complainant has stated that *"...he has paid Rs 4,28,759 to the company (Zoid Research) and the agents of company has promised that they (Zoid Research) will get him a return of Rs 13,00,000 from the market."*

(iii) Zoid Research in its communications with the clients has categorically stated the total commitment profit from the advisory services. Some instances are noted below.

- E-mail dated May 27, 2017 to client, Shri Jaidev Kumbhakar wherein it is stated that *“This is to inform you that your seat has been booked for IDP Commitment Plan of Rs 4.50 lacs Profit”*.
- E-mail dated May 10, 2017 to client, Jovet Jose wherein it is stated *“your total commitment profit is INR 10,00,000 in just 3,50,000/- only”*.
- E-mail dated January 11, 2017 to client Harish Parekh wherein it is stated that *“This service is totally based on committed profit slab.....”*. The e-mail also contains the following table stating the amount of committed profit for each service.

Zoid Institutional Plan					
Service	Profit Slab (V)	Profit Slab (IV)	Profit Slab (III)	Profit Slab (II)	Profit Slab (I)
Committed Profit	1,00,00,000	50,00,000	25,00,000	10,00,000	1,50,000
Institutional Charges	15,00,000	10,00,000	7,50,000	3,50,000	40,000

- E-mail dated August 14, 2017 to client Dharmesh Kumar wherein it was categorically stated that ***“Profit Commitment of Rs 450000”***. In the Bill issued by Zoid Research to the client attached to the said e-mail it stated that *“profit of Rs 10,00,000 net profit Gross profit 1500000. If you are not interested in our 10 lakh profit commitment plan so pay only 40,000 and get profit of Rs 450000 Gross Profit in your current plan”*.
- (iv) The same is also reflected in the Certificate (issued to clients by Zoid Research for completion of payment of service charge) wherein it has stated the profit commitment. Particulars of some such certificates are described hereunder.
- In NOC issued to Shri Vishal Goyal, Zoid Research has stated Profit Commitment of Rs 450000.
 - In NOC issued to Shri Swapnil Baburao Pohakar, Zoid Research has stated Profit Commitment of Rs 1,50,000.
- (v) From the complaints, it is noted that in most of the cases, the investors (i.e. complainants) had received calls from Zoid Research and the caller introduced Zoid research as a SEBI registered investment adviser. Invariably, all the complainants have alleged that Zoid Research had assured them guaranteed returns before making them its clients. According

to the complainants, in case, the tips provided by Zoid Research resulted in losses, the clients were left in lurch and no service was given, and in case its tips resulted in profits, the clients were enticed to move to other package with higher service fee.

- (vi) It is pertinent to mention here that the advice of Zoid Research relates to shares, stock derivatives, commodity derivatives, etc. which are listed on Exchanges and therefore returns on the investments in these products are subject to market risk.

b) Extracting money from clients:

Upon inquiry from the compliance officer of Zoid Research and the analysis of complaints filed against it, it was observed that Zoid research adopted the following *modi operandi* for *prima facie* extracting money from its clients:

Modus Operandi 1

- **The clients were taken on-board even if partial payment of service fee was received:** The compliance officer of Zoid Research, Shri Shahid Khan, on inquiry, stated that the service fee is taken in tranches. The clients are generally initiated in this business with basic package which is at a reasonable price point. Advisory is started after taking partial service fee. This aspect has been mentioned in most of the complaints. This is how the investor is lured by Zoid Research with attractive returns and small minimum payment.
- Once the clients are lured with partial payments, strict deadlines are put on them for the remaining payment. In case of delay in payment, the clients are told that they will not be entitled to receive service for the subscribed package.
- Thereafter, within a short while, the clients are informed that the package they had subscribed has limited seats/slots available and pressure is put on them to pay the remaining amount within the deadline otherwise, they may not be entitled to continue with their package. For instance, In the bill (dated 25/08/2017) issued by Zoid Research to a client named Dharmesh Kumar attached with E-mail dated August 14, 2017, the client was advised “*you have to pay today before 2PM otherwise your **SLOT** will be rejected*”. This practice *prima facie* appears to be threatening the investor to pay the remaining amount or else the *slot* allotted earlier would be rejected or the agreement / services in respect of which payment was made earlier would be discontinued.

- Once the investor makes the remaining payment, he is informed that the package selected by him earlier is fully subscribed and no more subscription is available. So, a new package with higher service fee is then offered.
- The deadlines for making payment are so stringent that most of the clients are unable to meet them. As a result, when the clients come back with the remaining amount, they are informed that the said package/slot is not available but a new upgraded package is available but with higher service fee, which can be paid in instalments.
- The clients are enticed to take new package by claiming higher profit commitment in new package. Again the same tactics are applied by putting pressure on them to pay the remaining amount within deadlines and on delay of payment, their respective packages are upgraded without their consent thereby, charging higher service fee and trapping the client in a vicious cycle.

Modus Operandi 2

- After the clients make the payment as disclosed on the website of Zoid Research, it asks for additional fees such as server fee, file allocation/handling fee, etc. which were not disclosed earlier to the clients while starting the services. One such instance is noted as under:
 - E-mail dated May 9, 2017 to Jovet Jose wherein it is stated that *“your service started by our side even you did not pay SERVER & FILE HANDLING CHARGE”...“so kindly pay Rs 30,000/- one shot for un-interruption of service and we will give you extra profit of Rs 25,027...”* These charges were never informed to the client as is evident from his mail dated May 9, 2017 in response to the above mail stating *“The amount you have mentioned (Rs 3000 + 1774) is not informed to me earlier in any stage.....”*

c) Misrepresentation by the employees of Zoid Research:

- (i) Zoid Research is a sole proprietorship of Mr. Tabrez Khan but in the *“Investment Advisory Services Agreements”* between Zoid Research and its clients it has been referred to as an *“Investment Advisory **Company**”*, which is incorrect.
- (ii) Mr. Tabrez Khan, who is the registered investment adviser (for his sole proprietorship) and is supposed to hold the requisite qualification for being an IA, is not a party to the *Investment Advisory Services Agreements*. At the end of these agreements, one signature and a seal of Zoid Research is

noticed but the name of the authorized person signing the agreements is not mentioned anywhere in the agreements.

(iii) It is observed that the employees of Zoid Research remain in constant touch with the clients. During such engagements, clients are informed that a team is attached to them for service and the names of the persons who are in the team are informed to the clients. One such disclosure is noted in respect of a client named Dharmesh Kumar (E-mail dated August 14, 2017) wherein Shri Lucky Patidar was introduced as a Researcher. Upon inquiry with compliance officer of Zoid Research, Shri Shahid Khan, he informed that Shri Lucky Patidar was also known as Mr. Abhay Patel, while no one named Mr. Abhay Patel was ever employed by Zoid Research. In the same email, Zoid Research introduced Mr. Rahul Sharma (Financial Mentor), Mr. Jhonson Thomos (from Technical Department), Mr. Rudra Singh Rathore (MCX Operator), Mr. Krunal Farkade (Stock Operator) and certain other persons also, but in his undertaking Mr. Shahid Khan submitted that none of these persons exist and some other employees of Zoid Research were using their names for fake identity. Therefore, it is noted that fake names are being used by employees of Zoid Research for interacting with the clients and soliciting payments.

(iv) This *modus operandi* is prima facie used so that when the clients call Zoid Research seeking refund of their service fee, they can be told that there was no employee with the said name and that the client is lying. It is also observed from the complaints that one single client is handled by different set of executives every time he/she calls and the executives use fake names.

d) Violation of Regulation 7(2) of the IA Regulations by not having certification at all the time:

(i) In addition to the above, it was also noticed that NISM certification of Shri Tabrez Khan, Proprietor of Zoid Research, had lapsed on April 4, 2018 and was renewed only on July 14, 2018. As per Regulation 7(2) of SEBI (Investment Advisers) Regulations, 2013, an individual registered as an investment adviser offering investment advice shall have, at all times, a certification on financial planning or fund or asset or portfolio management or investment advisory services. Therefore, IA registered under IA Regulations has to have the certification at all the time if he is offering investment advice. In this case, the proprietor of Zoid Research, Shri Tabrez Khan did not possess NISM certification since April 4, 2018 till July

14, 2018 but he continued soliciting clients and providing Investment Advice during that period. Thus, he was *prima facie* in violation of Regulation 7(2) of IA Regulations.

e) Non-Redresal of Investor Grievances:

- (i) The relevant paragraphs of SEBI Circular CIR/OIAE/2014 dated December 18, 2014 regarding redressal of investor grievances through SEBI Complaints Redress System (SCORES) platform are reproduced as under:

“9. All listed companies and SEBI registered intermediaries shall review their investors’ grievances redressal mechanism so as to further strengthen it and correct the existing shortcomings, if any. The listed companies and SEBI registered intermediaries, to whom complaints are forwarded through SCORES, shall take immediate efforts on receipt of a complaint, for its resolution, within thirty days. The listed companies and SEBI registered intermediaries shall keep the complainant duly informed of the action taken thereon.

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

- (ii) As per the data obtained from SCORES and examination of complaints, it was revealed that Zoid Research has not redressed Investor grievances as per the prescribed timelines by SEBI. On a sample basis complaints were examined from January 2018 onwards. It was observed that in around 10 complaints the IA has either not submitted the action taken report (“ATR”) or has submitted the ATR after 30 days from the date of receipt of the complaint. In certain instances, the IA has deliberately forwarded the complaints to the investors for their comments and then has not submitted the ATR.
- (iii) For instance, in the complaint of Mr. Mangesh Bhawar, he has alleged that he was offered lucrative return of 4.5 lakhs over 3 months and the IA took 1 lakh in multiple payments. When the investor asked for refund then the IA declined saying that full payment is required. The investor complained to SEBI. The complaint was forwarded to IA. The IA in its response submitted that it was unable to track the client’s information as the client’s mobile number is not in its system.

6. To summarize, the following was observed from the documentation of Zoid Research with its clients, emails exchanged between Zoid Research and its clients, material available on the website of Zoid Research and the material submitted by Zoid Research / its officials during the examination carried out by SEBI pursuant to complaints received against Zoid Research / Mr. Tabrez Khan:
- a) Zoid Research / Mr. Tabrez Khan was offering unrealistic assured returns to investors, which were far above the risk free returns that can be earned on investments in the securities market.
 - b) Zoid Research / Mr. Tabrez Khan was offering such high assured returns being fully aware of the fact that his advice related to investments in stocks, derivatives, commodity derivatives, etc. which are subject to market risk.
 - c) Investors were initially lured and inducted as clients with payment of smaller amounts for a basic package. Once the clients were lured with partial payment, strict deadlines were put on them for the remaining payment. In case of delay in payment, the clients were told that they will not be entitled to receive service for the subscribed package. In certain cases, the clients were also told that the package they had subscribed for is no longer available and they will have to move to a higher package with a higher investment and service fee.
 - d) The clients were enticed to take new packages by making higher profit commitment in new packages, and thereafter, the same tactics were applied by putting pressure on them to pay the remaining amount within deadlines and on delay of payment, their respective packages were upgraded without their consent thereby, charging higher service fee.
 - e) In certain cases, once the investors were inducted as clients, money was extracted from them in the garb of various types of fees (not disclosed at the time of initial subscription) such as server fee, file handling fee, etc.
 - f) Zoid research / Mr. Tabrez Khan / representatives in their interactions / communications with clients, gave fake names to the clients introducing them as the service team / personnel assigned for rendering service to them. Thus, non-existent employees' names were given to clients in the beginning for soliciting payments from them.
 - g) Mr. Tabrez Khan was functioning as an IA without possessing NISM certification (a pre-requisite for acting as an Investment Adviser) from April 4, 2018 till July 14, 2018.
 - h) Huge number of investor complaints have been filed against Zoid research / Mr. Tabrez Khan and he has not redressed investor grievances citing unacceptable reasons such as client's mobile number not being on records, complaints sent to client for comments, etc.

7. It is noted that as per regulation 2(m) of the Investment Adviser Regulations “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. The term “investment advice” has been defined under regulation 2(l) as 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. On a perusal of these definitions, it becomes clear that the role of an “investment adviser” envisaged under the Regulations is that of a person rendering advice relating to investing, buying, selling or dealing in securities or investment products and advice relating to investment portfolio containing securities / investment products. In my view, looking at the scheme of IA Regulations, the role of an investment adviser is to provide honest and fair advice to its clients considering their financial situation, investment experience, investment goals, etc. The investment adviser should also make adequate disclosures of the relevant material information to its clients and should charge fair and reasonable fee from its clients, which is also stipulated under the Code of Conduct for Investment Advisers under the IA Regulations.
8. An investment Adviser is required to comply with SEBI Act and other applicable Regulations. An IA cannot make a false statement without reasonable ground for believing it to be true as mandated in PFUTP Regulations, 2003. An investment adviser cannot sell products guaranteeing assured returns to investors as was being done by Zoid research / Mr. Tabrez Khan in the present case. Knowing fully well that all investment in stocks, derivatives, commodity derivatives, etc. in respect of which it was offering investment advice are subject to market risk, Zoid research was falsely promising unrealistic assured returns on investments and had disclosed the same on its website as a continuous ticker. It is also noted from the agreements and the email exchanges that the advisory process being followed by Zoid was akin to selling pre-fixed plans and extracting more and more money from the clients. In the communications with the clients, fake names were being used and the agreements entered into with the clients did not contain any name of the authorized person of Zoid Research. Further, the sole proprietor of Zoid Research – Mr. Tabrez Khan, in whose name the certificate of registration has been granted, was *prima facie* not a party to any of the *Investment Advisory Services Agreements* entered into between Zoid Research and its clients, but was controlling all the payments made by clients in all the bank accounts held in Zoid Research's name which were opened with his PAN as the sole proprietor. The *modi operandi* adopted by Zoid Research discussed hereinabove *prima facie* show that Zoid

Research was actually not practicing investment advisory in the manner envisaged under the IA Regulations, which essentially would involve advising the client considering his/her financial situation, risk appetite, financial goal, prior experience, etc. From the findings of the preliminary examination, it *prima facie* appears that Zoid Research was running a pre-meditated device, plan or scheme where under, the tele-callers / employees / representatives of Zoid Research would lure gullible investors by making unrealistic profit commitment and then more and more money would be extracted from them by putting strict deadlines for making payments, refusal to provide any services in the event of delay, upgradation from one package to another citing non-availability of slots or higher returns, demanding various types of fees, etc.

9. The above discussed non-genuine and deceptive activities of Zoid Research (proprietor Mr. Tabrez Khan) are, *prima-facie* fraudulent and are covered under the definition of 'fraud' under regulation 2(1)(c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("PFUTP Regulations") which provides as under:

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

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

*And “fraudulent” shall be construed accordingly
...*

10. It is noted that *prima facie* fraudulent activities / dealings of the nature discussed above prohibited under the provisions of section 12A(a), (b) and (c) of the SEBI Act, 1992 and regulations 3 (b), (c) and (d) and 4(1) and 4(2) (k) of the PFUTP Regulations. I therefore, *prima-facie* find that Zoid Research (proprietor Mr. Tabrez Khan) has contravened these provisions and the same are reproduced hereunder:-

SEBI Act, 1992

“12A. No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;”

PFUTP REGULATIONS, 2003

“Prohibition of certain dealings in securities

3. No person shall directly or indirectly—

.....

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or

issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

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 and which is designed or likely to influence the decision of investors dealing in securities”

11. In addition to the above, the following is *prima facie* observed with respect to Zoid Research / Mr. Tabrez Khan:

- a) Regulation 16 of the IA Regulations, *inter alia*, requires that the IA shall obtain from its clients information necessary for the purpose of giving investment advice such as their age, investment objective, income details, prior experience, existing investments, risk appetite, liabilities / borrowings, etc. The said regulation also requires that the IA after carrying out the risk assessment in the manner indicated therein, shall communicate the client’s risk profile to him, and also that the information provided by the client and the risk assessment is updated periodically. In the present case, it is noticed that Zoid Research / Mr. Tabrez Khan did not carry out any risk profiling of its clients which is *prima facie* evident from the fact that it/he sold pre-fixed plans promising unrealistic profit commitments to the clients and also upgraded the packages offered to them without their consent. Thus, Zoid Research / Mr. Tabrez Khan *prima facie* violated regulation 16 of the IA Regulations.
- b) Regulation 17 of the IA Regulations, *inter alia*, stipulates the IA to ensure that the investment advice provided to the clients is appropriate to their risk profiles. The regulation further requires that the IA should have a documented process for selecting investments based on clients’ investment objectives, and the IA shall also have a reasonable basis for believing that a recommendation provided meets the investment objectives. In the present case, it is noted that there does not appear to be any documented process for selecting investments based on client’s investment objective and financial situation, rather majority of the clients have been sold pre-fixed plans promising unrealistic assured

returns irrespective of their financial situation, investment objective, etc. with the sole purpose of extracting more and more service fee from the clients. I, therefore, find that Zoid research / Mr. Tabrez Khan has *prima facie* violated regulation 17 of the IA Regulations.

- c) During the period April 4, 2018 till July 14, 2018, Mr. Tabrez Khan was not holding a valid NISM Certification which is a mandatory requirement for an investment adviser. Thus, during this period he could not have legally offered any investment advice but he continued to do so. Therefore Mr. Tabrez Khan / Zoid Research *prima facie* violated regulation 7(2) of the IA Regulations.
- d) Regulation 21 of the IA Regulations, *inter alia*, stipulates that an IA shall redress investor grievances promptly and shall have adequate procedure for expeditious grievance redressal. As noted earlier, hundreds of complaints have been filed against Zoid Research by majority of its clients. Looking at the current status of the complaints filed against Zoid Research, it is noted that it has failed to redress investor grievances satisfactorily. In view thereof, Zoid Research/ Mr. Tabrez Khan has *prima facie* violated regulations 21 of the IA Regulations read with SEBI Circular CIR/OIAE/2014 dated December 18, 2014.

12. I note that a person acting as a securities market intermediary is expected to protect the interest of investors in the securities market in which he/she/it operates and it ill-behoves him to become a party to any market misconduct. Every market intermediary is required to maintain high standards of integrity, promptitude and fairness in the conduct of his business dealings, and not be motivated purely by prospects of financial gain. The intermediary should not abuse the certificate of registration granted to it, in any manner, for carrying out any non-genuine, deceptive or fraudulent acts. Under Regulation 15 (1) of SEBI (Investment Advisers) Regulations, 2013, IA shall act in a fiduciary capacity towards its clients. In order to maintain fiduciary relationship, one of the essential elements is to strictly adhere to the Code of Conduct for an Investment Adviser prescribed under the IA Regulations, relevant provisions whereof are reproduced below:

“CODE OF CONDUCT FOR INVESTMENT ADVISER

1. Honesty and fairness

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

2. Diligence

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

3. Capabilities

An investment adviser shall have and employ effectively appropriate resources and procedures which are needed for the efficient performance of its business activities.

4. Information about clients

An investment adviser shall seek from its clients, information about their financial situation, investment experience and investment objectives relevant to the services to be provided and maintain confidentiality of such information.

5. Information to its clients

An investment adviser shall make adequate disclosures of relevant material information while dealing with its clients.

6. Fair and reasonable charges

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

...

8. Compliance

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

...”

13. Looking at the activities and manner of operation of Zoid Research / Mr. Tabrez Khan in the present case, which have been discussed in detail in the preceding paragraphs, I am of the *prima facie* view that Zoid Research / Mr. Tabrez Khan has failed to abide by the code of conduct on all counts mentioned above. I, therefore, *prima facie* find that Zoid Research / Mr. Tabrez Khan, while carrying out his activities as an Investment Adviser has contravened the provisions of Clause 1, 2, 3, 4, 5, 6 and 8 of the Code of Conduct for Investment Advisers read with regulation 15(9) of IA Regulations, 2013;

14. Incidentally, during the preliminary examination carried out by SEBI, the following was also noted from the description provided by the complainants in the complaints filed by them:

- a) The manner of operation of Zoid Research is similar to a call centre wherefrom the tele-callers / employees / representatives of Zoid Research were interacting with the clients.
- b) Mr. Tabrez Khan, who was holding a NISM certification (except for the period mentioned earlier) was not himself offering advice or communicating with all the clients of Zoid Research. Mr. Tabrez Khan was not even a party to the *Investment Advisory Service Agreements* between Zoid Research and its clients.
- c) The plans offered by Zoid Research / Mr. Tabrez Khan were being actively marketed over telephone, SMS, E-mail, etc. to gullible investors.
- d) Its SEBI registration was being marketed as validation of all the products and schemes it was offering to its investors.
- e) In several instances, Zoid Research / Mr. Tabrez Khan or his representatives had obtained and operated the user ID and passwords of the demat accounts of clients of Zoid Research / Mr. Tabrez Khan.

15. As a regulator of the capital markets, SEBI has the duty to safeguard the interests of investors and protect the integrity of the securities market. Since the conduct of Zoid Research (proprietor Mr. Tabrez Khan) mentioned above does not *prima facie* appear to be in the interest of investors and the securities market, necessary action has to be taken against him immediately, else it may lead to loss of investors' trust in the securities market. Considering the facts and circumstances of this case and such a fraudulent scheme, plan, device and artifice as *prima facie* found in this case, I am convinced that this is a fit case where, pending detailed examination, effective and expeditious preventive and remedial action is required to be taken by way of *ad interim ex -parte* order to protect the interests of investors and preserve the safety and integrity of the securities market. Such action needs to be taken not only to prevent any further harm to investors but also to send a stern message to prevent any person from indulging in acts as observed in this case.

16. As noted earlier, in the present case, *prima facie* violations of securities laws have been noticed on the basis of the preliminary examination carried out by SEBI. It is pertinent to mention that a huge number of complaints have been filed against Zoid Research / Mr. Tabrez Khan alleging perpetration of fraud on them and in almost all the complaints, the complainants have claimed refund of the money given by them to Zoid Research / Mr. Tabrez Khan. In the event, upon detailed examination of the matter, it is found that the money was taken by Zoid Research / Mr. Tabrez Khan from the clients in violation of the applicable law, and the claims of the clients are found to be genuine, Zoid Research / Mr. Tabrez Khan would be liable to refund the money collected by it/him from the clients subject to the adjudication of the allegations on merits. While the detailed examination in the matter is pending there

is a possibility that Zoid Research / Mr. Tabrez Khan may divert the money collected from the clients. I, therefore find that pending detailed examination, in view of the alleged liabilities and the *prima facie* evidence against Mr. Tabrez Khan / Zoid Research, it is also essential to take urgent steps to prevent Mr. Tabrez Khan from alienating any assets, whether movable or immovable, or any interest or investment or charge in any of such assets, so that the final remedies, if any, do not become infructuous.

17. In view of the foregoing, in order to protect the interests of the investors and the integrity of securities market, I, in exercise of the powers conferred upon me under sections 11, 11B and 11D read with section 19 of the SEBI Act, 1992, direct as under :

- a) Mr. Tabrez Khan / Zoid Research is restrained from buying, selling or dealing in the securities market or associating himself/itself with securities market, either directly or indirectly, in any manner whatsoever, till further directions.
- b) Mr. Tabrez Khan / Zoid Research and any other employee/person working under him/it in his/its investment advisory activity shall cease and desist from undertaking any activity in the securities market including the activity of acting and representing through any media (physical or digital) as an investment advisor, directly or indirectly, in any manner whatsoever till further directions.
- c) Mr. Tabrez Khan is directed to provide a full inventory of all assets held in his name or in the name of Zoid Research, whether movable or immovable, or any interest or investment or charge on any of such assets, including details of all bank accounts, demat accounts and mutual fund investments, immediately but not later than 5 working days from the date of receipt of this order.
- d) Mr. Tabrez Khan is directed not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge on any of such assets, held in his name or in the name of Zoid Research, including money lying in bank accounts except with the prior permission of SEBI.
- e) The depositories are directed to ensure that till further directions no debits are made in the demat accounts, of Mr. Tabrez Khan / Zoid Research held jointly or severally.
- f) The banks are directed to ensure that till further directions, no debits are made in the bank accounts held by Mr. Tabrez Khan / Zoid Research jointly or severally.
- g) The Registrar and Transfer Agents are also directed to ensure that till further directions the securities held in the name of Mr. Tabrez Khan / Zoid Research, jointly or severally, are not transferred.

18. The order shall come into force with immediate effect. A copy of the order shall be sent to the Banks, Stock Exchanges, Depositories and Registrar and Transfer Agents to ensure that all the above directions are strictly enforced.
19. This order is without prejudice to the right of SEBI to take any other action that may be initiated against the aforementioned entity in accordance with law. The person against whom this order has been passed may file his objections, if any, within twenty one days from the date of this order and, if he so desires, avail himself of an opportunity of personal hearing before SEBI, on a date and time to be fixed on a specific request, received from the said person.

Sd/-

DATE: February 8th, 2019

MADHABI PURI BUCH

PLACE: MUMBAI

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA