

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

Under Sections 11(1), 11(4), 11B and 11D of the Securities and Exchange Board of India Act, 1992 and Regulation 35 of Securities and Exchange Board of India (Intermediaries) Regulations, 2008

**In Re: Securities and Exchange Board of India (Investment Advisers) Regulations, 2013
and
Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating To Securities Market) Regulations, 2003**

In respect of:

S. No.	Name of the Entity	PAN
1	Samrat Trades and its Proprietor Mr. Altamash Sheikh	CPPPS6004G

In the matter of Samrat Trades

1. Samrat Trades, a proprietary firm (hereinafter referred to as “**ST**” / “**IA**”) is registered as an Investment Adviser under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (hereinafter referred to as the “**IA Regulations**”) with effect from June 06, 2018. The SEBI registration No. is INA000010788. The proprietor of Samrat Trades is Mr. Altamash Sheikh. The registered office address of Samrat Trades is at Office No. 411 – A, Fourth Floor, The Mark, Plot No. – 20A, Old No. 19/2, New Palasia, Indore, M.P. – 452001.
2. Securities and Exchange Board of India (“**SEBI**”) received complaints through SCORES portal against an unregistered entity namely, Proficient Research, a partnership firm (hereinafter referred to as “**Proficient Research**”), *inter alia* alleging the engagement in

unregistered investment advisory activities. The partners of Proficient Research are Mr. Altamash Sheikh, Mr. Mohd Sohail Khan and Ms. Vidhi Singh Parihar.

3. SEBI conducted an examination in relation to the affairs of Proficient Research and Samrat Trades. The examination entailed, *inter alia*, an analysis of the details available on the website of Proficient Research and Samrat Trades, complaints filed by the complainants against Proficient Research and Samrat Trades and bank account details of Proficient Research and Samrat Trades. The prima facie findings based on the examination are noted in the subsequent paragraphs.
4. Upon perusal of Account Opening Forms (AoF) and KYC documents of Proficient Research obtained from ICICI Bank and Axis Bank, it was observed that one of the partners Mr. Altamash Sheikh, having PAN: CPPPS6004G, is currently registered with SEBI as an Investment Advisor under the proprietorship Samrat Trades.
5. Upon perusal of the Application Form A submitted by Mr. Altamash Sheikh at the time of applying for registration of Samrat Trades, it was observed, Mr. Altamash Sheikh through his application dated March 22, 2018 has declared that he was not engaged in investment advisory services prior to making the said application.
6. I have perused the materials available on record such as details available on the website of Proficient Research and Samrat Trades, complaints filed by the complainants against Proficient Research and Samrat Trades, bank account details of Proficient Research and Samrat Trades and Application FORM – A submitted by Samrat Trades etc. In view of facts and circumstances of case and a preliminary examination of the material available, raises following *prima facie* issues in the instant matter:

1) Whether the activities of Mr. Altamash Sheikh, one of the Partners of Proficient Research, prima facie, were in the nature of unregistered Investment Advisory activities?

- 2) *If answer to issue no. 1 is in affirmative, whether Samrat Trades, Proprietor Mr. Altamash Sheikh had submitted wrong information to SEBI while obtaining the certificate of registration under IA Regulations?*
- 3) *Whether Samrat Trades, Proprietor Mr. Altamash Sheikh has prima facie violated the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “PFUTP Regulations”) and IA Regulations?*
- 4) *If answer to issue no. 2 and 3 is in affirmative, whether urgent directions, if any should be issued against Samrat Trades and its Proprietor Mr. Altamash Sheikh?*

ISSUE NO. 1: *Whether the activities of Mr. Altamash Sheikh, one of the Partners of Proficient Research, prima facie, are in the nature of unregistered Investment Advisory activities?*

7. Upon examination the following *prima facie* findings were observed against Proficient Research (Partner Mr. Altamash Sheikh):
8. ***Examination of the details available on website of Proficient Research:*** The website www.proficientresearch.com of the entity was browsed for information, but the same was not active / functional. The archive pages of the website was downloaded from www.archive.org to gather information and the following was observed wherein the entity has claimed as follows:
 - 8.1. Proficient Research is led and managed by a team of experienced professionals who have a deep and penetrating financial and technical knowledge along with specialized skills, problems solving mentoring, as well as teamwork abilities with team have a strong academic background and expertise, ability to furnish to the needs of clients in the target.
 - 8.2. The Vision is to make Proficient Research as finest research house in India and all around the globe by 2015.
 - 8.3. It is providing advisory services in various categories viz., Stock cash, Stock Future, Premium MCX, HNI Group calls, etc.

8.4. Various packages were being offered for subscription at specified rates and for specific products and the fee ranges from Rs.5,500/- per month to Rs.6,30,000/- per year.

8.5. The payment to subscribe to the services could be made directly to the bank accounts opened in the name of Proficient Research with ICICI Bank (A/c No. 144105500445 and 144105500470) and Axis Bank (A/c No. 914020041205134), the details of which were mentioned on their website and alternatively through PayU money

9. **Examination of bank accounts of Proficient Research:** The Account Opening Forms (AoF), KYC documents and transaction/ account statements of bank accounts of Proficient Research obtained from ICICI Bank and Axis Bank were examined and following is observed:

9.1. ICICI Bank (A/c No. 144105500445 and 144105500470)

9.1.1. A/c No. 144105500445 was opened in June 2014 and A/c No. 144105500470 was opened in August 2014, in the name of partnership firm, Proficient Research (PAN: AAQFP1547F), having its address at 207, Sunrise Tower, 579 MG Road, Indore.

9.1.2. Email Id given is altamash4575@gmail.com

9.1.3. The partners are Ms. Vidhi Singh Parihar, (PAN: CDTPP2860D), Mr. Mohd Sohail Khan (PAN: CODPK1444M), and Mr. Altamash Sheikh (PAN: CPPPS6004G).

9.1.4. As per the AOF, the type of industry is Advisory firm/share trading.

9.1.5. As per the partnership deed dated June 13, 2014, business is to carry out advisory services under capital market i.e. advisory which enables a person to invest in share market and/or commodity market.

9.1.6. With respect to the bank A/c 144105500445, the entity has received credits aggregating to Rs.2,15,144/- between July 2014 to August 2014. Further, with respect to the bank A/c 144105500470, the entity has received credits aggregating to Rs.43,30,226/- during September 2014 to December 2016.

9.1.7. Balance amount available in the a/c as on December 13, 2018 is Nil balance.

9.1.8. Analysis of bank account no. 144105500470 *prima facie* revealed that there were 216 credit transactions which were in round figure ranging from Rs.700/- to

Rs.48,000/- aggregating to Rs.43,30,226/-. These amounts appears to have been collected as an advisory fee. Debit transactions were mainly in the form of cash withdrawals and payments to third parties and to the partners.

9.2. Axis Bank (A/c No. 914020041205134)

9.2.1. A/c No. 914020041205134 was opened in September 2014 in the name of Proficient Research (PAN: AAQFP1547F), having its address at 207, Sunrise Tower, 579, MG Road - 452001.

9.2.2. Email Id given is altmash4575@gmail.com

9.2.3. The partners are Mr. Altamash Sheikh, Mr. Mohd. Sohail Khan and Ms. Vidhi Singh Parihar.

9.2.4. Proficient Research has received credits aggregating to Rs.1,78,014/- between September 2014 to November 2016. Balance amount available in the A/c as on November 19, 2016 is Nil balance.

9.2.5. Analysis of bank account *prima facie* revealed that there were 25 credit transactions which were in round figure ranging from Rs.2,000/- to Rs.40,000/- aggregating Rs.1,78,014/-. These amounts appears to have been collected as an advisory fee. Debit transactions were mainly in the form of cheque payments to the partners and various third parties.

9.3. In aggregate, *prima facie* it appears that Proficient Research has collected Rs. 47,23,384/- in the name of advisory fee. The amount credited into the various bank accounts held by Proficient Research is as under:

Sl. no	Bank Account No	Transaction Period	Aggregate Value of Credit Transactions (in Rs.)
1.	ICICI Bank A/c No. 144105500445	July 2014 to August 2014	2,15,144
2.	ICICI Bank A/c No. 144105500470	September 2014 to December 2016	43,30,226

3.	Axis Bank. A/c No. 914020041205134	September 2014 to November 2016	1,78,014
	Total		47,23,384

10. In summary, following *prima facie* findings are observed:

- 10.1. That as per the partnership deed between Mr. Altamash Sheikh, Mr. Mohd Sohail Khan and Ms. Vidhi Singh Parihar dated June 13, 2014, the partnership firm in the name of Proficient Research is in the business of “*Advisory Services under capital market i.e. advisory which enables a person to invest in share market and / or commodity market*” from June 13, 2014. As per the partnership deed all three partners are working partners of the firm.
- 10.2. That as per the information disclosed on Proficient Research website, it is providing investment advisory services.
- 10.3. That Proficient Research in its website has disclosed the bank accounts details and link to PayU Money payment gateway for payment of advisory fee. The payments through cash / other deposits were observed in the account of Proficient Research from July 2014 to December 2016. This shows that Proficient Research has received consideration for its advisory services from July 2014 to December 2016.

11. Meanwhile I note that, as per section 4 of Indian Partnership Act, 1932, the ‘*partnership*’ is the relation between persons who have agreed to share the profits of a business carried on by all or any of them for all; persons who have entered into partnership with one another are called individually ‘*partners*’ and collectively a ‘*firm*’ and the name under which their business is carried on is called the ‘*firm name*’. As per Section 2(a) of Indian Partnership Act, 1932 an ‘*Act of Firm*’ means any act or omission by all the partners, or by any partner or agent of the firm which gives rise to a right enforceable by or against the firm. As per Section 25 of Indian Partnership Act, 1932 every partner is liable, jointly with all the other partners and also severally, for all acts of the firm done while he is a partner.

12. Thus, from the above it is noted that an act done by all or any partner of the partnership firm is an act by the partnership firm and vice versa. A partnership firm cannot act by itself. It can act only through its partners. Partners are expected to exercise their power on behalf of Partnership firm with utmost care, skill and diligence. The Partners are responsible for the conduct of the business of a Partnership firm and are liable for any non-compliance. Hence, in the present case, the activities carried out by Proficient Research are basically the activities carried out by its partners and in the limited context of the present matter, Mr. Altamash Sheikh who was one of the partners of Proficient Research.
13. The definition of investment adviser as given in regulation 2(m) of the IA Regulations, states that 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”*. Regulation 2(l) of the IA Regulations defines investment advice 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.”*
14. Thus, from paragraphs 8, 9, 10, 11, 12 and 13 above, there is a *prima facie* evidence that Mr. Altamash Sheikh, as partner of Proficient Research, was engaged in ‘investment advisory services’ through Proficient Research, which falls under the definition of investment advice and investment advisor as defined under Regulations 2(l) & 2(m) of IA Regulations.
15. The regulation 3(1) of the IA regulations, states 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”*.

16. 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. It is noted that, since June 13, 2014 Mr. Altamash Sheikh as partner of Proficient Research was providing investment advisory services without obtaining a certificate of registration from SEBI.
17. Further, Section 12(1) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **“SEBI Act”**) 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”*
18. Thus, as per regulation 3(1) of IA Regulations and Section 12(1) of SEBI Act, any person carrying out investment advisory activities has to necessarily obtain registration from SEBI and conduct its activities in accordance with the provisions of SEBI regulations i.e. the registration of the investment advisers is mandatory.
19. The activities of Proficient Research, as brought out from the various materials described above, seen in the backdrop of the aforesaid provisions shows that Proficient Research through its partners has acted as investment advisers. However, no material was available on record to indicate that Proficient Research had a certificate of registration as an Investment Adviser. Therefore, I find that the activities of Proficient Research through its partners, including Mr.

Altamash Sheikh, such as giving trading tips, stock specific recommendations, providing services in various categories viz., Stock cash, Stock Future, Premium MCX, HNI Group calls, etc. to the investors and general public on payment of fees indicates *prima facie* that they were engaged in providing unregistered investment advisory services.

20. In this context, it is noted that Proficient Research is not registered with SEBI in the capacity as an Investment Advisor and the characteristics and features of the business activity carried out by Proficient Research as discussed in the preceding paragraphs, *prima facie*, leads to the conclusion that Mr. Altamash Sheikh being one of the partners of Proficient Research had provided services of an investment adviser through Proficient Research without a certificate of registration during the period June 13, 2014 to December 2016.

21. Additionally, SEBI has also taken note of the complaints made against Proficient Research in SCORES Portal. The said complaints have not been relied upon to arrive at the aforesaid *prima facie* findings against the Proficient Research, nevertheless have been reproduced below to represent the allegations against Proficient Research.

21.1. The complainant, Mr. Punit Gupta vide complaint dated September 21, 2016 has inter-alia, alleged that he was asked to pay money to open a demat account by Mr. Altamash and transfer money through Pay U Money. However, subsequently, nobody was answering his call.

21.2. The complainant, Mr. Rohan Mate vide complaint dated October 10, 2016 has alleged that Proficient Research repeatedly asked for money to trade in commodity segment and additionally payment was sought towards tax and promised profit. Subsequently, there was no response from Proficient Research.

21.3. The complainant, Mr. Shekhawat Parveen Singh, vide complaint dated September 13, 2016 has alleged that Proficient Research advised him to maintain balance in his account and get his account linked to receive the refund for the services of which he is not satisfied, however instead of refund, his balance amount in the account got debited. Thus, the complainant has alleged fraud by Proficient Research under the guise of providing advisory services.

22. SEBI has a statutory duty to protect the interests of investors in securities and promote the development of, and to regulate, the securities market. Section 11 of the SEBI Act has empowered it to take such measures as it thinks fit for fulfilling its legislative mandate. IA Regulations have been formulated with the main objective of regulating such activities to safeguard the interests of investors and hence registration of such activities with SEBI has been made mandatory. IA Regulations *inter alia* seek to create a structure within which investment advisers will operate and also make them duly accountable for their investment advice by requiring investment advisers to comply with the criteria set out in the relevant provisions of the IA Regulations. The same is imperative for the protection of interests of investors and to safeguard the integrity of the securities market.
23. In the instant case, Mr. Altamash Sheikh as partner of Proficient Research was soliciting and inducing investors to deal in the securities market on the basis of their investments advice, stock tips etc. *prima facie* without Proficient Research having the requisite registration / certification as mandated under IA Regulations. This *prima facie* indicates that Mr. Altamash Sheikh, being one of the partners of Proficient Research, was carrying on unregistered investment advisory activity through Proficient Research and was in violation of the provisions of Section 12(1) of the SEBI Act and regulation 3(1) of the IA Regulations.
24. Thus, there is *prima facie* evidence that by virtue of being a partner of Proficient Research (PAN: AAQFP1547F), Mr. Altamash Sheikh (PAN: CPPPS6004G) had carried on unregistered investment advisor activities through Proficient Research from June 13, 2014 to December 2016 which is *prima facie* in violation of Section 12(1) of SEBI Act read with Regulations 3(1) of the IA Regulations.

ISSUE NO. 2: If answer to issue no. 1 is in affirmative, whether Samrat Trades, Proprietor Mr. Altamash Sheikh had submitted wrong information to SEBI while obtaining the certificate of registration under IA Regulations?

25. Before the second issue is determined, it would be apposite to refer to the passage from the judgment of the Hon'ble Supreme court in *Ashok Transport Agency v. Awadhesh Kumar & another*, [(1998) 5 SCC 567] regarding the legal status of the proprietary firm.

“.....A proprietary concern is only the business name in which the proprietor of the business carries on the business. A suit by or against a proprietary concern is by or against the proprietor of the business...”

26. For obtaining registration from SEBI under IA regulations, an applicant has to submit an application in the prescribed FORM – A as specified in the first schedule of IA Regulations, along with the declaration that *“whether the applicant is engaged in investment advisory services prior to making application under these regulations”*.

27. Upon perusal of the document available on record i.e. Application FORM – A dated March 22, 2018 submitted by Mr. Altamash Sheikh, Proprietor, Samrat Trades, I find that Mr. Altamash Sheikh, proprietor, Samrat Trades, had submitted that he was not involved / engaged in investment advisory services prior to making the said application. I also find that on the basis of said declaration and other documents attached to the said application FORM, SEBI had granted registration to Mr. Altamash Sheikh, proprietor, Samrat Trades under IA Regulations on June 06, 2018. It is also noted that Mr. Altamash Sheikh (PAN: CPPPS6004G), Partner, Proficient Research and Mr. Altamash Sheikh (PAN: CPPPS6004G), proprietor, Samrat Trades are one and the same person. Thus, there is a *prima facie* findings that Mr. Altamash Sheikh, as a Partner of Proficient Research has carried on unregistered investment advisory activities from June 13, 2014 to December 2016 i.e. prior obtaining SEBI registration (registration granted on June 06, 2018) in the name of Mr. Altamash Sheikh, proprietor, Samrat Trades.

28. It is found that Mr. Altamash Sheikh while applying to SEBI for registration as an Investment Advisor through the proprietorship Samrat Trades, had, *prima facie*, submitted false and misleading information to SEBI stating that he was not involved / engaged in investment

advisory services prior to making the said application. Further, it is found that Mr. Altamash Sheikh, was, prima facie, involved in unauthorized / unregistered investment advisory services through Proficient Research before applying to SEBI for registration. By rendering unregistered investment advisory services and by willfully concealing the same and submitting false and misleading information to SEBI, Mr. Altamash Sheikh has committed illegal acts and created unlawful gain to himself in the form of obtaining certificate of registration from SEBI on the basis of which he has run a business. Further, as per Regulations 13(b) of IA Regulations, Mr. Altamash Sheikh, proprietor Samrat Trades, after obtaining SEBI registration, was under an obligation to inform SEBI in writing, if any information or particulars previously submitted to SEBI are found to be false or misleading. Thus, it is noted that even after obtaining SEBI Registration Mr. Altamash Sheikh, proprietor Samrat Trades failed to submit the correct information to SEBI in accordance with Regulations 13(b) of IA Regulations.

29. Thus, prior to obtaining SEBI Registration, Mr. Altamash Sheikh, prima facie, by carrying out unauthorized / unregistered investment advisory services through Proficient Research, has not acted in honesty and fairness, thereby prima facie violating the Clause 1 of Code of Conduct for Investment Adviser read with regulation 15(9) of IA Regulations. Further, even after obtaining the SEBI Registration, Mr. Altamash Sheikh, prima facie, by not informing SEBI in writing about the prima facie wrong / false information (carrying out unauthorized / unregistered investment advisory services through Proficient Research) to SEBI, has not acted in honesty and fairness, thereby prima facie violating the Clause 1 of Code of Conduct for Investment Adviser read with regulation 15(9) of IA Regulations. The said clause requires an investment adviser to act honestly, fairly and in the best interests of its clients and in the interest of integrity of the market. Even though at the first instance it may appear as a mere code of conduct violation, it needs to be seen what is the conduct which is in question that made Mr. Altamash Sheikh, Proprietor of Samrat Trades to violate this provision. Providing false information prior to obtaining SEBI Registration and not informing the same even after obtaining the SEBI Registration to the Regulator who assess the suitability of granting a

certificate of registration to the Investment Adviser is a serious prima facie violation of code of conduct as it goes to the very root of the conditions of the registration.

ISSUE NO. 3: Whether Samrat Trades, Proprietor Mr. Altamash Sheikh has prima facie violated the provisions of PFUTP Regulations and IA Regulations?

30. Examination of Complaints received against Samrat Trades and its Proprietor Mr. Altamash

Sheikh: SEBI has received 11 complaints through SCORES portal against Samrat Trades, Proprietor Mr. Altamash Sheikh during August 2018 to March 2019 i.e. period of nine months. The complainants have, *inter-alia*, alleged that the Samrat Trades had *promised profit commitment / assured minimum return and keeps demanding more money and higher package every time*. The details are as under:

30.1. The complainant **Mr. Vimal Kumar Singhal** vide complaint dated September 30, 2018 has alleged that Mr. Altamash Sheikh, Proprietor Samrat Trades has given him the membership on false commitment and false document. In support of his alleged claim, Mr. Vimal Kumar Singhal submitted the copy of email dated August 17, 2018 received from Samrat Trades and his email communication with Samrat Trades. Vide email dated August 17, 2018 to **Mr. Vimal Kumar Singhal**, Samrat Trades has offered Diamond Plan / Card, having service charge of Rs.2,40,000/- and the profit commitment for the same is Rs.8,20,000/- within 45-50 days from the date of joining. Further, vide said email, Samrat Trades also stated that in past they have provided minimum 1.75% return in BTST calls, minimum 2.5% in positional calls and minimum 20% returns in fundamental reports. Mr. Vimal Kumar Singhal vide email dated August 22, 2018 and August 28, 2018 to Samrat Trades had stated that he opted the said diamond plan, however, one Mr. Nitin and Mr. Saurabh talked with him and said that the said diamond plan is not vacant and opt for another plan of Rs. 5,55,000/-.

30.2. The complainant **Mr. Ashish Pawar** vide complaint dated September 28, 2018 has alleged that Mr. Altamash Sheikh, Proprietor Samrat Trades is a 'fraud cheating investment company' and also alleged that Samrat Trades has been continuously

demanding money from him for accrediting profit in his account. On Samrat Trades demand, he had paid Rs. 50,100/- in three installment but did not received any profit in his account, instead, the employees of Samrat Trades had once again demanded more money. In support of his alleged claim, Mr. Ashish Pawar submit the copy of email dated September 20, 2018 received from Samarat Trades. Vide email dated September 20, 2018 to client **Mr. Ashish Pawar**, Samrat Trades has stated that “...As per the telephonic conversation you have paid INR 7,600/- and remaining INR 42,400/- you have to pay today and remaining you have to pay as a second installment after satisfactory return 70-80 thousand...”. Thus, prima facie from the said email it appears that Samart Trades is demanding money in installment in lieu of satisfactory return / profit..

30.3. Vide email dated December 10, 2018 to client **Mr. Chandrasekhar G**, Samrat Trades has offered Diamond Plan Card for service charge of Rs. 1,25,000/-. Mr. Chandrasekhar G had opted for the Diamond Plan. After a few days, Mr. Chandrasekhar G was asked to opt for Bonanza Plan which has a service charge of Rs.5,90,000/-. Samrat Trades vide email dated December 28, 2018 to client Mr. Chandrasekhar G had confirmed the receipt of Rs. 3,50,000/- and requested to pay remaining Rs. 2,40,000/- to get the service of Bonanza plan, whose service charge is Rs.5,90,000/-.

30.4. The complainant **Mr. Prasantha Parh** vide complaint dated February 17, 2019 has alleged that as per the Diamond membership Pack Plan, Samrat Trades for service charge of Rs.1.25 lakh had committed to give profit of Rs.4 lakh.

31. Thus, from the emails of Samrat Trades to the client/complainants, prima facie it appears that Samrat Trades had offers Diamond Card to its clients wherein recommendations are provided in Equity, Derivatives, Commodity and Currency and the client can opt for one/multiple segments as per their choice. The diamond card has total 410 or 450 rewards points, and for every Rs.1000/- or Rs.2000/- earned by the client through the stock recommendations provided by the researcher of Samrat Trades, one reward point gets redeemed and for every stop loss triggered by the stock recommendation, 1.5x reward point gets added. This will go on till the profit of Rs. 8,20,000/- mentioned on the card is achieved. Further, Samrat Trades had also

demanded more money from clients to join higher package plan i.e. upgrade from Diamond Plan to Bonanza Plan.

32. **Website of Samrat Trades:** The website www.samrattrades.com of the entity was browsed for information, and the same was active / functional. Upon perusal of the website, it is observed that there is no mention of Diamond card and reward points under the services list. Further, the advice of the Samrat Trades 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. However, Samrat Trades has mentioned on its website under the International Forex Package that clients can earn unlimited profit by subscribing to this package and under Domestic Forex package that client can earn enormous profit in the money market. The extract of the same is as under:

“
*Domestic Forex: In this 'Pack' Samrat Trades supporting Indian customers in the field of Binary Options trading, FOREX options trading, FOREX Futures and other related market. Currencies Covered in this package are - US Dollar-Indian Rupee (USDINR), Euro-Indian Rupee (EURINR), Pound Sterling-Indian Rupee (GBPINR), Japanese Yen-Indian Rupee (JPYINR). It is mainly chosen by those traders having interest and knowledge of different currencies. **This is a perfect choice to get enormous profit in the money market.***

*International FOREX: This PACKAGE is one step ahead of 'Domestic FOREX' with the currencies covering - Great Britain Pound-United States Dollar (GBP/USD), Euro- United States Dollar (EUR/USD), Euro-Japanese Yen (EUR/JPY), United States Dollar -Japanese Yen (USD/JPY), Great Britain Pound - Japanese Yen (GBP/JPY). **This package also helps to achieve unlimited profit in the International FOREX market.***

.....”

33. **Bank Accounts of Smarat Trades:** It is noted that Samrat Trades proprietor Mr. Altamash Sheikh has bank accounts with State bank of India (SBI) having account no. 37871173570 and with Axis Bank having account no. 918020057403852. From the bank statement of SBI account no. 37871173570 for the period August 10, 2018 to July 16, 2019, it is observed that last credit transaction of Rs. 51,000/- has been taken place on July 12, 2019 and total amount credit during the said period is approximately Rs. 60 lakh. From the bank statement of Axis

Bank account no. 918020057403852 for the period June 22, 2018 to July 04, 2019, it is observed that last credit transaction of Rs. 12,600/- has been taken place on July 01, 2019 and total amount credit during the said period is approximately Rs. 1.20 crore. Thus, both bank accounts of Samrat Trades proprietor Mr. Altamash Sheikh are active and total amount credit in the said accounts is Rs. 1.80 crore. Further, the details of said bank accounts are also mentioned on www.samrattrades.com.

34. Regulations 4(2)(k) and 4(2)(s)(i) of PFUTP Regulations, 2003, states that *Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following:—*

(a)

(b)

.....

(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*

.....

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

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

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

35. From the perusal of complaints received against Samrat Trades along with the copy of emails and website of Samrat Trades, prima facie it is observed that Samrat Trades has not been fair in its dealings with clients, has indulged in fraudulent activity, failed to maintain appropriate standard of conduct and also failed to act in fiduciary capacity to its client. An Investment Adviser is required to comply with SEBI Act and other applicable Regulations. An Investment Adviser cannot make a false statement without reasonable ground for believing it to be true as mandated in PFUTP Regulations. An investment adviser cannot sell products guaranteeing assured returns to investors as was being done by Mr. Altamash Sheikh Proprietor Samrat Trades 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, Mr. Altamash Sheikh proprietor Samrat Trades was falsely promising unrealistic assured returns on investments. It is also noted from the emails communication

with clients that the advisory process being followed by Mr. Altamash Sheikh Proprietor Samrat Trades was akin to selling pre-fixed plans and extracting more and more money from the clients. The modus operandi adopted by Samrat Trades discussed hereinabove prima facie shows that Samrat Trades was actually not practicing investment advisory in the manner envisaged under the IA Regulations. From the findings of the preliminary examination, it prima facie appears that Samrat Trades was running a pre-meditated device, plan or scheme where Samrat Trades would lure innocent investors by making unrealistic assured profit commitment and then more and more money would be extracted from them by upgrading from one package to another citing non-availability of slots etc.

36. Thus, prima facie, it appears that Samrat Trades proprietor Mr. Altamash Sheikh is promising unrealistic assured returns on investments by selling membership cards such as Diamond Card as well as by advertising / disseminating information on its website, and extracting money from the clients instead of advising the client considering his/her financial situation, risk appetite, financial goal, prior experience, etc. Therefore, Mr. Altamash Sheikh proprietor Samrat Trades has prima facie violated the provisions of Regulations 4(2)(k) and 4(2)(s)(i) of PFUTP Regulations, 2003.
37. Samrat Trades proprietor Mr. Altamash Sheikh prima facie appears to be selling its various products/packages to innocent investors by misleading statements and has not acted honestly or in the best interests of the client, thereby (a) failed in its responsibility to act in fiduciary capacity to its client which is entrusted upon him under regulation 15 (1) of IA Regulation and (b) failed to abide by the Clause 1 of Code of Conduct for Investment Adviser read with regulation 15(9) of IA Regulations. Thus, Samrat Trades proprietor Mr. Altamash Sheikh has prima facie violated the provision of regulation 15 (1) and Clause 1 of Code of Conduct for Investment Adviser read with regulation 15(9) of IA Regulations.
38. Additionally, SEBI has also taken note of the **complaint of Mr. Anuj Agarwal** made against Samrat Trades in SCORES Portal. The said complaint have not been relied upon to arrive at the aforesaid *prima facie* findings against the Samrat Trades, nevertheless have been reproduced below to represent the allegations against Samrat Trades:

- 38.1. The complainant, **Mr. Anuj Agarwal** vide complaint dated March 04, 2013 and documents attached with it, has alleged that he had informed Samrat Trades that he is a student and he would not be able to pay high service charge. However, Samrat Trades proprietor Mr. Altamash Sheikh promised returns whereby the service charge can be recovered and he ended up paying Rs.3,60,800/- and also incurred loss of Rs.1,80,000/- . The complainant has also alleged that on the behest of Samrat Trades, he had opened an account with Angel Broking and Samrat Trades had sought his Angel Broking user id and password. From copy of whatsapp messages forwarded by the complainant, it is noted that the employees of Samrat Trades has sought the password from the complainant.
- 38.2. Further, from the complaint as well as supporting documents provided by the complainant, it is prima facie observed that the complainant, Mr. Anuj Agarwal was provided the Diamond Plan Card with 400 reward points by Samrat Trades. The service charge was Rs.2,80,000/- and the profit that will be earned on the card was Rs.8,00,000/- . The complainant has made payment thirteen times during August to October 2018, the total amounting to Rs. 3,64,806/-.
- 38.3. The Complainant, Mr. Anuj Agarwal has also forwarded the call records of conversations with the employees of Samrat Trades wherein the following is observed:
- 38.3.1. The employee of Samrat Trades agrees that they are in possession of the user id and password of the broking account of the client.
- 38.3.2. The employee of Samrat Trades is coercing the client to borrow money from four to five people or take money on interest so that he can make additional payment of Rs.60,000/- towards GST.
- 38.3.3. The employee of Samrat Trades is assuring the client / complainant that he shall pay him the amount that was committed to him initially. The employee is also assuring that he shall recover all the losses incurred and he shall also pay him Rs.85,000/- to Rs. 1 lakh in a week's time, provided he makes the additional payment towards GST. The employee is also saying that he will trade on Bank Nifty and they will be able to earn Rs.5000/-to Rs.6000/- daily.

38.3.4. The employee is also saying that since Diwali is approaching, Samrat Trades will do trading and earn Rs.2,00,000/- for the client.

38.3.5. The employee also keeps saying that a client who has paid Rs.3,00,000/- can surely make additional payment of Rs.60,000/- for GST.

38.4. From the call recordings, it has been observed that Samrat Trades appears to be fraudulently manipulating the client by offering to recover all his losses and also earn Rs.1-2 lakh. Further, Samrat Trades is aware that the client is a student and has taken loan for making payment to Samrat Trades, however, Samrat Trades is coercing the client to make more payments and add more money in the account. Samrat Trades is telling the client to henceforth not share the account password with anyone else other than himself.

38.5. From the above, it can be inferred that Samrat Trades, without any respect to the financial situation of the client and the amount he is willing to invest, coerces the client to make more payments. Thus, Samrat Trades has failed to maintain appropriate standard of conduct, indulged in fraudulent activity and also failed to act in fiduciary capacity to its client

39. In summary, the alleged violations are as under:

39.1. Mr. Altamash Sheikh had prima facie submitted false / wrong and misleading information to SEBI at the time of applying for registration and concealed that he was involved / engaged in investment advisory services prior to applying to SEBI for registration. Further, even after obtaining SEBI Registration, Mr. Altamash Sheikh, proprietor Samrat Trades failed to submit the correct information to SEBI in accordance with Regulations 13(b) of IA Regulations.

39.2. Mr. Altamash Sheikh, prior to obtaining SEBI Registration had prima facie carried out unregistered investment advisory services through Proficient Research and after obtaining SEBI Registration did not inform the same to SEBI in writing. Thus, Samrat Trades proprietor Mr. Altamash Sheikh has not acted with honesty and fairness. Therefore, Samrat Trades proprietor Mr. Altamash Sheikh has prima facie violated the

Clause 1 of Code of Conduct for Investment Adviser read with regulation 15(9) of IA Regulations.

- 39.3. Samrat Trades proprietor Mr. Altamash Sheikh prima facie appears to be selling its various products/packages to innocent investors by misleading statements and has not acted honestly or in the best interests of the client, thereby failed in its responsibility to act in fiduciary capacity to its client. Thus, Samrat Trades proprietor Mr. Altamash Sheikh has prima facie violated the provision of regulation 15 (1) and Clause 1 of Code of Conduct for Investment Adviser read with regulation 15(9) of IA Regulations.
- 39.4. Samrat Trades proprietor Mr. Altamash Sheikh prima facie appears to be promising unrealistic assured returns on investments by selling membership cards such as Diamond Card as well as by advertising / disseminating information on its website, and extracting money from the clients instead of advising the client after considering his/her financial situation, risk appetite, financial goal, prior experience, etc. Therefore, Mr. Altamash Sheikh proprietor Samrat Trades has prima facie violated the provisions of Regulations 4(2)(k) and 4(2)(s)(i) of PFUTP Regulations, 2003.

ISSUE NO. 4: *If answer to issue no. 2 & 3 is in affirmative, whether urgent directions, if any should be issued against Samrat Trades and its Proprietor Mr. Altamash Sheikh?*

40. Considering the facts and circumstances of the present matter and on the basis of *prima facie* findings, it is necessary to take urgent preventive action in this matter and to take immediate steps, to prevent, Mr. Altamash Sheikh, proprietor, Samrat Trades from collecting any more funds from the public and luring innocent investor to avail his services under false / misleading assurance investment advisory since June 2018. I note that Samrat Trades website and telephone number given on website is in operation. Therefore, the probability of investors reaching Samrat Trades through a website and telephone is high. Further, it is also noted that the bank accounts and payment gateway details are mentioned in website to receive credit for investment advisory services. Therefore, the threat of investors getting lured to the registered advisory services is still looming large and is imminent. Further, as per the information

available on website, investors can become prey to the different packages offered by Samrat Trades. In light of the same, I find that there is no other alternative but to take recourse through an interim ex-parte order against Samrat Trades and its proprietor Mr. Altamash Sheikh for preventing it from collecting funds and indulging in investment advisory services. In order to protect prospective investors from making payment to the bank accounts of Samrat Trades, credit into bank accounts through any channels also needs to be stopped.

41. Further, one of the directions that can be passed against Samrat Trades and its proprietor Mr. Altamash Sheikh, subject to the adjudication of the allegation on the merits in the final order, under Sections 11(1), 11(4), 11B and 11D of SEBI Act is that of direction to refund the money collected by Samrat Trades and its proprietor Mr. Altamash Sheikh from their clients. With the initiation of quasi-judicial proceedings, it is possible that Samrat Trades and its proprietor Mr. Altamash Sheikh may divert the money collected from its clients. The same may result in defeating the effective implementation of the direction of refund, if any, to be passed after deciding the matter on merits. Non-interference by the Regulator at this stage would therefore result in irreparable injury to interests of the securities market and the investors. It therefore becomes necessary for SEBI to take urgent steps of stopping the debits from the bank accounts of Samrat Trades and its proprietor Mr. Altamash Sheikh.

ORDER:

42. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11B and 11D read with Section 19 of the SEBI Act and Regulation 35 of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 hereby direct by way of this *interim ex-parte order*, the following directions: -

42.1. *Samrat Trades and its proprietor Mr. Altamash Sheikh (PAN: CPPPS6004G) is directed to:-*

42.1.1. *cease and desist from acting as an investment advisor and cease to solicit or undertake such activity or any other activities in the securities market, directly or indirectly, in any matter whatsoever until further orders;*

- 42.1.2. *not to access the securities market and buy, sell or otherwise deal in securities in any manner whatsoever, directly or indirectly, until further orders;*
- 42.1.3. *not to divert any funds raised from investors, kept in bank account(s) and/or in their custody until further orders;*
- 42.1.4. *withdraw immediately and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, communications etc. in relation to their investment advisory activity in the securities market until further orders.*
- 42.2. *Banks including Axis Bank and State Bank of India, wherein Samrat Trades and its proprietor Mr. Altamash Sheikh (PAN: CPPPS6004G) are holding bank accounts, are directed not to allow any debits / withdrawals or credits from the said accounts, without the permission of SEBI, until further orders. The Banks are also directed to ensure that all the above directions are strictly enforced.*
- 42.3. *Any person while working under Samrat Trades proprietor Mr. Altamash Sheikh or under his instructions as employee or otherwise, shall cease and desist from undertaking the activity of investment advisory services, including the activity of acting and representing through any media (physical or digital) as an investment advisor, directly or indirectly, till further orders.*
43. This Order is without prejudice to the right of SEBI to take any other action that may be initiated against Samrat Trades and its Proprietor Mr. Altamash Sheikh in accordance with law.
44. The *prima facie* observations contained in this Order, pending enquiry, are made on the basis of the material available on record. In this context, Samrat Trades and its Proprietor Mr. Altamash Sheikh may, within 21 days from the date of receipt of this Order, file their reply/objections, if any, to this Order and may also indicate whether they desire to avail an opportunity of personal hearing on a date and time to be fixed on a specific request to be made in that regard.
45. The above directions shall take effect immediately and shall be in force until further orders.

46. A copy of this order shall be served upon Samrat Trades and its proprietor Mr. Altamash Sheikh, Banks, Stock Exchanges, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions.

-Sd-

Date: November 26, 2019

Place: Mumbai

**MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**