

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S K MOHANTY, WHOLE TIME MEMBER

ORDER

Under Sections 11(1), 11(4), 11B (1) and 11D of the Securities and Exchange Board of India Act, 1992

In respect of:

S. No	Name of the Noticee	PAN
1.	Narendra Singh Tanwar, Proprietor of M/s Capital True Financial Services	AINPT0227B

In the matter of M/s Capital True Financial Services

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) had received a complaint against Mr. Narendra Singh Tanwar, Proprietor of M/s Capital True Financial Services (hereinafter referred to as “**Noticee**”), a registered Investment Adviser (hereinafter referred to as “**IA**”) *inter alia* alleging that a promise was made on behalf of the Noticee to the complainant assuring him a huge return of Rs. 28.80 lakh on a meagre investment of Rs. 20,000/- over a short period of 4 months and 10 days. Pursuant to such an assurance, an amount of Rs. 1,30,000/- was transferred by the complainant to the Noticee towards first installment of the service fee, out of total service fee of Rs. 4,47,200/- demanded by the Noticee in installments. However, after

suffering loss on the very first day of availing the services of the Noticee, the complainant asked the Noticee to return the amount paid to him. As the Noticee refused to refund the money so taken by it as service fee and also stopped attending the phone calls of the complainant, a complaint was lodged with SEBI. The said complaint was forwarded to the Noticee for resolution and to submit an Action Taken Report (ATR) in the SEBI Complaints Redress System (SCORES).

2. Meanwhile, the registration details of the Noticee submitted with SEBI for getting registration as IA were also examined by SEBI. Based on the examination, it was *prima facie* observed that the experience certificate submitted by the Noticee for having worked as a Portfolio Manager was not genuine, indicating that the Noticee lacked even the eligibility criteria to work as a registered IA, which amounted to violation of Regulation 6(b) read with 7(1) (b) and Regulation 13 (a) of the SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as "**IA Regulations**"). Accordingly, an *ad interim ex parte* order cum Show Cause Notice dated November 06, 2018 (hereinafter referred to as "**the interim order**") was passed by SEBI against the Noticee, recording therein the following findings:

"...The Noticee had obtained a registration certificate from SEBI to act as an IA by producing an experience certificate which showed that he was working as a Portfolio Management Advisor with the Stock Broker for the period between January 24, 2009 to June 11, 2014. However, when the veracity of the said experience certificate was scrutinized by questioning the signatory of the said certificate, it turned out to be prima facie not genuine / forged / fabricated. The signatory, Mr. Mukesh Banglewala also denied knowing the Noticee.

12. In view of the above, it is prima facie held that the Noticee, by submitting false documents has obtained registration from SEBI as an IA and has prima facie violated his conditions of certificate and the ensuing provisions of Regulation 13 (a) of IA Regulations..."

3. Based on the aforesaid observations, the following directions were issued vide the above mentioned *interim* order against the Noticee:

“...a. to cease and desist from acting as investment advisor and cease to solicit or undertake such activities or any other unregistered activity in the securities market, directly or indirectly, in any manner whatsoever until further orders;

b. to immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, communications etc. in relation to their investment advisory or any activity in the securities market until further orders;

c. to submit a list of his clients and fee collected from them to SEBI within 21 days from this order;

d. not to divert any funds raised from investors, kept in bank account(s) and/or in his custody until further orders.”

4. As the *interim* order was passed ex-parte, based on the materials available on record, the Noticee was granted an opportunity to file his reply in response to the findings and allegations made in the said *interim* order. Simultaneously, in the said *interim* order, the Noticee was also asked to show cause as to why appropriate directions including directions for prohibiting him from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, for a particular period and also directions to refund the amounts collected from the investors/clients, shall not be issued against him.
5. The *interim* order was served on the Noticee vide letter dated November 08, 2018. Subsequently, the authorised representative of the Noticee conducted inspection of the documents during which copies of relevant documents like complaints filed against the Noticee and the relevant communications exchanged by SEBI etc., were provided to the authorised representative. In this regard, an undated reply has been filed by the Noticee which was received by SEBI on September 19, 2019. Further, vide letter dated October 09, 2019, the Noticee submitted additional information with respect to the status the complaints filed against it. Thereafter, an opportunity of personal hearing was granted to the Noticee on January 15, 2020 in response to which,

the Noticee appeared in person and apart from making various oral submissions, filed copies of undertaking from the complainants expressing satisfaction on redressal of their grievances/complaints by the Noticee. The Noticee also produced a copy of his degree of Masters of Business Administration.

6. The submissions advanced by the Noticee with respect to the allegations made under the *interim* order are summarized in the following points. The Noticee submits that:

- i. He has always followed the Code of Conduct as laid down under IA Regulations as well as professional ethics.
- ii. He has never handled the demat account of the clients and has always delivered appropriate services in a transparent manner.
- iii. An amount of Rs. 130,000/- (Rs. One Lakh Thirty Thousand Only) was received as an investment advisory fee for rendering basic services to one of the complainants. Before starting services, the KYC and Risk Profile Assessment of the complainant was done by the Noticee.
- iv. The complainant is an experienced trader in the market and had understanding of market risk. The complainant was also informed in the written communication that investment is subject to market risk.
- v. The fee from the complainant was received through banking channel.
- vi. The complainant has given satisfaction letter/undertaking that his complaint has been resolved and he has received Rs. 45,000/- as refund and compensation amount by way of final settlement with the Noticee. Copy of the undertaking duly notarized has also been filed during the hearing.
- vii. As regard the other complaint, the said complaint was also resolved and an amount of Rs. 1,23,000/- has been paid to the complainant by way of final settlement. Copy of a duly notarized undertaking of the complainant has also been filed during the hearing.

- viii. He had cleared the Foundation and Advance Technical Analysis Course from Milestone School of Stock Market, Indore in 2010.
- ix. He had worked with one Mr. Mukesh Kumar Banglewala who was a sub-broker of Kantilal Chhaganlal Securities Private Limited, at Junior Level, for Portfolio Management from January 24, 2009 to June 11, 2014.
- x. After quitting the aforesaid job in 2014, he completed Master of Business Administration from the Department of Management, Kalinga University, Raipur, Chhattisgarh, with specialization in Finance Management and Insurance Management.
- xi. The Noticee also cleared the NISM-Series-X-A: Investment Adviser (Level 1 and 2) which is a mandatory requirement for registration as an Investment Adviser under the IA Regulations.
- xii. The Noticee had applied for registration as an Investment Adviser on February 01, 2017 and also paid the requisite fee for the same.
- xiii. The Noticee had submitted copies of following documents along with his application for registration:
 - a) *Pan and Aadhar Card*
 - b) *Education and Professional Qualification*
 - c) *Income Tax Return*
 - d) *Net Worth Certificate*
 - e) *Declaration of Infrastructure*
 - f) *Declaration under regulation -7*
 - g) *Declaration of Fit and Proper person*
 - h) *Business Plan*
 - i) *Risk Profiling*
- xiv. Further, vide email dated July 07, 2017 the Noticee has submitted a copy of graduation mark sheet, experience letter, appointment letter, pay-slip and vide email dated September 04, 2017, he has submitted a copy of rent agreement etc.

- xv. Due to haste in submitting his application for registration, he attached the copy of experience certificate and could not attach the copy of MBA Degree, which also was a document to make him eligible for registration. Had he attached the copy of the MBA Degree, there was no need to attach any experience certificate.
- xvi. A certificate of registration as Investment Adviser was issued to him on November 15, 2017 and the Noticee started giving services of Investment Adviser from February 02, 2018. His firm has received the International Organization Standardization ISO 9001:2015 Certificate.
- xvii. He is not aware as to why Mr. Mukesh Kumar Banglewala has denied having issued the experience certificate to him.
- xviii. After passing of the *interim* order, he is facing social stigma. There is no civil/criminal proceedings against the Noticee.
- xix. The following documents have been filed along with the reply:
 - a) *Invoices issued to the complainant;*
 - b) *KYC and risk profile of the complainant;*
 - c) *Mail format for the clients;*
 - d) *Copy of satisfaction letter;*
 - e) *Status of SCORES Portal;*
 - f) *Copies of Bank account statement & CA certificate;*
 - g) *Copy of certificate of Milestone School of Stock Markets;*
 - h) *Copy of experience letter & pay slip;*
 - i) *Copy of mark-sheets of MBA;*
 - j) *Copy of NISM certificate;*
 - k) *Form-A submitted documents;*
 - l) *Copy of registration certificate;*
 - m) *Information with respect to clients; and*
 - n) *Other miscellaneous documents.*

CONSIDERATION OF ISSUES AND FINDINGS:

7. I have perused the *interim* order, replies filed by the Noticee and other materials available on record. After carefully considering the same, the following issues now arise for consideration:

a) *Whether the Noticee is in violations of provisions as alleged in the interim order?*

b) *If yes, then what directions should be issued against the Noticee?*

8. Before moving ahead, it is deemed appropriate to refer to the relevant provisions of IA Regulations, which have been allegedly violated by the Noticee as per the *interim* order and the same are reproduced hereunder:

2(m): *“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;*

Application for grant of certificate.

3. (1) *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:*

Provided 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 under sub regulation(2) within the said period of six months, till the disposal of such application.

(2) *An application for grant of certificate of registration shall be made in Form A as specified in the First Schedule to these regulations and shall be accompanied by a nonrefundable application fee to be paid in the manner specified in Second Schedule.*

Consideration of application and eligibility criteria.

6. For the purpose of the grant of certificate the Board shall take into account all matters which are relevant to the grant of certificate of registration and in particular the following, namely,

—

(a)...

(b) whether in case the applicant is an individual, he is appropriately qualified and certified as specified in regulation 7

Qualification and certification requirement.

7.(1) An individual registered as an investment adviser under these regulations and partners and representatives of an investment adviser registered under these regulations offering investment advice shall have the following minimum qualifications, at all times:

(a) A professional qualification or post-graduate degree or post graduate diploma in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognized by the central government or any state government or a recognized foreign university or institution or association; or

(b) A graduate in any discipline with an experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio Management.

Conditions of certificate.

13. The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:-

(a) the investment adviser shall abide by the provisions of the Act and these regulations;

9. From the afore quoted regulatory framework, it is observed that Regulation 3(1) of the IA Regulations mandates that in order to act as an Investment Adviser, a certificate of registration has to be obtained from SEBI.

10. Further, the conditions for becoming eligible for obtaining a registration as an Investment Adviser have been stipulated under Regulation 7, which provides that an individual seeking a registration to work as an IA, requires to possess a professional qualification or post-graduate degree/diploma in finance, business management etc.
11. However, as an alternative to the aforesaid educational qualification, a graduate having a minimum period of five years' experience in providing advice in financial products, portfolio management etc., is also considered eligible for getting registration as an Investment Adviser, subject to fulfillment of various other conditions stipulated in the IA Regulations.
12. In the present case, there is no dispute that the Noticee was carrying out the activities as a registered Investment Adviser. From the details filed along with his written reply, I observe that the Noticee was offering his advisory services to around 470 client entities.
13. I note from the records that while making application seeking registration with SEBI, the Noticee had claimed to have worked as an employee of Mr. Mukesh Banglewala, who is an authorised person/sub-broker of Kantilal Chhaganlal Securities Private Limited (a stock broker registered with SEBI) (hereinafter referred to as "**Stock-Broker**"). In support of the said claim, the Noticee has filed a copy of experience certificate supposedly issued by Mr. Mukesh Banglewala on the letter- head of the aforesaid Stock-Broker along with a copy of offer letter, and a pay slip issued by the said Stock-broker.
14. As stated earlier, while examining the complaints received against the Noticee, SEBI had enquired into the authenticity of the experience certificate filed by the Noticee in course of which, an email dated September 13, 2018 was addressed seeking comments from the said Stock Broker about the experience certificate, offer letter and pay slip that have been issued by it in favour of the Noticee and which have been submitted

by the Noticee to SEBI in compliance with the required eligibility criterion for registration.

15. In response thereto, the said Stock Broker (Kantilal Chhaganlal Securities Private Limited) vide its emails dated September 17, 2018, September 18, 2018 and a letter dated October 05, 2018, has submitted *inter alia* that:

- i. The Noticee is not the employee of the Stock-broker and the offer letter and pay slips (submitted by the Noticee to SEBI) have not been issued by them.
- ii. With respect to the experience certificate, they had sought confirmation from Mr. Mukesh Kumar Banglewala (authorised person of the Stock -Broker), who has denied having employed Noticee with him and has also denied having issued any experience certificate to the Noticee on the letter head of the Stock-Broker. Further, Mr. Mukesh Kumar Banglewala has stated that the signatures on the documents are not his signatures and he does not know why his signatures have been used. Copy of the letter addressed by Mr. Mukesh Kumar Banglewala in response to the query raised by the Stock-Broker was also annexed to the letter dated October 05, 2018 addressed by the Stock-broker to SEBI.
- iii. All the documents seem to be forged, prepared by illegal means without their knowledge, only with the intention of obtaining registration as an Investment Adviser.

16. I note that the Noticee in his written reply as well as in his oral submission has vehemently argued that the complaints filed by the investors against him have already been resolved. The Noticee, has also produced before me the undertakings signed by the respective complainants wherein the complainants have stated to have received certain amounts towards final settlement of their claims and have not expressed any further grievance against the Noticee.

17. In this regard, it is to be noted that the complaint filed against the Noticee led to examination of the documents submitted by the Noticee while applying for registration as an Investment Adviser and therefore in the present proceedings the main issue for consideration and decision before me is whether or not, the Noticee is in violation of the relevant SEBI regulations in pursuing a profession of IA and whether or not the registration obtained by the Noticee of an IA was based on authentic/valid declarations and documentary support. Under the circumstances, the nature of complaints and/or their amicable resolution if any, shall not be a factor to influence the outcome of the present proceedings, since irrespective of the present quasi-judicial proceedings, the Noticee was in any case under regulatory obligation to resolve the complaints of the complainants. Therefore, the resolution of the complaints by the Noticee will be of no help to the Noticee as far as his burden to comply with the conditions of eligibility to perform as an Investment Adviser is concerned.
18. With respect to the documents submitted by the Noticee while applying for registration as an Investment Adviser, particularly the offer letter, pay slip, experience certificate etc., the Noticee has maintained his stand that all the aforesaid documents are genuine and his claim of having worked with Mr. Mukesh Kumar Banglewala, the authorised person/sub-broker of the above noted Stock-Broker is true and correct. He has further submitted that he is not aware about the reasons as to why Mr. Mukesh has denied having issued the said experience certificate in his favour and has pleaded that there is no infirmity with respect to his eligibility to function as an Investment Adviser.
19. I have carefully considered the said submissions of the Noticee which in my view deserve to be rejected for the reasons mentioned in the following paragraphs.
20. There cannot be two opinion that the role of an Investment Adviser is crucial for the development of the securities market as well as for the protection of the interest of the

investors. Keeping in view the important role that the Investment Adviser plays and the eligibility conditions for obtaining registration prescribed in the IA Regulations, it is essential that in order to be eligible for obtaining registration as an Investment Adviser, a person needs to have either a professional qualification or a post-graduate degree/diploma in finance, business management etc., or may have a graduate degree and experience of atleast 5 years in activities relating to rendering advice in financial products, portfolio management etc.

21. As can be observed from the aforesaid eligibility requirements, the intention behind stipulating such conditions appears to be that a person on whose advice, a novice investor would take investment decisions in the securities market, should be well equipped in skills and knowledge, either in terms of educational qualifications or in terms of sufficient experience in the relevant field. Based on such educational qualification/experience, a person may enter into such a sensitive field of providing investment advice to others, so that the investors get a proper direction and guidance in the matter of investment backed by adequate research and risk assessment, which may not be possible for the investors to achieve on their own.
22. Coming back to the facts of the present case, I observe that the experience certificate that was submitted by the Noticee was on the letter-head of Kantilal Chhaganlal Securities Private Limited (Stock-broker) and the said experience letter was issued under the signatures of one Mr. Mukesh Kumar Banglewala, who was an authorised person/sub-broker of the said Stock-Broker. As noted above, the Stock-broker as well as the authorised person/sub-broker have emphatically denied that the Noticee was their employee or had ever worked with them. Further Mr. Mukesh has also denied having signed or issued any such experience letter and has stated that he does not even know the Noticee. The Stock-broker in its reply has stated that the documents (offer letter, pay slip etc.) used by the Noticee for applying for registration as

Investment Adviser have been concocted and fabricated to obtain registration by the Noticee since they have not issued any such documents to him.

23. The Noticee has strongly contended before me that he has worked in the field of portfolio management as an employee of Mr. Mukesh Kumar Banglewala. However, in his written submissions as well as during personal hearing before me, the Noticee has failed to controvert the clarifications furnished by the Stock-broker and the authorised person/sub-broker. I note that the Noticee has not been able to offer any argument to convince me as to why the persons whom he claimed to be his employers are now denying having any such relationship with him or having employed him in their business at all.
24. Moreover, despite having ample opportunity after the *interim* order was passed, the Noticee has also not been able to put forth any other verifiable documents, like bank account statements to show credit of salary to his account or proof of any portfolio management services having rendered by him to any specific client as an employee of the said sub-broker, nor has he been able to produce his income tax returns to demonstrate his income from salary (received from the said sub-broker) , so as to substantiate his claim of possessing the requisite work experience as an employee of the aforesaid sub-broker or the Stock-broker.
25. To sum up, the person (the sub-broker) who has supposedly issued the experience certificate & letter has refused to acknowledge the said certificate & letter and has dissociated himself from the signature appearing thereon rejecting the same as a fabricated signature and the Noticee has no other documents to corroborate his claim of possessing the qualifying job experience for working as a registered Investment Adviser. In this regard, it is also observed that the signature of Mr. Mukesh Kumar Banglewala (sub-broker) appearing on the experience certificate submitted by the Noticee to SEBI at the time of applying for registration and the signature of Mr. Banglewala appearing on his letter addressed to Kantilal Chhaganlal Securities Pvt.

Ltd. (Stock broker) which has been appended by the said Stock-Broker to their written submission before SEBI, are not similar. Further, as noted earlier, the Stock-broker who had allegedly issued the salary slips has also denied that the Noticee was ever their employee and the Noticee has not been able to produce any other document to substantiate his claim or to controvert the contentions of the Stock broker. Under the circumstances, I am constrained to believe that the registration obtained by the Noticee as Investment Adviser vide registration number INA000009038 was obtained by misrepresentation of facts and based on fabricated documents, to qualify the eligibility criteria prescribed under the IA Regulations.

26. The Noticee has also submitted that under the framework of IA Regulations, a person having educational qualification of post graduate degree in business management, banking, insurance etc., is also eligible and such an eligibility qualification has been stipulated as an alternative to the requirement of requisite experience of portfolio management etc. The Noticee has submitted that as on the date of filing his application with SEBI for registration as an Investment Adviser, he had already completed his Master of Business Administration from the Department of Management, Kalinga University, Raipur, Chhattisgarh, with specialization in Finance Management and Insurance Management. The Noticee has stated that in a hurry, he forgot to attach the degree of MBA at that time and had filed application for registration on the basis of his experience certificate obtained from his employer. Had applied on the basis of the MBA degree alone, the experience certificate would not have been required to be filed.
27. Be that as it may, I find that in the present proceedings the issue that is under consideration is not the general assessment of the eligibility of the Noticee as an Investment Adviser, but is the ascertainment of eligibility of the Noticee on the basis of the documents that have been filed by him at the time of submitting his application before SEBI. The question that begs an answer is whether or not, the Noticee deserved to be granted registration by SEBI on the basis of those fabricated experience certificate

submitted by the Noticee to support his compliance with the eligibility criteria prescribed in the IA Regulations of SEBI. I note that at the time of making the application for registration, the Noticee was completely free to demonstrate his eligibility either by his educational qualification of MBA or by his requisite work experience. However, for reasons best known to him, the Noticee chose to show his eligibility in terms of his prior work experience in Portfolio Management and accordingly filed documents including an experience certificate which have been found to be false and concocted. Thus, the ground taken by the Noticee that he was 'otherwise also eligible' does not hold any water in the present proceedings and therefore has to be rejected.

28. I further note that the issue under consideration is whether the Noticee has furnished genuine documents to obtain the registration as an Investment Adviser and not to consider as to whether he had any other alternative qualification to pursue the profession of IA at the time of submitting his application for registration by SEBI. Even if the Noticee possessed any alternative eligibility qualification viz: - MBA degree, he never offered it to SEBI to comply with the eligibility criteria prescribed under IA Regulations. Under the circumstances, when it is found that the document of experience certificate as submitted by the Noticee was not genuine, the Noticee cannot resort to an alternative document to press for his eligibility as an IA with retrospective effect, which was not submitted to SEBI for considering his application for registration. Further the Noticee has also made a submission that he has performed its activities of Investment Adviser with all diligence and has restricted his role to extending of advisory services only, however, the nature and narration of the complaint received against him do not corroborate the submissions of the Noticee and shows a total contradictory position. It has been stated in one of the complaint that the Noticee had promised exorbitant return of more than Rs 28.00 Lakh on a meagre investment of Rs 20,000/-. The complaint has also mentioned about the trading done by the Noticee in

the account of the complainant. The aforesaid conduct of the Noticee raises serious question on his credibility and his association with the securities market, more so in the capacity of a registered intermediary, whose job is to take utmost precaution to protect the interest of interest of the investors.

29. In the light of the discussions made above, I can conclude that the Noticee had obtained his registration as an IA based on documents, which are found to be false and fictitious, thereby rendering the Noticee not eligible to remain registered as an Investment Adviser, as the documents submitted by him for obtaining registration are not genuine. Therefore, the said act on the part of the Noticee is clearly in violation of Regulation 6(b) read with Regulation 7(1) (b) of IA Regulations, 2013 on the ground that the Noticee did not have any experience in activities relating to advice in financial products or securities or portfolio management, hence, could not have been considered for registration, but the Noticee has managed to obtain a registration from SEBI by producing false and fabricated documents to prove his eligibility to work as an IA.

DIRECTIONS

30. In view of the foregoing findings and in the interest of investors and for the protection of their rights, I, in exercise of the powers under 11B(1) read with Sections 11(4) and 11D read with Section 19 of the Securities and Exchange Board of India Act, 1992, hereby issue following directions:

- i. The Certificate of Registration as Investment Adviser bearing Registration number INA000009038 issued in favour of the Noticee is hereby cancelled.
- ii. The Noticee shall forthwith cease and desist from acting as an Investment Adviser.

- iii. The Noticee shall not use the term 'Investment Adviser' directly or indirectly in any manner whatsoever on the letter- head, on the website, signage board, or otherwise.
- iv. The Noticee is debarred from accessing the securities market and is further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with securities market in any manner, for a period of 2 years and during the period of restraint, the existing holding of securities including the holding of units of mutual funds of the Noticees shall remain frozen.

31. The Order shall come into force with the immediate effect.

32. A copy of this order shall be forwarded to the Noticee, all the recognized Stock Exchange, depositories and registrar and transfer agents for ensuring compliance with the above directions.

-Sd-

S.K. MOHANTY

WHOLE TIME MEMBER

DATE: June 5, 2020

PLACE: MUMBAI

SECURITIES AND EXCHANGE BOARD OF INDIA