

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 (1) and 11D of the Securities and Exchange Board of India Act, 1992

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

In respect of:

Sr. No.	Name of the Entity	PAN
1	Gold Crude Research (Prop: - Mr. Ramnarayan Sharma)	EDSPS4549M

In the matter of Gold Crude Research

BACKGROUND

1. Gold Crude Research ("**firm**") is a sole proprietorship firm of Mr. Ramnarayan Sharma registered under Madhya Pradesh Shop and Establishment Act, 1958 on June 17, 2015. Its registered address at the time of registration was, 411, Mukhiya Marg Parapada, Chata Marga, Mangalwar, Th. Dungla, Dist. Chittorgarh.
2. Securities and Exchange Board of India ("**SEBI**") received an anonymous complaint from an email id, sebiwhistleblower@gmail.com against Gold Crude Research wherein, the complainant, *inter alia*, alleged that Gold Crude Research was illegally involved in advisory services.

SEBI's EXAMINATION:

3. In view of the complaint received, SEBI carried out a preliminary examination in January, 2020 to ascertain whether unregistered investment advisory activities are being carried

out by the firm. To that end the website of the firm, www.goldcrudersearch.com, particulars of its bank accounts, KYC and Account Opening Forms of its bank accounts were perused to gather information. It is noted that above website is inactive as on date. However, the print out of the web pages of the firm's website was taken when the aforesaid website was active and have been placed on record. However, it is *prima facie* observed that the firm is now operating through another website namely, wwwgoldcrudersearchcom.nowfloats.com. The reason for the aforesaid *prima facie* observation is that the information / material that was available on the firm's earlier website including its correspondence address, telephone number and email address, is same as that appears on the second website. Thus, *prima facie* the firm is carrying out its activities under a different URL / web address.

4. SEBI's preliminary examination found as follows:

- 4.1. The firm and its sole proprietor, Mr. Ramnarayan Sharma are not registered with SEBI in the capacity of Investment Adviser or in any other capacity.
- 4.2. The website (earlier as well as the current) provides information that the firm provides advisory services in the commodities and forex space.
- 4.3. The firm has bank accounts in SBI Bank Ltd., Axis Bank Ltd., ICICI Bank Ltd. and HDFC Bank Ltd. where multiple credits have been made from different sources.

Issues for Consideration and Prima Facie Findings

5. I have perused the material available on record such as investor complaint, information available on the website of the firm, bank statements, KYC and account opening forms sought from Banks. A preliminary examination of the material available on record was made in order to verify whether the firm has offered investment advisory services and collected money from various investors without registration from SEBI. In this context, *prima facie*, the following issues arise for determination in the instant matter:

- 5.1. *Whether Gold Crude Research is holding itself out and/or acting as investment adviser?*
- 5.2. *If answer to the aforesaid issue is in affirmative, whether Gold Crude Research has, prima facie, violated any provisions of Securities and Exchange Board of India Act, 1992 ("SEBI Act") read with SEBI (Investment Advisers) Regulations, 2013 ("IA*

Regulations”) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (“PFUTP Regulations”)?

5.3. If answers to issue nos. (1) & (2) are affirmative, who are all responsible for the violations?

5.4. If answer to issue no. (2) is in affirmative, whether urgent directions, if any, should be issued against those who are responsible for the prima facie, violations?

Issue No. 1: Whether Gold Crude Research is, holding itself out and/or acting as investment advisers?

6. As regards the first issue, I note the following from the material available on record:

6.1. As per the information gathered from the websites of the firm (earlier as well as the current), the following claims are noted:

6.1.1. Under the heading “ABOUT” the following is noted:

“GoldCrudeResearch was initially was established in 2007 as GoldCrudeAdvisory, a provider of premium advisory services in the commodities and forex space. After acquiring a forex signals provider for the technology expertise, GoldCrudeResearch expanded its portfolio of services to include trading signals for commodities, forex, and indices. GoldCrudeResearch currently employs over 250 employees and it is headquartered in Dover, DE, with offices in Austria, Cyprus, France, Hong Kong, India, Japan, Taiwan and the UK. Gold Crude Research US Office address is Gold Crude Research LLC 8 The Green Suite #5322 Dover, DE 19901 It provides a full spectrum of services to the global trade - whether small scale or institutional investors, GoldCrudeResearch has flexible signal and portfolio management packages.”

6.1.2. Under the heading “UPDATES” the following is noted:

“Gold Crude Research provides exceptional investment on high performing mcx, comex/nymex and forex services and technology for our.”

“Gold Crude Research gives extraordinary venture on high performing mcx Commodity Tips, comex/nymex signal, Daily Intraday Trading Tips, Gold live cost and forex administrations and innovation for our.”

“Our trading signals and advisory services are aimed toward empowering traders with the trading alerts and tips on market movements in the Forex, Commodities, and Index trading spaces.”

“Gold Crude Research is a leading financial services provider in Indore, India providing a full range of private equity advisory services. we advise companies with growth and profitability potential in raising equity.”

6.1.3. Pricing details for various packages are mentioned on the firm’s website.

6.1.4. From the description of the packages, it is observed that the firm claims to make accurate forecasts and provides daily trading tips based on in-depth analysis (Crude Oil package), research on fundamentals and analysis of market trends (Energy package). Moreover, the packages offer includes 24x7 support, telephonic support alongside 1 daily call (Base Metal package). Under the heading “Updates”, it is observed that the firm sends regular trading alerts by SMS and email containing trading signals, daily.

6.2. The following are noted from the information available on the website of the firm:

6.2.1. The firm has started its operation in 2007.

6.2.2. The firm offers advisory services in Commodity, Currency (Forex) and Comex Market to its clients as part of its advisory activity.

6.2.3. The advisory business of the firm is based on ‘subscription model’.

6.2.4. The advisory fee is charged from clients based on the product subscribed and the subscription period.

6.2.5. Advice given by the firm is through email, telephonic support and SMS.

6.3. Illustration of some of the subscription packages provided by the firm and the fees for the same are as under:

Product	Monthly in Rs	Quarterly in Rs	Half-yearly in Rs	Yearly in Rs
Gold	16,700	40,000	75,000	1,25,000
Silver	15,700	42,000	72,000	1,25,000
Zinc	8,500	22,000	40,000	72,000
Natural Gas	7,500	18,000	42,000	80,000

Crude Oil	9,500	22,000	40,000	70,000
Bullion	32,000	84,000	1,20,000	2,04,000
Base Metal	17,000	48,000	76,000	1,38,000
Energy	14,500	36,000	65,000	92,000
Complete MCX Package	37,000	90,000	1,65,000	2,84,000
Inventory special Package	35,000	90,000	1,50,000	2,70,000
Imperial Package	44,000	1,10,000	1,90,000	2,50,000
Emerald Package	1,04,000	2,80,000	4,10,000	6,20,000
MCX HNI Package	2,54,000	6,00,000	10,00,00	15,00,00

6. The following information is gathered from the bank account statements:

Sl. No.	Account Number & Bank	Period for which bank statement is obtained	Date of Last Transaction	Total Credits (Rs.)
1	50200008101391 - HDFC Bank Ltd.	1/7/2015 to 2/2/2020	11/12/2018	83,73,551
2	004105014344 - ICICI Bank Ltd.	1/7/2015 to 16/3/2020	3/11/2018	1,84,16,883
3	915020028986354 - Axis Bank Ltd.	30/6/2015 to 4/3/2020	10/12/2018	13,10,515
4	35103314773 - SBI Bank Ltd.	27/7/2015 to 2/2/2020	14/11/2018	14, 31,623
	Total			2,95,32,574

7. Further, I note the following information gathered from the KYC, account opening forms and bank account statements collected from the banks viz., HDFC Bank and Axis Bank:

7.1. Gold Crude Reserach is a proprietorship concern of Mr. Ramnarayan Sharma. The communication address of the firm is mentioned as A-6, Chandra Nagar, Behind Swagat Garden, MR-9 Road Indore - 452010, Madhya Pradesh.

7.2. The nature of business is mentioned as service provider and under the heading "details of activity", it is mentioned as commodity research. In the Axis Bank Ltd., field verification form, under the heading "type of business activity", it is mentioned as advisory firm.

8. Considering the above analysis of the details on the website of the firm and account opening forms with various banks, I, *prima facie*, observe that Gold Crude Research has represented as follows:

- a) Gold Crude Research has made representations as an investment advisory firm that provides tips for commodity markets and indices.
 - b) Gold Crude Research has made representations that it offers services in investment planning and strategy for consideration.
9. Considering the above facts and circumstances, especially the contents of the website of the firm coupled with the credit transactions in the bank accounts as detailed in preceding paragraphs, *prima facie*, it is inferred that the fees/ funds credited to the bank accounts, were for the purpose of providing the services indicated on the website of the firm. Hence, as reflected in the bank statements referred to above, I note that the firm has commenced with the collection of fees/ funds for the purpose of providing the services from June, 2015. Credence for the aforesaid *prima facie*, finding is further led from web archive (https://web.archive.org/web/2019*/http://goldcruderesearch.com/), which shows that the web page of Gold Crude Research has been “*saved 57 times between July 9, 2015 and May 31, 2019.*”
10. It is, *prima facie*, observed that Gold Crude Research is placing information in public domain / advertising by using its website, about various services offered by it in the securities market. Further, it is also, *prima facie*, observed that various packages are being offered by Gold Crude Research through its website to avail its services. The website claims the following advantages of availing its services in the securities market:
- 10.1. “*With 1 tip per day of at least 96% accuracy, a stop-loss of 25 points and target of 40 to 60 points, you can be assured of daily gains with GoldCrudeResearch’s sure shot commodity tips.*” – Crude Oil package
 - 10.2. “*At GoldCrudeResearch we have helped many a trader in making profits in the energy markets consistently with our proactive support and follow up on trading Tips.*” – Energy Package
 - 10.3. “*When you subscribe to the bi-weekly calls on Crude oil and Natural Gas inventory from GoldCrudeResearch, you gain an early starter advantage in your crude investments. Combined with the lightning-fast analysis and demand forecast from the market experts at GoldCrudeResearch, you can expect a significant increase in both trade opportunities, as well as profits.*” – Inventory Special package

10.4. *“...we provide daily updates on support and resistance levels, targets and stop-loss, and timely updates on your trades to ensure you do not lose out on any of the entry, hold or exit opportunities during each trading day.” – Bullion package*

11. I have perused the definition of Investment Adviser as given in regulation 2(m) of the IA Regulations, which 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”. Further, I have perused regulation 2(l) of the IA Regulations which 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.”

12. In light of the aforesaid definitions, it is observed from the contents of the website of the firm that the firm is *prima facie* holding itself out as investment adviser by offering to provide investment advice as defined under regulation 2(l) of IA Regulations by offering to give advice related to investing in, purchasing and selling in securities and is also offering various investment packages for subscription. Further, as noted from various bank accounts that there are multiple credit entries which when seen together with the contents of the website leads to the *prima facie* conclusion that the credit entries in the bank accounts are consideration for the investment advice given by the firm to its clients. Thus, *prima facie* Gold Crude Research is an investment adviser as defined under regulation 2 (m) of IA Regulations.

13. The fact that the proprietor of the firm, Mr. Ramnarayan Sharma in his reply (sent by email dated March 14, 2016) has admitted to offering services to national and international clients in Comex and MCX and the receipt of money in the bank statements, *prima facie*, shows that the credit for payment of fees is in fact meant for the advisory services actually rendered by the firm. Therefore, Gold Crude Research has not only held itself out as an investment adviser but has also acted as an investment adviser for consideration.

Issue No. 2: *If answer to the aforesaid issue is in affirmative, whether Gold Crude Research has, prima facie, violated any provisions of SEBI Act read with IA Regulations and PFUTP Regulations?*

14. In order to ensure that the investors who receive investment advice are protected, it is imperative that 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. Section 12(1) of SEBI Act reads as under:

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

Further, as per regulation 3(1) of IA Regulations, the registration of the investment advisers is mandatory. It provides 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”*.

15. The activities of the firm, as brought out from the various materials described above, seen in the backdrop of the aforesaid provisions show that the firm is holding itself out and acting as an investment adviser. However, no material is available on record to indicate that the firm or its proprietor, Mr. Ramnarayan Sharma in his individual capacity is having a certificate of registration as investment adviser. In this context, it is noted that the firm and its proprietor, Mr. Ramnarayan Sharma in his individual capacity are not registered with SEBI in any capacity. The characteristics and features of the business activity carried out by the firm, as discussed in the preceding issue, *prima facie*, leads to the conclusion that the firm is holding itself out and acting as an investment adviser without a certificate of registration from SEBI. In my view, these activities/representations without holding the certificate of registration as investment adviser is

prima facie, in violation of Section 12(1) of SEBI Act read with regulation 3(1) of the IA Regulations.

16. Further, I would like to refer to the provisions of securities laws which are relevant to the present case i.e. Sections 12A (a), (b), (c) of SEBI Act and regulations 3 (a), (b), (c), (d) and regulations 4(1) and 4(2)(k) of PFUTP Regulations. The text of the aforesaid provisions is reproduced below:

SEBI Act

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control

Section 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

Regulation 3. Prohibition of certain dealings in securities

No person shall directly or indirectly-

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(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) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors”.

17. In my view, an unregistered investment advisor like Gold Crude Research can put investors at great risk as without having a registered investment advisor certificate, Gold Crude Research is holding itself out as an investment advisor and offers services through its website to investors with the objective of making money / collecting fees through subscriptions. The analysis of details of its bank accounts shows that Gold Crude Research has received money in various denominations from various individuals. These proceeds, as discussed in preceding paragraphs, *prima facie*, leads to the inference that it is consideration for the services that Gold Crude Research provide in the securities market. Furthermore, the firm has claimed the following:

17.1. Under the subscription package, Crude Oil, the firm has claimed as follows:

*“With 1 tip per day of at least 96% accuracy, a stop-loss of 25 points and target of 40 to 60 points, you **can be assured of daily gains** with GoldCrudeResearch’s **sure shot commodity tips**.”*

17.2. Under the subscription package, Natural Gas, the firm has claimed as follows:

“GoldCrudeResearch’s Natural Gas trading Tips offering includes alongside accurate commodity tips and Natural Gas Inventory reports, granular reports of price and demand fluctuations and one trading call per day with an accuracy of at least 95%.”

18. It is observed that the firm has given assurance of daily gains. Also it has claimed that its accuracy is at least 95% - 96% in providing commodity tips under few of its packages. The same is *prima facie* not supported by any evidence as available on the webpages of the firm. Even, if it were true, it is *prima facie* observed that the conduct of the firm in claiming that its accuracy is at least 95% - 96% in providing commodity tips is not a full disclosure and is an active concealment of the material fact that past performance, is not a guarantee of future result. In other words, historical performance, if any, when presented, is purely for reference purposes and it is inaccurate to simply assume that these will extend into the future. Every investment in the market is subject to market risk and any investment made by the client can also run into losses and even become zero. Similarly, the claim of the company of assuring daily gains is *prima facie* an active concealment of the material fact that every investment in the market is subject to market risk. Considering the dynamics of the market, the returns from the investment in the market are unpredictable, no matter how much and for how long the investment is made. Any information that puts out for the consumption of its existing and prospective clients has to be done with great responsibility and should be of such nature that it enables investors to take reasoned and unbiased decisions regarding their investment. This act of conveying assured returns is *prima facie*, indulged for the purpose of luring customers in its net and thereby increasing its income. In light of the same, the acts of the firm to make incomplete disclosure and active concealment of material information, are non-genuine and deceptive acts and have been *prima facie* made with an intent to influence the client to avail its advisory services.

19. The above discussed omissions and act of Gold Crude Research, are *prima facie*, fraudulent and are covered within the definition of "fraud" defined under regulation 2(1)(c) of the PFUTP Regulations which reads as under:

"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 behavior 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;

20. It is noted that *prima facie*, fraudulent activities / the conduct / act / practice of Gold Crude Research as discussed above are *prima facie* in violation of provisions of Sections 12A (a), (b), (c) of SEBI Act and regulations 3 (a), (b), (c), (d) and 4(1) and 4(2)(k) of PFUTP Regulations.

Issue No. 3: *If answers to issue nos. (1) & (2) are affirmative, who are responsible for the violations?*

21. I note that Mr. Ramnarayan Sharma is the sole proprietor of Gold Crude Research. I note the legal status of the proprietary firm from the judgment of the Hon'ble Supreme court in *Ashok Transport Agency vs. Awadhesh Kumar & another*, [(1998) 5 SCC 567] that "... 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...". Therefore, I find that Mr. Ramnarayan Sharma is liable for the acts of Gold Crude Research.

Issue No. 4: *If answer to issue no. (2) is affirmative, whether urgent directions, if any, should be issued against those responsible for the prima facie, violations?*

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. The PFUTP Regulations and the IA Regulations have been formulated with the main objective of banning fraud and regulating IA activities to safeguard the interests of investors and hence registration of IA activities with SEBI has been made mandatory. The 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, Gold Crude Research is soliciting and inducing investors to deal in securities market on the basis of investment advice, commodity tips etc., *prima facie*, without having the requisite registration / certification as mandated under the IA Regulations. Similarly, the PFUTP Regulations seeks to curb fraudulent and manipulative activities in the securities market in order to boost investor confidence in the securities market and to provide an environment conducive to increased participation and investment in the securities market which is vital to the growth and development of the economy. Further, it is noted from material available on record, the website is active as on date and can lure investors to avail the firm services. Furthermore, the very act of the firm to change its URL / website address *prima facie*, shows that the firm is trying to avoid regulatory detection and is determined in continuing its unregistered investment advisory activities.

24. Considering the facts and circumstances of the present matter and on the basis of the *prima facie*, findings, it is necessary to take urgent preventive action in this matter and to take immediate steps to prevent Gold Crude Research through its proprietor, from collecting any more fees from the public and indulging in unauthorized investment advisory activities. I note that the website is active as on date and the investors can reach

Gold Crude Research through its email info@goldcruderesearch.com as available on its website as well as through telephone, 8080808209 as mentioned on its website. The said telephone number is also active as per <https://www.findandtrace.com>. Therefore, the threat of investors getting lured towards the unregistered activity of Gold Crude Research in the securities market is still in existence and imminent. The amount of money, *prima facie*, observed to have been collected by Gold Crude Research is Rs. 2,95,32,574/- and indicates the magnitude of the prospective threat to the investors.

25. It is noted that permitting the investors to receive an investment advisory service from an unregistered entity, in effect means, the same is received from the unqualified person without following the safeguards mentioned in the IA Regulations. An investor receiving a service from unregistered investment advisor vis-a-vis an investor who receives such service from a registered investment adviser in consonance with the IA Regulations stands at a disadvantageous position in respect of his protection as an investor as envisaged under the IA regulations. An unregistered investment adviser has not even satisfied the Regulator that he is a fit and proper person to hold the certificate of registration as investment adviser. Availing of service from such persons is detrimental to investors and such unqualified service would result in irreparable damage as the investors' money is invested based on unqualified and un-regulated service. Exposing investors to such service also has the effect of interfering with the development of securities market, as victims of such services tend to lose faith in the securities market. Such an injury/detriment to the development of the securities market also qualifies as an "irreparable injury". The objective of SEBI as enshrined in the SEBI Act is not only the protection of investors but also orderly development of securities market.

26. Further if an *ex-parte* order is not passed, many prospective investors may have to part with large fees and investments resulting into irreparable injury to themselves as discussed earlier. However, if an *ex-parte* order is passed, what is at stake is right of the entity herein vis-a-vis multitude of prospective and current clients of the firm. It may be noted that one of the underlying differences between the *ex-parte* orders in the case of private suits and *ex-parte* public enforcement actions, is the identification of the injured party. In private damage suits, the injured individual, as "whole", is identifiable whereas

ex-parte public enforcement actions, seeks to protect the floating multitude of investing public by preventing, continuous and imminent violations of the securities laws. Though, it can be argued that a final remedy by way of refund is available, as against the step of passing an *ex-parte* interim order, the potential deployment of funds by the investors by following the advice from an unqualified person and resultant loss of investor's confidence and reliability of securities market, cannot be retrieved, if *prima facie*, unregistered investment advice is permitted to be extended to the investors by not passing an *ex-parte interim* order at this stage. Therefore, I consider the balance of convenience is also not in favour of the firm.

27. Considering the facts and circumstances of the present matter and on the basis of the *prima facie*, findings, it is necessary to take urgent preventive action in this matter and to take immediate steps to prevent Gold Crude Research and its proprietor from collecting any more fees from the public and from indulging in unauthorized investment advisory activities. As noted in the preceding paragraphs, monies were being received in the bank accounts of the firm. Moreover, the website of the firm is still active. The aforesaid *prima facie* demonstrates that Gold Crude Research can still lure investors to deal in the securities market while acting on its advice and probability of investors reaching them is still high. Therefore, the threat of investors getting lured towards the unregistered activity of Gold Crude Research in the securities market is still in existence and imminent.

28. The amount of money, *prima facie*, observed to have been collected by Gold Crude Research is Rs. 2,95,32,574/- and indicates the magnitude of the prospective threat to the investors. In light of the same, I find that there is no other alternative but to take recourse through an *interim ex-parte* order against Gold Crude Research and its proprietor for preventing them from collecting funds by defrauding investors and by indulging in unauthorized investment advisory services without obtaining the mandatory registrations from SEBI in accordance with the law. As the website of Gold Crude Research is active and the investors can reach them through telephone and email also, the balance of convenience demands the preventive measure of stopping the collection of money in the bank accounts of Gold Crude Research from investors. The same can be effectively achieved by an appropriate direction of stopping the credit into

the bank account of Gold Crude Research and its Proprietor. As Gold Crude Research and its Proprietor have already evaded the jurisdiction of SEBI by *prima facie*, acting as unregistered investment adviser, the balance of convenience also demands that Gold Crude Research and its Proprietor need to be prevented from diverting the funds collected from the investors through the fraudulent and unauthorized investment advisory activity. Accordingly, an appropriate direction stopping the debit from the bank accounts of Gold Crude Research and its proprietor have been incorporated.

29. It is noted from the current website of the firm that it does not display the payment options. In order to subscribe to the services / packages of the firm, a query has to be submitted to the firm. It is observed that the firm's earlier website had its bank account details where its clients could transfer the fees / money. Thus, this shift in approach of the firm not to display its bank account details on its website, *prima facie* shows that the firm is not only communicating its bank account details to its clients in an offline mode but also demonstrates an attempt by the firm to hide relevant / material details from regulatory supervision. It is also noted from material available on record that SBI Bank of India and HDFC Bank accounts of the firm are closed and the remaining two bank accounts with Axis Bank and ICICI Bank are inactive. The same when seen with the fact that the website of the firm is active, *prima facie* shows that the firm has opened some other bank accounts which at this juncture cannot be ascertained based on the material available on record. Accordingly, an appropriate direction to provide details of all the bank accounts maintained by Gold Crude Research has been incorporated along with stopping the debits and credits to all the bank accounts of Gold Crude Research and its proprietor.

30. With the initiation of quasi-judicial proceedings, and given the fact that Gold Crude Research and its Proprietor has evaded the jurisdiction of SEBI by undertaking unregistered investment advisory services, it is imminent that the Noticee may divert the money collected from the subscribers / 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. It therefore becomes necessary for SEBI to take urgent steps to prevent Gold Crude Research and its Proprietor from diverting the money collected from the

subscribers / clients. It is also essential to take urgent steps to prevent them 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. In view of the facts and circumstances discussed hereinabove, and considering the interests of already existing clients of Gold Crude Research and also the interests of those who may fall prey to the unregistered investment advisory by reaching the firm through the website or telephone or email, the balance of convenience lies against Gold Crude Research and its Proprietor and requires immediate action against them including not to divert the money collected from the subscribers / clients / investors.

ORDER

31. In view of the above, pending conclusion of enquiry on granting of hearing opportunity as per this Order, to Gold Crude Research and its Proprietor, Mr. Ramnarayan Sharma, I, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11, 11(4), 11B and 11D read with Section 19 of the SEBI Act, 1992, hereby issue by way of this interim ex-parte order, the following directions:

31.1. Gold Crude Research and its Proprietor, Mr. Ramnarayan Sharma are directed to:

31.1.1. *Cease and desist from acting as an investment advisor including the activity of acting and representing through any media (physical or digital) as an investment advisor, directly or indirectly, 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.*

31.1.2. *Not to divert any funds raised from investors, kept in bank account(s) and/or in their custody until further orders.*

31.1.3. *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 their name, including money lying in bank accounts except with the prior permission of SEBI.*

31.1.4. *Immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, communications etc.,*

physical or digital in relation to their investment advisory activity or any other unregistered activity in the securities market until further orders.

31.1.5. Not to access the securities market and buy, sell or otherwise deal in securities in any manner whatsoever, directly or indirectly, until further orders.

31.1.6. To provide a full inventory of all assets held in their name, 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.

31.1.7. To submit the number and details of clients who have availed their investment advisory services and to submit details of fees collected from each such client, immediately but not later than 5 working days from the date of receipt of this order.

31.1.8. To provide the details of all the bank accounts maintained by Gold Crude Research and its proprietor, Mr. Ramnarayan Sharma, individually and jointly.

31.2. If Gold Crude Research or its Proprietor, Mr. Ramnarayan Sharma have any open positions in any exchange traded derivative contracts, as on the date of the order, they can close out/ square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. Gold Crude Research and its Proprietor, Mr. Ramnarayan Sharma are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

31.3. All banks including SBI Bank Ltd. (a/c no.: 35103314773), Axis Bank Ltd. (a/c no.: 915020028986354), ICICI Bank Ltd. (a/c no.: 004105014344) and HDFC Bank Ltd. (a/c no.: 50200008101391) wherein Gold Crude Research is holding bank account, are directed not to permit any debits / withdrawals and not to allow credits to the said accounts, without the permission of SEBI. The Banks are directed to ensure that all the above directions are strictly enforced.

- 31.4. *The Depositories are directed to ensure that till further directions not to permit any debits and not to allow any credits in the demat accounts of Mr. Ramnarayan Sharma.*
- 31.5. *The Registrar and Transfer Agents are also directed to ensure that till further directions the securities, including mutual fund units, held in the name of Gold Crude Research are not transferred or redeemed. Further, Registrar and Transfer Agents are also directed to ensure that till further directions the securities, including mutual fund units, held in the name of Mr. Ramnarayan Sharma, held jointly or individually, are not transferred or redeemed.*
32. This Order shall also be treated as a Show Cause Notice and Gold Crude Research and its Proprietor, Mr. Ramnarayan Sharma are show caused as to why the various representations made / services offered by Gold Crude Research in securities market may not be treated as a fraudulent practice / act / conduct, in terms of PFUTP Regulations, why the investment advisory plans floated by Gold Crude Research should not be held as “Investment Advisory Services” in terms of the IA Regulations and thereby the activity of Gold Crude Research be treated as unregistered activity under the SEBI Act and relevant Regulations.
33. Gold Crude Research and its Proprietor, Mr. Ramnarayan Sharma are also show caused as to why appropriate directions, under Sections 11, 11(4), 11B(1) and 11D of the SEBI Act and relevant SEBI Rules / Regulations, including directions to prohibit them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, for a particular period and directions not to be associated with any registered intermediary/ listed company and any public company which intends to raise money from public in the securities market, in any manner whatsoever, should not be issued against them. Gold Crude Research and its Proprietor, Mr. Ramnarayan Sharma, are also show caused as to why they should not be directed to refund, jointly and severally, the fees collected from the investors/clients for its unregistered investment advisory activities under Sections 11 and 11B (1) of SEBI Act should not be issued against them.

34. The *prima facie*, observations contained in this Order are made on the basis of the material available on record. In this context, Gold Crude Research and its Proprietor, Mr. Ramnarayan Sharma may, within 21 days from the date of service of this Order, file reply, 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.
35. The above directions shall take effect immediately and shall be in force until further orders.
36. A copy of the order shall be served upon the entities, all Banks including SBI Bank Ltd., Axis Bank Ltd., ICICI Bank Ltd. and HDFC Bank Ltd., Stock Exchanges, Depositories and Registrar and Transfer Agents for necessary action and compliance with the above directions.

Date: December 7, 2020

Place: Mumbai

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