

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

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

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

In respect of:

Noticee	Name	SEBI Registration Number	PAN
Noticee No. 1	Trifid Research	INA000001290	AAGFT6463L
Noticee No. 2	Mr. Vivek Tyagi (Partner)	N.A.	AJYPT1874C
Noticee No. 3	Ms. Lydia Thomas (Partner)	N.A.	AKMPT0294M

In the matter of Trifid Research

Background:

1. Trifid Research (hereinafter referred to as “**Trifid**”), a partnership firm, is registered with SEBI as an Investment Adviser (“**IA**”) bearing registration no. INA000001290, under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (hereinafter referred to as the “**IA Regulations**”) with effect from March 20, 2014. It has its registered address at 1st Floor, Saket Tower, Plot No.3A, Ratlam Kothi, A.B. Road, Near Geeta Bhavan Square, Indore, Madhya Pradesh – 452001. The website address of Trifid is www.trifidresearch.com. The partners of Trifid are Mr. Vivek Tyagi and Ms. Lydia Thomas. The entities mentioned in the table above are collectively referred to as “**Noticees**”.

2. SEBI carried out an inspection of Trifid during October 14 to 17, 2019, at its registered office. The period of inspection was from April 01, 2018 to date of inspection i.e., October 17, 2019 (hereinafter referred as “**inspection period**”). As part of ongoing enquiry after inspection, further information was sought from the IA. The focus of the inspection was to look into the compliance of regulatory requirements stipulated under SEBI Act, 1992 (hereinafter referred as ‘SEBI Act’), the IA Regulations, other circulars and guidelines framed thereunder.

SEBI’s Inspection:

3. During the inspection, documents/information pertaining to KYC, Risk Profiling, Risk Profiling acceptance by client, change in risk profiling, Product List, Client Master, Invoices, emails, audio call recordings, agreements, SMS logs, employees list, Compliance audit report, NISM certification, website of Trifid, etc., were verified on a sample basis. Further, documents/information provided by the complainants in SCORES were also taken into consideration while carrying out the inspection. Based on inspection / examination of documents / information provided by Trifid, inspection brought out that Trifid:
 - 3.1. has not carried out risk profiling as per the provisions of the IA Regulations,
 - 3.2. has not provided investment advice in terms of suitability as per the provisions of the IA Regulations and
 - 3.3. has not charged fair and reasonable fee from client as per the provisions of the IA Regulations.
4. Trifid has, *prima facie*, violated various provisions of the IA Regulations and of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the “**PFUTP Regulations**”).

CONSIDERATION & PRIMA FACIE FINDINGS

5. I have perused the material available on record regarding risk profiling of clients, suitability of investment advice given to client and fees charged/ received from clients. In this context, *prima facie*, the following issues arise for determination:

5.1. Issue No. 1: Whether Trifid has, prima facie, violated any provisions of the IA Regulations?

5.2. Issue No. 2: Whether Trifid has, prima facie, violated any provisions of the SEBI Act read with the PFUTP Regulations?

5.3. Issue No. 3: If answers to Issue No. 1 or 2 are in affirmative, who are responsible for the violations?

5.4. Issue No. 4: If answers to Issue No. 1 or 2 are in affirmative, whether urgent directions, if any, should be issued against Trifid?

6. Before moving forward, it is appropriate to refer to the following relevant provisions of the IA Regulations:

SEBI Act, 1992

“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 recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;”*

IA REGULATIONS:

Regulation 15(1) An investment adviser shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interests as and when they arise.

Regulation 15(9) An investment adviser shall abide by Code of Conduct as specified in Third Schedule:

THIRD SCHEDULE

Securities and Exchange Board of India (Investment Advisers) Regulations, 2013
[See **sub-regulation (9) of regulation 15**]

CODE OF CONDUCT FOR INVESTMENT ADVISER

1. **Honesty and fairness:** An investment adviser shall act honestly, fairly and in the best interests of its clients and in the integrity of the market.
2. **Diligence:** An investment adviser shall act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives.
- 3...
4. **Information about clients:** An investment adviser shall seek from its clients, information about their financial situation, investment experience and investment objectives relevant to the services to be provided and maintain confidentiality of such information.
5. **Information to its clients:** An investment adviser shall make adequate disclosures of relevant material information while dealing with its clients.
6. **Fair and reasonable charges:** An investment adviser advising a client may charge fees, subject to any ceiling as may be specified by the Board, if any. The investment adviser shall ensure that fees charged to the clients is fair and reasonable.
- 7....
8. **Compliance:** An investment adviser including its representative(s) shall comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.
9. **Responsibility of senior management:** The senior management of a body corporate which is registered as investment adviser shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the body corporate.

Regulation 16: Risk profiling:

Investment adviser shall ensure that:

- (a) it obtains from the client, such information as is necessary for the purpose of giving investment advice, including (i) age; (ii) investment objectives including time for which they wish to stay invested, the purposes of the investment ; (iii) income details; (iv) existing investments/ assets; (v) risk appetite/ tolerance; (vi) liability/borrowing details.
- (b) it has a process for assessing the risk a client is willing and able to take, including: (i) assessing a client's capacity for absorbing loss; (ii) identifying whether client is unwilling or unable to accept the risk of loss of capital; (iii) appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers.
- ...
- (e) risk profile of the client is communicated to the client after risk assessment is done;

Regulation 17 Suitability:

Investment adviser shall ensure that,-

- (a) All investments on which investment advice is provided is appropriate to the risk profile of the client;*
- (b) It has a documented process for selecting investments based on client's investment objectives and financial situation;*
- (c) It understands the nature and risks of products or assets selected for clients;*
- (d) It has a reasonable basis for believing that a recommendation or transaction entered into:
(i) meets the client's investment objectives; (ii) is such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance; (iii) is such that the client has the necessary experience and knowledge to understand the risks involved in the transaction.*
- (e) Whenever a recommendation is given to a client to purchase of a particular complex financial product, such recommendation or advice is based upon a reasonable assessment that the structure and risk reward profile of financial product is consistent with clients experience, knowledge, investment objectives, risk appetite and capacity for absorbing loss*

PFUTP REGULATIONS

Regulation 2(1)(c):

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

And "fraudulent" shall be construed accordingly ..."

Regulation 3. 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.

Issue No. 1: Whether Trifid has, prima facie, violated any provisions of the IA Regulations?

7. Risk profiling of clients:

7.1. As per Regulations 16(a) and 16(b) of the IA Regulations, an IA is required to obtain information about the client, which includes age, investment objective, income details, existing investments, risk appetite, liabilities, etc., based on which (a) the risk appetite of the client and (b) the quantum of risk the investor would be able to take when subscribed to the services of Trifid can be arrived at. As per Clause 4 of Code of Conduct read with Regulations 15(9) of the IA Regulations, an IA is required to seek information from its clients about their financial situation, investment experience and investment objectives before providing them investment advices/ services. As per Regulation 16(e) of the IA Regulations, the IA is also under obligation to communicate the risk profile of the client, to the client, after risk assessment is done. One of the rationale behind communicating the risk profile to the client is to provide the client with information about his/ her risk category as well as an opportunity to verify whether his/ her risk category has been correctly arrived at by the IA.

7.2. As part of a write-up on its Business Model dated October 17, 2019, provided during the inspection, Trifid has submitted the following:

7.2.1. The risk profiling questionnaire of Trifid has total 18 questions; however, the Sales Department of Trifid sells product(s) to clients based upon initial risk profiling wherein, out of 18 questions, only 7 questions are asked to

clients telephonically and based on the said initial/ partial risk profiling score, product(s) are suggested to the client.

7.2.2. Complete risk profiling is done by the compliance department only after the two days free trial is given to the client. The risk assessment score is sent to the client as part of the welcome email and the client is requested to acknowledge the same within 48 hours and if no acknowledgement is received, then it is assumed that client has given his acknowledgement and is ready to take services from the Trifid.

7.2.3. No telephonic record of any conversation between client or any executive of Trifid is retained.

7.3. It was observed that Trifid claims that it is doing risk profiling of the client by asking questions to the client telephonically; however, the record of this telephonic conversation between Trifid and the client is not maintained. Hence, it is not possible to verify the authenticity and correctness of the information mentioned in the risk profiling form (RPF).

7.4. Nonetheless, after analyzing the RPF of various clients, the following observations are made:

7.5. Client Mr. Bharat Bhatt:

Sr. No.	Risk profiling (RP) date	RP score	Risk category	Q.1 Age group	Q.5 Gross annual income (Rs.)	Q.8 Investment experience
1	30.05.2017	53	Moderate	26-45	Above 10 lac	<1yr
2	31.07.2017	50	Moderate	26-45	2 to 5 lac	<1yr
3	02.08.2017	50	Moderate	26-45	5 to 10 lac	<1yr
4	21.08.2017	52	Moderate	46-55	Below 1 lac	>5yr

Sr. No.	Risk profiling (RP) date	RP score	Risk category	Q.1 Age group	Q.5 Gross annual income (Rs.)	Q.8 Investment experience
5	26.08.2017	54	Moderate	26-45	5 to 10 lac	<1yr
6	04.10.2017	57	Aggressive	26-45	2 to 5 lac	1 to 2yr
7	24.10.2017	55	Aggressive	> 60	Above 10 lac	1 to 2yr
8	24.10.2017	47	Moderate	26-45	Below 1 lac	<1yr
9	15.11.2017	50	Moderate	26-45	1 to 2 lac	<1yr
10	28.12.2017	59	Aggressive	26-45	2 to 5 lac	>5yr
11	09.01.2018	58	Aggressive	Under 25	2 to 5 lac	>5yr
12	25.01.2018	43	Moderate	Under 25	2 to 5 lac	2 to 4yr
13	07.02.2018	42	Moderate	26-45	2 to 5 lac	None
14	20.03.2018	61	Aggressive	Above 60	Above 10 lac	2 to 4yr
15	27.03.2018	50	Moderate	26-45	1 to 2 lac	<1yr

7.6. The following observations can be made from the above table:

- 7.6.1. During the period May 30, 2017, to March 27, 2018, Trifid has done risk profiling of the client 15 times.
- 7.6.2. In each risk profiling, the answers of parameters for determining risk profile of the client have changed. While the client age 60 years, the age group of the client has been mentioned as 'Under 25', '26-45', '46-55' and 'Above 60' in different RPFs. As per KYC, the client's DOB is 22.10.1957 i.e., his age was 60 in 2017.
- 7.6.3. Similarly, the 'Gross Annual Income' of the client is mentioned as 'Below 1 lac', '1 to 2 lacs', '2 to 5 lacs', '5 to 10 lacs' and 'above 10 lacs' in different RPFs. In RPF dated October 24, 2017, the gross annual income was considered as above Rs.10 lac and in another RPF of same date, it is considered as below Rs.1 lac. Further, On March 20, 2018, gross annual income is considered as above Rs.10 lac and within 7 days i.e., on March 27, 2018, it is considered as Rs.1 to 2 lac.

7.6.4. On August 02, 2017, client's experience in investment is considered as less than 1 year and within 20 days i.e., on August 21, 2017, it is considered as more than 5 years and again in the following RPF, it is again changed to 'less than 1 year'.

7.6.5. Further, on October 24, 2017, risk profiling is done twice resulting in two different risk categories, 'Moderate' as well as 'High' risk. Different answers to key questions have been entered on the same date, for e.g., gross annual income, source of income, proposed investment amount, etc.

7.6.6. It is observed that the risk score of the client has changed substantially and in turn, the risk category of the client has also undergone several changes. From the above, especially from the change in answers, including even the age group of the client, it can be seen that, *prima facie*, the answers to the questions of the RPF have not been provided by the client/ cannot be relied upon.

7.7. Client Mr. Yashwant Hande

Sr. No.	RP date	RP score	Risk category	Q.1 Age group in RPF	Q.5 Gross annual income (Rs.)	Q.8 Investment experience
1	12.06.17	48	Moderate	26 to 45	Below 1 lac	Less than 1 yr
2	06.10.2017	59	Aggressive	26 to 45	5 to 10 lac	Less than 1 yr
3	31.10.2017	50	Moderate	Under 25	2 to 5 lac	2 to 4 yrs
4	03.11.2017	67	Aggressive	56 to 60	Above 10 lacs	More than 5 yr
5	03.11.2017	64	Aggressive	Above 60	Above 10 lacs	More than 5 yr
6	24.11.2017	55	Aggressive	26 to 45	2 to 5 lac	Less than 1 yr
7	28.11.2017	42	Moderate	Under 25	Below 1 lac	Less than 1 yr

7.8. The following observations can be made from the above table:

- 7.8.1. Between June 2017 and November 2017, risk profiling of the client has been carried out 7 times and the risk category has changed by manipulating answers in the RPF. The actual age of the client when first risk profiling is carried out is 63 (DOB of client is 01.06.1954) whereas, while doing risk profiling, three times it has been considered as between 26 to 45 and twice it has been considered as under 25.
- 7.8.2. The annual income is considered as below Rs.1 lac on June 12, 2017, above Rs.10 lac on November 03, 2017, and again below Rs.1 lac on November 28, 2017. During the month of November 2017, the annual income range has changed 3 times i.e., from above Rs.10 lacs to between Rs.2 to 5 lacs and then below Rs.1 lac.
- 7.8.3. The experience of the client on June 12, 2017, was mentioned as 'less than 1 year', whereas within 5 months i.e., on November 03, 2017, the same is mentioned as 'more than 5 years' and again on November 28, 2017, it is stated as 'less than 1 year'. On account of the above changes, the risk category of the client has changed between 'Moderate' and 'Aggressive' frequently. From the above, especially from the change in the age group of the client, it can be seen that, *prima facie*, the answers to the questions of the RPF have not been provided by the client/ cannot be relied upon..

- 7.9. **Client Mr. Abhay Vishnu Datar-** Client is a senior citizen and it can be seen from the table below that Trifid is changing answers to risk profiling within a day. If Trifid had verified the RPF dated July 11, 2018, with the KYC, then it would have seen that in the KYC, the client has mentioned that he is retired.

Question in RPF	Answer in RPF dt. July 11, 2018 (risk score)	Answer in RPF dt. July 12, 2018 (risk score)
Q.6 What is your source of income?	Salary (risk score 3)	Pension (risk score 1)
Q.18 Occupation?	Government sector (risk score 4)	Retired (risk score 2)

7.10. **Client Mr. Mohammad Abdul Imran:** As per KYC, signed by the client, the gross annual income is mentioned as below Rs.1 lac. However, in RPF dated July 26, 2019, the answer to Gross Annual Income group is mentioned as Rs 2-5 lacs, while in the RPF dated August 28, 2019, the answer is mentioned as above Rs.10 lac. The proposed investment amount mentioned in RPF dated July 26, 2017, is 50000-1 lac, while in RPF dated August 28, 2019, it is mentioned as greater than 5 lacs. Thus, there is a clear discrepancy in the information filled in the KYC and in the RPF and also between differently dated RPFs.

8. **IA Regulations:** It is observed that Trifid claims to have conducted risk profiling of client telephonically and no record of these telephonic conversations is retained. It is observed from the above examples that the IA has carried out multiple risk profiling of clients over a very short period of time and the answers to the questions in the RPF have undergone changes, sometimes even on same day, without any justification. The manner in which the answers to the age, annual income, experience in the stock market, etc., have been changed in the RPF, it appears, *prima facie*, that the IA has not sought responses from its client for carrying out their risk profile and the same cannot be relied upon. In some instances, answers to financial capability have undergone a change within a short period of time and there is no evidence on record to show that the IA sought information from the client to justify the change. Thereby, Trifid has not acted with honesty, fairness and in the best interest of its clients. In view of the same, Trifid has not carried out risk profiling of clients in accordance with Regulation 16 of the IA Regulations and has failed to abide by Clauses 1, 2 and 8 of the Code of Conduct of Schedule III read with Regulation 15(9) of IA Regulations. Thus, Trifid has, *prima facie*, violated the provision of Regulation 16(e) and Clauses 1, 2 and 8 of the Code of Conduct as mentioned in Schedule III read with Regulation 15(9) of IA Regulations.

9. **Suitability of advice given to Clients:**

9.1. As per Regulation 17 of the IA Regulations, the investment advice given should be appropriate to risk profile of clients; the IA should have a documented process for selecting investments for its clients based on their investment objective and financial situation; IA should understand the nature and risks of products or assets selected for clients; IA shall have reasonable basis for believing that a recommendation meets client's investment objective and the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance; IA shall ensure that it has a reasonable basis for believing that a recommendation or transaction entered into is such that the client has the necessary experience and knowledge to understand the risks involved in the transaction. IA has to ensure that a recommendation given to client is based on reasonable assessment that the risk reward profile of financial product is consistent with client's experience, knowledge, investment objective and risk appetite.

9.2. Trifid operates its advisory activities/business by providing investment advice through products/ services. Some of these products/ services sold by Trifid are Intraday Cash, Jobbers Cash, Galaxy Cash Services, Intraday Future, MMR Future Express, HNI Options, etc.

9.3. The following observations are made regarding the suitability of investment advice given to clients:

A. High-risk product/ service sold to client with Moderate/ Low risk appetite:

9.4. **Client Mr. Bharat Bhatt:** During the period, May 30, 2017, to October 03, 2017, as per RPF of the client prepared by Trifid, the risk category is Moderate; however, it is observed that during this period, products from high risk category have been sold to client e.g., PCG (Equity), on June 23, 2017, and PCG Equity (F&O), on July 11, 2017. On October 31, 2017, when the risk category of the client is

Moderate, high risk category product TPP Pack Gold, Silver, Crude oil, etc., was sold to the client. It is observed from the submissions of the IA dated October 17, 2019, that these two products belong to the high-risk category. Further, it is observed that this product has a period of service which started in May 2018 i.e., 7 months later.

Invoice Date	Product	Product risk category	Client risk category as per RPF
23.06.17	PCG Equity	High	Between May 30, 2017, to October 03, 2017, risk category is "Moderate"
11.07.17	PCG(F&O)	High	
31.10.17	TPP Pack Gold, Silver, Crude oil	High	From October 24, 2017, till December 27, 2017, risk category is "Moderate"

9.5. Client Mr. Yashwant Hande: As per RPF dated June 12, 2017, risk category of the client is 'Moderate'. It has changed to 'High' on October 6, 2017; however, PCG (Equity) product from 'High' risk category (as per product risk categorization provided by Trifid) was sold to the client on June 12, 2017, itself. Trifid collected Rs.1,00,050/- as fees for the same.

Invoice Date	Product	Product risk category	Client risk category as per RPF
12.06.2017	PCG (Equity)	High	Moderate

It is observed that on June 15, 2017, client has sent an email to Trifid mentioning that he has not opted for the said product and there is no material on record to show that Trifid has responded to this email. It may be noted here that the period of service for this product started from November 13, 2017, and the risk category of the client underwent a change from 'Moderate' to 'High' on October 6, 2017.

9.6. Client Mr. Venu Babu Tella: Trifid has sold high risk product to the client on September 13, 2017, despite client's risk category is Moderate.

RPF date	Risk category as per RPF	Name of product sold	Product risk category	Invoice/ Payment date	Amount collected (Rs.)
13.09.17	Moderate	TPP Pack ZLA	High	12.09.17	1,09,999/-

9.7. Client Mr. Abhay Datar: As per RPF dated July 12, 2018, client's risk category is "Moderate", whereas on July 17, 2018, and July 23, 2018, Trifid has sold product 'PCG Equity' (for Rs.1,47,500/-), which is meant for high risk category clients, as per product list provided by Trifid.

9.8. Client Mr. Pramod Upadhyay: Trifid has sold high risk product despite client's risk category is Moderate.

RPF date	Risk category as per RPF	Name of product sold	Product risk category	Invoice/ Payment date	Amount collected (Rs.)
15.04.19	Moderate	PCG Equity	High	23.04.19	53,690/-
15.04.19	Moderate	PCG Equity	High	01.05.19	70,800/-
15.04.19	Moderate	PCG Equity	High	02.05.19	25,016/-

9.9. Client Mr. Rajesh Pratap Singh: Trifid has sold high risk product despite client's risk category is Medium.

RPF date	Risk category as per RPF	Name of product sold	Product risk category	Invoice/ Payment date	Amount collected (Rs.)
17.05.19	Medium	PCG F&O	High	22.05.19	1,88,800/-

9.10. **IA Regulations:** From the above, it is, *prima facie*, found that Trifid has sold a product/ service, which is suitable for a client having a High Risk appetite, to a client having Moderate Risk appetite and hence, has not acted with due skill, care, diligence, honesty and in the best interest of its clients while selling products/ services to its clients. In view of the same, Trifid has, *prima facie*, (a) failed to provide the investment advice as per the risk profile of clients in accordance with Regulation 17 of the IA Regulations; (b) failed in its responsibility to act in fiduciary capacity to its client, which is entrusted upon it under Regulation 15(1) of IA regulation; and (c) failed to abide by Clauses 1, 2 and 8 of the Code of Conduct of Schedule III read with Regulation 15(9) of IA Regulations. Thus, Trifid has, *prima facie*, violated the provision of Clauses 1, 2 and 8 of the Code of Conduct as mentioned in Schedule III read with Regulation 15(9) of IA Regulations, Regulation 15(1) and Regulation 17 of IA Regulations.

B. Product/ service sold to client prior to risk profiling:

9.11. As per Regulation 17 of the IA Regulations, an IA has to ensure that all investments on which investment advice is provided, is appropriate to the risk profile of the client. In other words, an IA can sell a particular product/ service (and collect payment for the same) to a client only after carrying out the risk profiling. In the following instances, it is observed that Trifid has collected payment from client even before carrying out the risk profiling:

Name of Client	Date of first risk profiling	Date of payment as per first invoice
Mr. Abhay Datar	July 11, 2018	July 09, 2018
Mr. Mohammad Abdul Imran	July 26, 2019	July 24, 2019

9.12. Hence, Trifid has sold its advisory products/ services and collected fees from clients even before it has carried out the risk profiling of the client. Thus, it is,

prima facie, observed that the product/ service had already been sold by the IA and advisory fees had been collected from the client even before the risk profiling to the client was carried out. Further, it is seen that the IA has a 'No Refund' policy i.e., the fees once collected will not be refunded. Hence, it appears that, *prima facie*, Trifid has sold product/ service to client before carrying out the risk profiling in order to earn advisory fees/ profits by selling products/ services without having any understanding of the requirements of the clients. The products/ services sold by Trifid to its clients' could be completely inappropriate to the clients' need, as the risk profiling has not even been carried out. Thereby, the IA has not acted with due skill, care, diligence, honesty and in the best interest of its clients while providing investment advice product appropriate to the clients' risk profile.

9.13. **IA Regulations:** As per Regulation 17(a), an IA has to ensure that investment advice is appropriate to risk profile of the client. From the above, it is, *prima facie*, found that Trifid has not acted with due skill, care, diligence, honesty and in the best interest of its clients while selling services for its clients. In view of the same, Trifid has, *prima facie*, (a) failed to provide the investment advice as per the risk profile of clients in accordance with Regulation 17 of the IA Regulations; (b) failed in its responsibility to act in fiduciary capacity to its client which is entrusted upon it under Regulation 15(1) of IA regulation; and (c) failed to abide by Clauses 1, 2, and 8 of the Code of Conduct of Schedule III read with Regulation 15(9) of IA Regulations. Thus, Trifid has, *prima facie*, violated the provision of Clauses 1, 2, and 8 of the Code of Conduct as mentioned in Schedule III read with Regulation 15(9) of IA Regulations, Regulation 15(1) and Regulation 17 of IA Regulations.

C. Incorrect categorization of 'High Risk' products as 'Low Risk' products

9.14. Trifid has 20 different investment products, which are categorized into Low, Medium and High risk. As per the Business Model submitted by Trifid, while selling the product, risk category of the products is required to be matched with the risk category of the client. Products with low risk are required to be sold to clients with low risk capacity.

9.15. Out of 20 investment products, following 5 derivatives products have been categorized under Low risk category:

Sr. No.	Product Name	Segment	Risk Category
1	Stock Futures	Equity	Low
2	Stock Options	Equity	Low
3	Nifty Tips (Index futures)	Equity	Low
4	MCX Tips, Bullion Pack, Base Metal pack	Commodity	Low
5	Forex Domestic	Currency	Low

9.16. By nature, derivative products such as stock futures, index futures, commodities and currency futures are leveraged products. These products are inherently considered as very risky in the financial world. For example, if a person is recommended to sell a call option on a particular stock at a particular strike price, he earns the fixed premium on the same. However, if the price of that stock increases above the strike price, the loss to such an investor can be huge and even infinite. However, Trifid has categorised the aforesaid derivatives as 'low risk' products.

9.17. **IA Regulations:** It appears, *prima facie*, that Trifid is not taking due care while categorizing the products offered by it. Due to wrong categorization of high-risk products as low-risk products, Trifid is selling these products to low risk or moderate risk clients on the pretext that these products are categorized as low

risk products. Trifid, being a registered IA, knows and understands the high risks involved in such products. It appears that, *prima facie*, Trifid has knowingly misrepresented that derivative products are low risk products. Thus, Trifid has, *prima facie*, violated the provision of Clause 1 of the Code of Conduct as mentioned in Schedule III read with Regulation 15(9) of IA Regulations, Regulation 15(1) and Regulation 17 of IA Regulations.

10. Unreasonable / Unfair Fees Charged from Clients:

10.1. As per Clause 6 of the Code of Conduct specified in Third Schedule of the IA Regulations, an investment adviser, advising a client may charge fair and reasonable fees, subject to any ceiling as may be specified by the Board, if any. I note that the examination has, *prima facie*, found the following instances of collection of unreasonable/ unfair fee:

- 10.1.1. Service fees charged are disproportionate to the annual income/ proposed investment and
- 10.1.2. Locking the clients by advance fee for sale of products without refund.
- 10.1.3. Selling clients two products/ services having different names but the same features

A. Service fees charged are disproportionate to the annual income/ proposed investment:

10.2. It was observed for clients mentioned in the table below that Trifid has charged fees disproportionate to the annual income/ proposed investment of the clients, as disclosed in the respective risk profile forms of the clients.

Sl. No	Name of client	Fees received from client (Rs.)	Annual income as per RPQ (Rs.)	Proposed investment by client as per RPQ (Rs.)
1	Mr. Bharat Bhatt	20,45,506/-	< 1 lac/ 2-5 lacs	50000-5 lacs
2	Mr. Yashwant Hande	7,30,586/-	< 1 lac/ < 50000	50000
3	Mr. Suvarna Rajesh Khandagale	34,16,300/-	> 10 lacs	> 50000 > 5 lacs

10.3. Thus, from the above table, it is, *prima facie*, observed that Trifid has charged fees which are disproportionate either to the annual income or to the proposed investment of the client or to both. In other words, the fees charged by Trifid are not reasonable.

10.4. In order to determine the “reasonableness” of the fee charged by an IA, I note that while no fixed standard can be devised to term whether the conduct of charging fee answers the test of reasonableness, it cannot also be stated that the reasonableness of the fee charged cannot be judged at all. The IA Regulations provide for the principle based determination of fee by an IA indicating that such fees have to be fair and reasonable and the same can be tested as a violation of the Code of Conduct. What is reasonable in a particular circumstance may be the outcome of several competing factors which are relevant for such determination. While determining the reasonableness of the fee, the same has to be seen from the perspective of various factors such as proportionality. It is noted that Trifid has not been fair in its dealing with the clients as outlined above. I, *prima facie*, find that in view of the fee being disproportionate to the annual income and/ or proposed investment of client, the fees are liable to qualify as being “unreasonable”.

B. Locking in clients by collecting advance service fee:

10.5. It is observed that Trifid sells a second subscription, in some cases, multiple subscriptions, of the same advisory product/ service to the same client even before the existing subscription of the same product/ service has ended or has even started. It means that two/ multiple subscriptions of the same product/ service are sold with different service periods and fee has been collected for the subsequent subscription(s) while the first subscription is either active or has not even started. Therefore, if the client is dissatisfied/ doesn't want to continue with the IA after the first subscription has ended, he cannot do so as he has already paid for the subsequent subscriptions of the same product/ service in advance. An illustrative instance for client Mr. Bharat Bhatt is explained below:

Sr. No.	Date of invoice	Product/ Service	Period of product/ service	Amount (Rs.)
1	17.10.17	MCX Combo	October 23, 2017 to December 24, 2017	29,500/-
2	14.11.17	MCX Combo	December 15, 2017 to March 23, 2018	47,200/-

10.6. From the above table, it is observed that the fees for first subscription to the product/ service "MCX Combo" was received on October 17, 2017, with the service to start from October 23 and to end on December 24, 2017. While this first subscription is active, the client has been sold another subscription of the same product/ service. This in effect forces the clients to continue with the services of the IA without any opportunity to sever their ties in case of dissatisfaction with the first subscription as the payment for the subsequent subscriptions have already been paid in advance and there is a 'No Refund' policy followed by the IA.

10.7. The inspection has brought to light similar such instances, which are mentioned in the table below:

Client Name	Date of invoice	Product/ Service	Period of product/ service	Amount (Rs.)
Mr. Bharat Bhatt	30.05.17	Stock Cash	June 05, 2017 to August 05, 2017	11000/-
	31.07.17	Stock Cash	August 08, 2017 to August 20, 2017	3450/-
Mr. Yashwant Hande	18.04.2017	PCG (F&O)	April 26, 2017 to May 16, 2017	68137/-
	20.04.2017	PCG (F&O)	May 17, 2017 to July 05, 2017	60030/-
	27.10.2017	PCG (F&O)	October 30, 2017 to November 12, 2017	41300/-
	30.10.2017	PCG (F&O)	November 13 to 22, 2017	29500/-
	20.04.2017	PCG (Equity)	May 17, 2017 to July 05, 2017	60030/-
	12.05.2017	PCG (Equity)	July 06, 2017 to September 06, 2017	100050/-
	19.05.2017	PCG (Equity)	September 07 to 26, 2017	30015/-
	29.05.2017	PCG (Equity)	September 27, 2017 to November 10, 2017	70000/-
	12.06.2017	PCG (Equity)	November 13, 2017 to January 13, 2018	100050/-
Ms. Suvana Khandagale	12.09.2018	Fundamental Value HNI Premium	September 17, 2018 to July 01, 2019	118000/-
	15.09.2018	Fundamental Value Premium	July 02, 2019 to August 01, 2020	118000/-

10.8. From the above examples, it is observed that fees were collected for subsequent subscriptions even before the tenure of the first subscription ended. This in effect forces the clients to stay with Trifid without any opportunity to sever their ties in case of dis-satisfaction with the service, especially in view of the 'No Refund' policy of the IA.

10.9. It can be seen that, *prima facie*, the modus operandi of Trifid is to sell multiple subscriptions of products/ services to the client within a very short period, with each subscription for a different duration and thereby, extract more and more service fee from the client, with no possibility of refund in case client is not satisfied with the service. It can also be seen in some instances that the payment is taken well in advance for a product/ service which will be delivered months later.

10.10. From the above, it is observed that Trifid has charged unfair and unreasonable fees from its clients without considering the annual income and/ or proposed investment of the clients. Trifid has adopted dishonest business practices by making the client subscribe to multiple subscriptions to the same product/ service, while one subscription is still active, and has therefore, charged unreasonable fee through this practice. These acts of Trifid i.e., the manner in which Trifid has charged fees to its clients, are, *prima facie*, purely meant to generate more and more service fees for itself and is clearly not in the best interests of the clients.

10.11. Thus, the above mentioned way in which Trifid has sold products/ services to its clients is not fair and is not in the interest of clients and Trifid did not exercise due skill, care, diligence and honesty in selling the products/ services to its clients. It is, *prima facie*, found that Trifid has charged unfair and unreasonable fees from its clients and has not acted with due skill, care, diligence and honesty while charging advisory fees from the clients. They have had no regard to client's best interest and have not acted in the fiduciary capacity in which an IA is supposed to be associated with its client.

10.12. **IA Regulations:** In view of the above, Trifid has, *prima facie*, (a) failed in its responsibility to act in fiduciary capacity to its client which is entrusted upon it under Regulation 15(1) of IA regulation and (b) failed to abide by Clauses 1, 2, 6 and 8 of Code of Conduct of Schedule III read with Regulation 15(9) of IA Regulations. Thus, Trifid has, *prima facie*, violated the provisions of Clauses 1, 2, 6 and 8 of Code of Conduct as mentioned in Schedule III read with Regulation 15(9) of IA Regulations and Regulation 15(1) of IA Regulations.

C. Services not provided to clients even though advisory fees were paid by the client

10.13. At the time of inspection, advisory services of Trifid offered to its clients were analysed on a sample basis. Trifid provides investment advice/ message to its clients on the mobile number of its clients. The invoices raised by the Trifid includes the contact no. of its clients on which message/ investment advices are sent. The invoice also includes the date of payment made by the client. From the analysis of message logs and invoices raised in the name of clients, it is observed that Trifid has raised the invoices and mentioned the period for which investment advices / message has to be offered to the client on the contact no. mentioned on the invoices. However, from the message logs of the respective client, it is observed that in certain cases the investment advice/ message has not been sent by Trifid for the period mentioned on the respective invoices.

10.14. **Client Mr. Vishu Mittal:** In case of Mr. Vishu Mittal, it is noted that Advisory services/ messages has been provided to the client starting from May 04, 2018. From the details of invoices raised, payment has been taken for period starting from January 10, 2018, and covers the service duration beyond May 04, 2018. It appears that, *prima facie*, while payments have been taken from the client, no advisory services/ messages have been provided by the Trifid to the client until May 4, 2018.

10.15. **Client Mr Akhilesh Kumar Choudhary:** In case of Mr. Akhilesh Kumar Choudhary, it is noted that Advisory services/ messages has been provided to the client starting from December 17, 2018. From the details of invoices raised, payment has been taken for period commencing from January 11, 2018. It appears that, *prima facie*, while payments have been taken from the client, no advisory services/ messages have been provided by the Trifid to the client until December 17, 2018.

10.16. **IA Regulations:** From the above, it is observed that, *prima facie*, though advisory fees were collected from the clients, no services were provided to the client for a substantial period. It shows that Trifid has, *prima facie*, not acted honestly and fairly with its clients. In view of the same, I find that Trifid is, *prima facie*, in violation of Clause 1 of the Code of the Conduct read with Regulations 15(1) and 15(9) of the IA Regulations.

Issue No. 2: Whether Trifid has, prima facie, violated any provisions of the SEBI Act read with the PFUTP Regulations?

11. In the instant matter, it is, *prima facie*, found that:

- 11.1. Trifid has carried out multiple risk profiling of clients over a very short period of time and the answers to the questions have undergone changes, sometimes even on the same day, without any justification. Thus it appears that the responses to these questions have not been sought from the client and the same cannot be relied upon.
- 11.2. Trifid has sold products/ services to its clients which are not appropriate as per their risk profile. Trifid has, immediately after on-boarding clients, sold these clients multiple subscriptions of derivative/ forex products/ services for which the client does not have the relevant experience. It is observed that the monthly charge for “Stock Cash” is Rs. 6,900/-, while the charge for monthly subscription of “Stock Futures”, which is a derivative service, is Rs. 8,000/-. It is noted that derivative products/ services are much costlier than products/ services in the cash/ equity segment. Thus it appears to have been done with the objective to generate more fees for itself.
- 11.3. Trifid has sold products/ services and charged advisory fees from the clients without communicating the risk profiling of the client, to the client, with an aim

to earn advisory fees/ profits without understanding the requirements of the clients. Hence, the client did not have an opportunity to verify whether his/ her risk category was correctly determined by the IA.

- 11.4. Trifid has sold products/ services to its clients which are not appropriate for them as per their risk profile. It has sold a high risk product/ service to a client who has a moderate risk appetite. The monthly charge for a high risk product/ service sold i.e., “PCG Equity” is Rs. 49,000/-, while a moderate risk product/ service, such as, “Equity Fortune Pack”, which was actually suitable for the client costs Rs. 16,100/- per month. It is noted that High Risk products are more expensive than Moderate Risk products and by selling such products, the IA is in a position to earn more service fee and thus it appears to have been done with the objective to generate more fees for itself.
- 11.5. During the risk profiling, Trifid has received information relating to proposed investment amount and annual income. Despite having known these financial details/ facts, Trifid has charged exorbitant amount of fees from clients. It is observed that Trifid did not pay any attention to the financial information of client, which is part of the risk profile. Hence, Trifid, by knowingly charging fees in the said manner, has deceived its clients with an intention to maximize its income through fees.
- 11.6. Trifid has knowingly sold multiple subscriptions of the same product/ service to same clients for future period, while an existing subscription is still active. Hence, if the client was dissatisfied/ did not want to continue after the first subscription finished, then he did not have any option to discontinue the service since the fees for subsequent subscriptions has already been paid in advance, with no possibility of refund. Trifid has acted in the said manner with an objective to maximize its income through fees and has kept its own interest ahead of its client's interest.

12. As per Regulation 3 of PFUTP Regulation, no person (including an IA) shall directly or indirectly use or employ any scheme or device to defraud, in connection with dealing in securities; or engage in any act, practice, course of business which operates as fraud or deceit upon any person (clients) in connection with any dealing in securities in contravention of the provisions of the Act or the rules and the regulations made there under.
13. The modus operandi adopted by Trifid, discussed hereinabove, *prima facie*, shows that Trifid was actually not practicing investment advisory in the manner envisaged under the IA Regulations, which essentially would involve advising the client considering his/ her financial situation, risk appetite, financial goal, etc. However, it is, *prima facie*, found that Trifid is knowingly acting in a deceitful manner, by:
- 13.1. Selling its advisory products and collecting fees from the clients before carrying out the risk profiling of said clients,
 - 13.2. Multiple risk profiling of clients carried out over a very short period of time, with answers to the questions having undergone changes, sometimes even on the same day, without any justification,
 - 13.3. 'High Risk Category' product / services sold to 'Medium Risk Category' clients,
 - 13.4. Charging fees from clients which are disproportionate to their annual income/ proposed investment,
 - 13.5. Knowingly selling multiple subscriptions of the same product/ service to same clients for future period, while an existing subscription is still active, which has the effect of locking in the client to the IA, as IA has a 'No Refund' policy and
 - 13.6. Selling products/ services to clients but not providing them with the advisory service.
14. The above activities, *prima facie*, are the devices adopted by Trifid to defraud its clients in connection with their dealings in securities. Hence, Trifid is, *prima facie*, running a scheme and defrauding its clients, with an intention to maximize its income

through advisory fees by employing the above said devices, without keeping in mind the requirements of the clients and keeping its own interest ahead of its client's interest.

15. Thus, the findings of the preliminary examination and the overall modus operandi discussed in this order, *prima facie*, shows that a scheme is knowingly employed by Trifid to defraud its clients in connection with their dealings in the securities and to maximize its revenue generation at client's expense. Thus, the above discussed non-genuine and deceptive "advisory" activities of Trifid are, *prima facie*, fraudulent and are covered under the definition of "fraud" under Regulation 2(1)(c) of the PFUTP Regulations. Thus, Trifid, through its fraudulent act/ scheme as discussed above, has, *prima facie*, violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act, 1992, and Regulations 3 (a), (b), (c) and (d) of the PFUTP Regulations.

Issue No. 3: If answers to Issue No. 1 or 2 are in affirmative, who are responsible for the violations?

16. I note that Trifid is responsible for the above mentioned, *prima facie*, violations of the provisions of the SEBI Act and of the IA and PFUTP Regulations. The details of the partners of Trifid, as per available records, are as below:

Sl. No.	Name of the Partner	Tenure	Share in profit/loss	Remuneration
1	Mr. Vivek Tyagi	October 18, 2013	95%	50%
2	Ms. Lidya Thomas		5%	50%

17. As per Section 25 of the Indian Partnership Act, 1932 (hereinafter referred to as "**IPA**"), "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". Section 25 of the IPA deals with situations where the act of the firm has caused loss / injury to a third party. In this

regard, reference can be also made to Sections 26, 27, 45, 48(b)(i) and 49 of the IPA which deal with the liability of the firm towards third parties. The liability of acting partners and non-acting partners (collectively known as firm) for the injury to the third party is an outcome of joint and several liability of such partners under the IPA, irrespective of whether the conduct (act of the firm) which gave rise to the loss/injury to the third party falls is also a violation of any provision under securities law.

18. However, a partner who indulges in such conduct/ omission, is also liable under securities laws, if his act/ omission results in the violation of any provision under securities law. I note that for the contravention of law committed by the firm, apart from the firm, the partners of the firm who, at the time of contravention, were having knowledge of the said contravention or the partners whose neglect contributes to the contravention of law, are also liable for said contravention of law committed by the firm. The said principle is embodied in Sections 27(1) and 27(2) of SEBI Act.

19. I note from the partnership agreement dated October 18, 2013, that both the abovementioned partners shall be actively involved in the management of the profession. There is no material on record to indicate that any of the partners of Trifid have taken any steps to prevent the firm from committing the, *prima facie*, violations observed against it. In view of the provisions of Section 27 of the SEBI Act, I am constrained to hold that all the partners mentioned in the table above, are, *prima facie*, liable with Trifid for their activities, for their respective tenures as partners, for contravention of provisions of the SEBI Act, the IA Regulations and the PFUTP Regulations by Trifid.

Issue No. 4: If answers to Issue No. 1 or 2 are in affirmative, whether urgent directions, if any, should be issued against Trifid?

20. An IA has to comply with all the provisions of the IA Regulations which enables it to effectively discharge its functions in the interest of the investor. In all the aforesaid,

Trifid and its Partners have fallen short of requirements as envisaged under the IA Regulations. Further, a SEBI registered intermediary should not abuse the certificate of registration granted to it, in any manner.

21. It is observed that on the website of the IA it has been mentioned that from March 2020, due to Covid-19 pandemic, the IA has stopped its business operations. It has claimed that it is not offering any services to any client except existing customers. As discussed in preceding paragraphs, the conduct of the IA has been, *prima facie*, found to be fraudulent in nature and is also in violation of the IA Regulations, thus, it is imperative that existing clients are to be safeguarded from the activities of IA, which are, *prima facie*, not as per the provisions of applicable laws.
22. As a regulator of the capital markets, SEBI has the duty to safeguard the interests of investors and protect the integrity of the securities market. In the instant case, since the conduct of Trifid and its partners, as mentioned above, does not, *prima facie*, appear to be in the interest of investors and the securities market, necessary action has to be taken against them immediately, else it may lead to loss of investors' trust in the securities market. Considering the facts and circumstances of this case and the fraudulent scheme, plan, device and artifice as, *prima facie*, found in this case, I am convinced that this is a fit case where effective and expeditious preventive and remedial action is required to be taken by way of ad interim ex -parte order to protect the interests of investors and preserve the safety and integrity of the securities market. Such action needs to be taken not only to prevent any further harm to the existing investors but also to new/ prospective investors.
23. It has already, *prima facie*, been found that many of the clients of Trifid have been sold services without any consideration of their financial situation, investment objective and risk profiling. The selling of such plans goes against the customized advice which would be required to be given based on the investors' risk profile. This requirement of risk profiling goes to the very root of suitability of investment advice as

clients are required to get the investment advice based on their risk profile. Exposing the existing clients to such advice, which has no co-relation to their risk profile, is against the interest of those investors. Thus, in order to prevent the existing clients from getting such advice which has no co-relation to their risk profile, urgent steps need to be taken against Trifid. Further, as discussed hereinabove, the very nature of the investment advisory activity being practiced by Trifid and its Partners has been found to be, *prima facie*, fraudulent and in violation of the provisions of the PFUTP and IA Regulations. In view thereof, allowing Trifid to continue its services to its existing clients, regardless of whether they have complained against Trifid or not, would tantamount to allowing the, *prima facie*, fraudulent investment advisory activity to continue, which will be inimical to the interests of clients and will also be in contravention of what has been envisaged under the IA Regulations.

24. It is noted that permitting an investor to receive a service from Trifid is, *prima facie*, not in consonance with the IA Regulations. Availing of the services from Trifid is detrimental to investors as Trifid and its Partners have not acted in the best interest of their clients but have only acted towards maximizing revenue/ profits through the fees charged. The acts of Trifid are not honest and fair towards its clients and results in giving advice to investors, which is not in accordance to their risk profile or as per their investment objective or as per their financial health. Exposing investors to such service also has the effect of interfering with the development of securities market, as victim 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.
25. Further, if an ex-parte order is not passed, existing investors may have to part with large fees and investment resulting into irreparable injury to themselves as the advice given for which Trifid and its partners are responsible, may not be as per their risk tolerance and the product offered to them may not be suitable as per their investment

objectives and investment time horizon. However, if an ex-parte order is passed, what is at stake is right of the current entity herein vis-a-vis multitude of prospective and current clients of the entity. 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. The potential loss of the investors by following the advice of Trifid and resultant loss of investor’s confidence and reliability of securities market, cannot be retrieved, if, *prima facie*, Trifid is permitted to carry out its irregular investment advisory service. Therefore, I consider the balance of convenience is also not in favour of Trifid.

26. I, therefore find that pending conclusion of enquiry in the matter, in view of the, *prima facie*, evidence against Trifid, it is also essential to take urgent steps to prevent Trifid 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.

27. Considering the above, in my view, the balance of convenience lies against Trifid and immediate steps needs to be taken against Trifid to protect the investors / clients from freshly subscribing to or continuing to get such, *prima facie*, fraudulent, inappropriate/ unsuitable investment advisory service by Trifid.

28. With respect to the Partners of Trifid, as mentioned in the preceding paragraphs, I have already held that they were, *prima facie*, responsible for the operations of Trifid during the time periods when the above mentioned violations of the IA and PFUTP Regulations have occurred. I note here that, *prima facie*, these Partners have also played a part in the fraudulent scheme that has been perpetrated on the clients of

Trifid and as such, their conduct has been fraudulent. Therefore, I consider the balance of convenience is also not in favour of the Partners of Trifid.

ORDER:

29. In view of the foregoing, pending conclusion of enquiry, in order to protect the interests of the investors and the integrity of securities market, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11B(1) 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, which shall be in force until further orders:

29.1. *Trifid Research and its partners, Mr. Vivek Tyagi and Ms. Lidya Thomas, are directed:*

29.1.1. *not to access the securities market and buy, sell or otherwise deal in securities or associates themselves with securities market, in any manner whatsoever whether directly or indirectly,*

29.1.2. *to 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;*

29.1.3. *not to divert any funds collected from investors, kept in bank account(s) and/or in their custody;*

29.1.4. *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;

29.1.5. 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 the name of Trifid, including money lying in bank accounts except with the prior permission of SEBI;

29.1.6. to immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, communications etc., in digital mode or otherwise, in relation to its investment advisory activity or any other activity in the securities market;

29.1.7. to remove all contents from website immediately and display only the content in its website that SEBI has passed interim order dated March 30, 2021, reproducing the directions mentioned in paragraph 29 and submit copy of the relevant web page to SEBI within five working days from the date of the receipt of this Order.

29.2. If any of the Noticees have any open position 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. The Noticees, 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.

29.3. The Depositories are directed to ensure that they neither permit any debits nor any credits in the demat account(s) held by Trifid till further directions. The

Depositories are also directed to ensure that they neither permit any debits nor any credits in the demat account(s) held by the other Noticees, either jointly or individually, till further directions.

29.4. The Registrar and Transfer Agents are directed to ensure that they neither permit transfer nor redemption of the securities, including Mutual Fund units, held in the name of Trifid till further directions. Further, the Registrar and Transfer Agents are directed to ensure that they neither permit transfer nor redemption of the securities, including Mutual Fund units, held in the name of the other Noticees, either jointly or individually.

30. The, *prima facie*, observations contained in this Order, are made on the basis of the material available on record. In this context, the Noticees, 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.

31. The above directions shall take effect immediately and shall be in force until further orders. This Order is without prejudice to the right of SEBI to take any other action that may be initiated against the Noticees, in accordance with law.

32. A copy of this Order shall be served upon the Noticees, Stock Exchanges, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions.

Sd/-

Date: March 30, 2021

Place: Mumbai

MADHABI PURI BUCH

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA