

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

CONFIRMATORY ORDER

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

In Re: 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 Entities	Registration Number/DIN	PAN
1	Bull Research Investment Advisors Private Limited	INA000010210	AAHCB1200H
2	Ashif Shaikh	07733482	BGDPS3081F
3	Vinit Satpute	07737200	EBMPS2703F
4	Sandeep Kushwaha	08176753	DPBPK9313F

1. Bull Research Investment Advisors Private Limited, (hereinafter referred to as 'BRIA' or "IA") is registered as an Investment Adviser ('IA') under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013

(hereinafter referred to as '**IA Regulations**') with effect from April 2, 2018, having SEBI Registration No. INA000010210. Its registered office is at 209, Karamchari Colony, Dewas, Madhya Pradesh, 455001. Its website address is www.bullresearch.in. BRIA is a company having CIN: U74999MP2017PTC042843 and its directors are Mr. Ashif Shaikh, Mr. Vinit Satpute and Mr. Sandeep Kushwaha.

2. SEBI received complaints in SCORES against BRIA. The complainants alleged that the IA was offering assured returns and that they incurred loss due to inappropriate advice given by BRIA, IA was taking Payments in the name of family members, taking payments without due-diligence on risk appetite and financial condition, not refunding the service charges, etc. In view of the complaints received, SEBI conducted an examination in relation to the affairs of BRIA. The examination entailed, *inter alia*, an analysis of the details available on the website of BRIA, complaints filed by the complainants against BRIA and documents attached with complaints such as Risk Profiling Form ("**RPF**"), Know Your Client, Invoices/Receipts issued to clients, etc. The preliminary examination, documents, written communications and other material on record led to an *ad interim ex parte order* ("**Interim Order**") dated January 25, 2021, with the following *prima facie*, observations and findings:

- 2.1. That BRIA has sold products/services to clients and implied assurance of huge target/returns to clients by giving the assurance to clients that services will continue till target returns promised by BRIA are achieved.
- 2.2. BRIA sold products and charged advisory fees from the clients without knowing the suitability of said services for respective clients and has taken payment even before carrying out KYC, Risk Profiling of clients and suitability assessment of services.
- 2.3. BRIA has not done the Risk Profiling of the clients appropriately.
- 2.4. BRIA has inappropriately relied upon the waiver of suitability of products/services.

- 2.5. The above actions, *prima facie*, are the devices adopted by the BRIA to defraud its clients in connection with their dealings in securities. Hence, BRIA is *prima facie* found to be running a scheme and defrauding its clients, with an intention to maximize its income through advisory fees by employing above said devices, without caring for client's needs and keeping its own interest ahead of its client's interest.
3. In view of the above observations, it was found, *prima facie*, that the Noticee had violated the following provisions:
- 3.1. BRIA and violated provisions of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as “**IA Regulations**”);
- 3.2. BRIA had violated the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”)
4. In view of the above, following violations by the directors were also noted;
- 4.1. Mr. Ashif Shaikh, Mr. Vinit Satpute and Mr. Sandeep Kushwaha are the directors of BRIA and persons in charge of the affairs of the Company and the violations are continuing in nature and hence, these directors are *prima facie* responsible for the violations of IA Regulations and PFUTP Regulations committed by BRIA.
- 4.2. Mr. Ashif Shaikh, Mr. Vinit Satpute and Mr. Sandeep Kushwaha are also, *prima facie* in violation of Clause 9 of the of the Code of Conduct as mentioned in Schedule III read with Regulation 15(9) of IA Regulations.
5. In view of the *prima facie* violations of the provisions of securities laws and the findings against the Noticees, SEBI, vide an interim order dated January 25, 2021, passed the following directions against the Noticees:
- 5.1. *Bull Research Investment Advisors Private Limited and its directors viz., Mr. Ashif Shaikh, Mr. Vinit Satpute and Mr. Sandeep Kushwaha, are directed to:*

- 5.1.1. *not to access the securities market and buy, sell or otherwise deal in securities in any manner whatsoever, directly or indirectly;*
 - 5.1.2. *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;*
 - 5.1.3. *not to divert any funds collected from investors, kept in bank account(s) and/or in their custody;*
 - 5.1.4. *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 its name, including money lying in bank accounts except with the prior permission of SEBI.*
 - 5.1.5. *immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, communications etc. in relation to their investment advisory activity in the securities market.*
 - 5.1.6. *provide a full inventory of all assets held in its 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.*
 - 5.1.7. *remove all contents from its website immediately and display only the content in its website that SEBI has passed interim order dated January 25, 2021 reproducing the directions mentioned in paragraph 31 and submit copy of the relevant web page to SEBI within five working days from the date of the receipt of this order.*
- 5.2. *If BRIA or its directors have any open position in any exchange traded derivative contracts, they are permitted to close out/ square off such open positions within three months from the date of receipt/knowledge of this order*

or at the expiry of such contracts, whichever is earlier. They 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.

5.3. *The Depositories are directed to ensure, that they neither permit any debits nor any credits in the demat accounts held by:*

- a Bull Research Investment Advisors Private Limited*
- b Ashif Shaikh either individually or jointly*
- c Vinit Satpute either individually or jointly*
- d Sandeep Kushwah either individually or jointly*

5.4. *The Registrar and Transfer Agents are directed to ensure, till further directions, that they neither permit any transfer nor redemption of the securities, including Mutual Funds units, held by:*

- a. Bull Research Investment Advisors Private Limited*
- b. Ashif Shaikh either individually or jointly*
- c. Vinit Satpute either individually or jointly*
- d. Sandeep Kushwah either individually or jointly*

6. Service of the interim order, replies and hearing to the Noticees:

6.1. The interim order was served by Post vide letter dated 27.01.2021. The deliver status of the same is as follows:

S.No.	Noticees	Status of delivery
1	Sandeep Kushwaha	Delivered
2	Ashif Shaikh	Delivered
3	Vipul Satpute	Delivered
4	Bull Research Investment Advisory Pvt. Ltd (Address 1)	Delivered
5	Bull Research Investment Advisory Pvt. Ltd (Address 2)	Undelivered Returned

6.2. The interim order was also served to the Noticees vide email dated January 25, 2021

6.3. Response was received from BRIA vide email dated February 01, 2021, confirming receipt of the interim order, providing preliminary information of bank and demat account of BRIA, assets details of BRIA and confirming removal of the content from website and displaying details of SEBI order, as directed in the interim order. However the details sought from the Directors as per the direction contained in para 31.1(f) of the interim order has not been provided.

6.4. A joint reply to the interim order was received vide letter dated February 15, 2021, from all the Noticees.

6.5. Notice of Hearing was sent vide letter dated 15.03.2021 to BRIA and the same was delivered at the address. Simultaneously, an email containing the scanned copy of letter was also sent on same date.

6.6. All the Noticees availed the opportunity of personal hearing on March 31, 2021, and were represented by an authorised representative jointly. During the personal hearing, the authorised representative reiterated the submissions made vide letter dated February 15, 2021, and requested for a lenient view.

7. I shall now proceed to examine the submissions made by the Noticees vis-à-vis the findings of the Interim Order.

Replies and Submissions of Noticees

8. The replies and submissions dated February 15, 2021, are *inter alia* summarized below:

8.1. Internal policy of limited services is followed and services provided after KYC documents are received and risk profiling determined. Based on risk profile,

suitable product is recommended to client. Clients are not allowed to subscribe to all services as it may or may not be suitable to them.

- 8.2. All clients are explained the scope of services and manner in which services will be provided. Although the word "Target" was mentioned, the intention was not to give any assurance or guarantee, hence, the words 'Not Guaranteed / Not Assured' were mentioned along with the word "Target". Client was made aware of the same and has signed the documents.
- 8.3. In case of Mr. Yagnesh Rawal too, the same process was followed. Though he was insisted to not subscribe to the entire services but suitable services, yet he took more services. This is evident from the fact that he paid for the different services opted for. After deliberations with Mr. Yagnesh, he insisted that his family members be also on-boarded for subscribing to other services. The emails from each of them clearly states they were well aware of service for which the amount they paid. KYC procedure and Risk profile of all the family members was done and proper records are maintained for the same.
- 8.4. The invoices issued to the clients also mentioned the service tenure as some trading sessions or target amount whichever occurs earlier. Hence BRIA never had any intentions to promise or guarantee returns. There could be a possibility where the service would end as soon as the number of trading sessions as mentioned in the invoice would have completed. In such cases, the service will not continue till target is received.
- 8.5. We agree that 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. Hence the same has been communicated to clients via a document which is signed by the client and the same is received from the client via. email.
- 8.6. We have never attempted to induce the client to subscribe to our advisory service. In fact in case of Mr. Yagnesh and his family, Mr. Yagnesh himself insisted to let his family subscribe to our advisory services.
- 8.7. We have always acted honestly, fairly and in the best interests of our clients. All the terms and conditions of availing our advisory services are clearly mentioned to the clients and the same are accepted and signed by the client.

The clients are at free will to upgrade the services based on the suitability of the service and are never forced or threatened to avail our other services. No such instance has ever been recorded at our end. We request you to kindly consider the same.

- 8.8. BRIA has provided investment advice only after the KYC and Risk profile of the Mr. Yagnesh and his family is done as required under the IA regulations. Even if BRIA has raised invoices for subscribed services and collected fees before doing the KYC, Risk Profiling and Suitability Assessment of the clients, investment advice is given only after the KYC and risk profiling is done.
- 8.9. As per regulations 16(a), 16(b)(ii) read with regulation 17(a) of IA Regulations, rendering of investment advice shall be done only after obtaining information from the client for carrying out his risk profiling, identifying whether client is unwilling or unable to accept the loss of capital for ensuring that investment advice provided is appropriate to the risk profile of the client. The same is followed by BRIA i.e. the investment advice is given only after KYC and risk profiling of the client is done.
- 8.10. The risk profile of the clients was determined based on the score of the answers provided by the family members. The same is agreed by the clients via emails.
- 8.11. Mr. Yagnesh insisted on subscription of the services by the family members. The family members were willing to take the risk associated with subscribing to our services and hence agreed to sign declaration related to suitability assessment of the services provided by us. Each of the members have signed the documents as well as send confirmation from their email ids only.
- 8.12. We always intended to do business in the rightful way. BRIA's team has never intended to make any of the clients suffer losses. Investments in securities markets are subject to market risk and the same has been mentioned in the documents, signed by the clients. We have always informed our clients that our calls may go wrong. We have never maintained or mentioned that all our calls will be accurate or profitable.
- 8.13. We are willing to share more details with SEBI, if required.

Prayer made by noticees

- 8.14. As mentioned in the notice, a complaint was received against BRIA by SEBI. We wish to state that the Client did not approach us directly for the issue or complaint and directly contacted SEBI. We have never exploited any of the clients for money. In fact, we have clients who have continued to subscribe to the products and services and are happy with the services. We can share copies of testimonials of our clients, if required.
- 8.15. We have paid salaries to all the employees on time. We have paid income tax and other applicable taxes on time. The balance amounts are kept in the bank accounts as is and are not used for any wrongful purpose. We request SEBI to consider our proper working in the same as till date there has been no defaults from us in any manner.
- 8.16. We do not have any intentions to divert the fees received from our clients which are kept in the bank accounts.
- 8.17. The client had already filed complaint against us in year 2019, the response of which was submitted by us in SEBI Indore office.
- 8.18. On directions of SEBI's Indore office, the Vijaynagar, Indore, police on December 16, 2020 raided our office in an improper manner and detained our office executive. They also seized and closed our entire office. We are not sure if they are even permitted by SEBI to take such harsh action. This defamed the name of our company in a very adverse manner. A lawsuit has been filed against us which is pending under the Hon'ble Court of India. We were treated in the similar way every unregistered company in the Indore city is treated. This has harmed even the families of the directors mentally and financially. We are facing a double wrath for this only complaint against us from both ends. SEBI is requested to kindly consider the same and provide us any relief.
- 8.19. Since the start of our working, we have received a total of only 10 genuine complaints of which 9 were duly resolved by us even before the time limit given

to us. The 1 pending is by Mr. Rawal only. This shows our excellent working and satisfactory client base to which we would like to request SEBI to provide their kind consideration too. Less than 1% of dissatisfaction can arise in any industry and any business. Our proper working is really outshined by this in a city where other companies have a huge number of similar complaints. We request SEBI to please be kind in considering this fact too.

- 8.20. The order against us has put all our existing clients in a mid-situation as we are unable to deliver the services from our end. We are generously interested to carry on our work in even better manner in the coming future and request SEBI to provide us the opportunity for the same.

Relief requested by Noticees

- 8.21. Request SEBI to at least give directions to ICICI Bank LTD. and HDFC Bank LTD. to unfreeze the bank account of the Company to pay salaries of employees who are dependent on BRIA for their living.
- 8.22. SEBI to kindly give directions to unfreeze our demat accounts of the individual directors to take care of family and provide a financial aid.

Consideration of Issues:

9. I have considered the oral and written submissions made by the Noticees. The issue to be considered at this stage is as follows:

Whether in light of the facts and circumstances of the case, the findings of the interim order and the submissions of the Noticees in response thereto, the directions issued against the Noticees vide the interim order need to be confirmed, revoked or modified in any manner?

10. The consideration of the issues in light of the written submissions made by the Noticees is contained in subsequent paragraphs.

10.1. The noticees have contended that although the word "Target" was mentioned, the intention was not to give any assurance or guarantee about the same. The client was made aware of the same and that the client has signed the documents. The Noticee has contended that it does not give Guarantee / Assurance of any "Target" to its investors; instead it is committing to its clients that it will continue to provide investment advisory services to its clients till such time that the "trading session" or the "target" is achieved. Further the document on market risk of investment loss has been communicated to clients which is signed and sent back by the client.

10.2. I note that the Noticee is assuring the client that if he/she continues to act on the investment advice given by the Noticee, he/she will achieve a certain quantifiable return, at some time or the other. In my view this constitutes as assurance of the Target return. This aspect is further strengthened by the observation that, on the invoice "Target" return has been clearly quantified in terms of absolute amount, for example, Rs.26,00,000/- within a service tenure of trading session 249-899, with a proposed investment of less than 1 Lac and service fee of Rs 92,311.50. The intent of the Noticee in representing to the clients that the payment received is for delivery of a target "X" amount within a service tenure, is clear from the same. It is a known fact that all investments in the securities market are subject to market risk and a particular return, or for that matter, any form of return on an investment cannot be guaranteed or assured, no matter how long the period for which the investment is held or advice on that investment is offered to the client. I note that the Noticee, being a registered SEBI intermediary, having obtained the necessary certifications, is well aware of this and has also admitted this fact and despite this knowledge, has provided such an assurance to its clients.

10.3. Noticees have admitted to the securities market risk and that investment made in the securities market can run into losses or even become zero. Hence, the words 'Not Guaranteed / Not Assured' were mentioned along with the word "Target". Further the noticees have also contended there could be a possibility where the service would end as soon as the number of trading sessions have completed without target achieved. I find that the Noticees, through the use of this words "target" return, is committing to the client that he/she will achieve the "target" mentioned in the invoice by acting on the investment advice provided. I find that the commitment of the Noticee to the client that the service offered will continue till the "target" is achieved, tantamount to offering an assured/guaranteed return and is grossly misleading, and an active concealment of the fact that any return on an investment cannot be guaranteed as all investments in the securities market are subject to market risk. There may be a scenario where the capital deployed by the investor gets eroded as the investment advice provided by the Noticee turns out to be incorrect due to market risk. In such scenario, it does not matter if the Noticee has also provided stop loss figures as part of its advice, as the same will only limit the loss and not eliminate loss on the trade, and, in case of series of transactions a large part of the capital of the investor can also be lost, with no possibility of it being recovered with the meagre capital. I find that a mere statement in the invoices that the "Target" return is 'not guaranteed / not assured', document on market risk nor the contention that the tenure of trading sessions could complete before the target being achieved, cannot dilute the conduct of the Noticee by concealing the fact the no guarantee or assurance is possible in the securities market and making false representations and giving assurances, that it can deliver the "Target" return. The contention that it's just a statement and may be not achievable by the clients as the trading session may end before the target achieved and investors may not achieve the target, these only makes the Noticees "statement" even worse. If the Noticees know that the investments are subject to market risk, cannot make any representation

that, they can deliver a “Target” return or to say that it can generate returns with any level of assurance irrespective of the tenure. Therefore, it is clear that Noticees are making assurances of the “Target” which they know cannot be assured. The Noticees cannot escape liability for making such misrepresentation to the investor merely on the ground that the investor has consented to the service and was made aware that his investments are subject to market risks or that the trading session may also end before the target being achieved. Hence, I am of the view that the assurances of the Noticees to the investors are grossly misleading and concealment of the facts.

- 10.4. Noticees have contended that, even if BRIA has raised invoices for subscribed services and collected fees before doing the KYC, risk profiling and suitability assessment of the clients, investment advice is given only after the KYC, risk profiling and suitability assessment is done. I note here that the noticees have admitted that they have received the payment before KYC, risk profiling and suitability assessment of the clients, however, contended that the investment advice is given only after full risk profiling and suitability assessment of the client. However, no documentary evidence has been placed on record to substantiate this contention. It is also noted from the terms and conditions that the Noticees have no refund policy for the fees collected. As is admitted that payment for the services/product was made beforehand before the risk profile and suitability assessment, it may be possible that the product/services offered is non-commensurate with the risk tolerance and appetite of the client and unsuitable to the client. Further it is inconceivable on how for the product/services for which the payment has already been made without risk profiling may be suitable to clients, since the same is done afterwards. Since there is “no refund” policy after upfront receipt of fees, this in effect shows that the client is stuck with the product/service irrespective of what his subsequent risk profiling arrived at by the Company. Thus the contentions of the Noticees have no meaning.

10.5. The Noticee has contended that it has not insisted that the clients make payment and take various different services/packages and the same was taken with free consent and full knowledge of the client, which is evident from the payment made and declaration of suitability assessment (suitability waivers) agreed by the clients. It is noted from the suitability assessment provided to the client that it contains that, *"It is clearly been communicated to you that high risk profile services may be more risky but you still has opted that"*. I note here that the noticees have not provided any documentary evidence conveying or communicating or counselling the clients that the product/services chosen/offered are not appropriate and suitable based on the risk appetite of the clients. I also note here that, the test of suitable product/service by IA to any client cannot be tested based on *"agreed to and paid"* by the client just because the client has made the payment or even more so where the payment is made before the risk profiling is even done. It is also noted and has been brought out in the interim order that the consent of the clients has been taken in the nature of suitability waiver rather than as explicit consent from the clients. The same can be seen through the point in the suitability assessment, *"to revert back in case of dissent in 24 hrs else it will be assumed as accepted"*. From the above facts, it is noted that the noticees have relied on waiver of suitability assessment of the clients, than the appropriateness of the services based on the risk appetite of the clients. Further to this, I note that the suitability assessment also contains that, *"You with your free consent & sound state of mind accept the services & willingly want to work upon our services despite of your age and risk profile"*. As from this declaration being taken, it is quite obvious that product/services availed/offered to the clients was not appropriate and also not commensurate with the risk profiling and suitability. It is important to note that conducting an objective assessment of the risk profile/ appetite of the clients as provided in the IA Regulations is incumbent on the Investment Adviser. For instance, Regulation 16(b) insists upon a process for

assessment of risk which the client is willing to take (subjective criteria) and able to take (objective criteria). I note that there may be cases where the client is willing to accept the risk of capital (subjective criteria), however, he/she may not have the capacity to absorb the loss (objective criteria). Further Regulation 17(e) of IA Regulations on suitability requirement, indicates that the recommendation has to be consistent with his/her “capacity for absorbing loss” (objective criteria) and appropriate with the risk profile of the client as per Regulation 17(a), which can include the willingness to take risk (subjective criteria). However, such blanket suitability waivers as in this case, only nullifies the protection given to the investors by mandating the IA to follow the mix of mandatory criteria and subjective criteria for selection of suitable products. If the Noticees argument on receipt of payment and suitability assessment declaration were to be accepted, there would be no need for any IA to do any risk profiling and suitability assessment. They could simply take “suitability waiver” from clients and sell them any/all products no matter how unsuitable. Clearly, this is not the intent of the IA regulations and any such interpretation would render the regulations infructuous. Therefore the contention of the Noticees cannot be accepted.

- 10.6. The Noticees have contended that they have done risk profiling and suitability assessment and the same is determined based on the score of answers and sent to client via email. With respect to this contention, I note that the Noticees have not provided any documentary evidence demonstrating the suitability of the products/services being offered to the clients’ commensurate with the risk profiling and suitability assessment made of the clients, on the basis of the scores arrived. Further I note that, as the payment for the services/product offered was received beforehand therefore the risk profiling and suitability is post facto exercise and merely a formality, without due diligence and compliance of IA Regulations. I note here that, the objective of risk profiling and suitability assessment is to

determine the risk tolerance level of clients and recommend suitable asset allocation/investment commensurate with the risk tolerance level of clients, and if the same is not empirically made, it can lead to unsuitable and inappropriate services being offered to the clients, which defeats the objective of due diligence by the IA and is against the mandate of the IA Regulations. I also note from the interim order that, in response to the question in RPF 'What is your experience in equity/Commodity /Forex' markets, all the clients have responded that they had no experience in Equity, Commodity and Forex markets. Further, it is noted from the same RPF documents that the clients have responded to the question 'Experience in Market Products' as 'Stock and/or Derivatives'. It shows that the responses recorded by BRIA are contradictory and demonstrates that BRIA has not done adequate due diligence in the process of risk profiling. Therefore, in view of the above, also nothings at para 10.5 and the findings in the interim order, that the Noticees have not done the risk profiling and suitability of the clients appropriately and have on-boarded the clients to collect service fees as much as possible with as many services/packages as possible, with no regards to their risk profile/appetite, for their own benefit, disregarding the spirit of the IA Regulation mandate. I find that the Noticees have not done risk profiling and suitability of the clients appropriately.

11. In view of the above, I note that the submissions/contentions of the Noticee are devoid of merit and therefore cannot be accepted.

12. As per the interim order, I note that Mr. Ashif Shaikh, Mr. Vinit Satpute and Mr. Sandeep Kushwaha are the directors of BRIA and 'persons in charge' of the affairs of BRIA, prime facie liable under the principles of Section 27 (1) of SEBI Act. and therefore are prima facie responsible for the violations of IA Regulations and PFUTP Regulations committed by BRIA. Further, I note that there are no

contradictory findings based on the submissions and the material available on records in this respect at this stage.

13. The noticees have mentioned that police raided and seized the office on SEBI's directions. It was further stated that there is a lawsuit pending against them causing mental and financial harm due to only one complaint which is pending and therefore requested to consider the same and provide any relief. It may be noted that SEBI proceedings are independent of any action by the Police Authority and in the facts of the case, no reference has been made by SEBI to Police. The investigation if any conducted by police is independent of the present proceedings. It is also noted that there could be cases where single complaint could trigger examination of activities of Investment Adviser and unearth large extent of the violations of the securities laws. Further, the underlying issue is of compliance with regulations with and due diligence. Complaints as stated can be trigger for further examination and findings of *prima facie* violation of regulatory provisions. Therefore, the prayer of the noticees for relief citing these reasons cannot be considered.

14. As the very nature of the investment advisory activity being practiced by BRIA is, *prima facie*, fraudulent and in violation of the provisions of the PFUTP Regulations and the IA Regulations, the balance of convenience is not in favor of permitting the Noticee to provide investment advisory services, either to new clients or to existing clients. I note here that existing clients have been lured to deal in securities based of false assurances, misrepresentation of target return and lack of due diligence, and if the Noticee is permitted to continue its services, clients/investors are at risk of losing their capital/savings while acting under the false assurances and misrepresentations of the Noticee. Hence, the prayer of the Noticee to consider giving an opportunity to BRIA to function in better manner cannot be considered as this stage.

15. The Noticee has prayed for de-freezing of its bank accounts, namely, ICICI Bank Ltd. and HDFC Bank Ltd. to permit it to pay salary of the employees and mentioned that they have no intention of diverting the fees from clients kept in the bank account. I note that the Noticee has not provided any supporting documents including the details of employees and proof of number, salary, duration of employment, to support its request of de-freezing its bank accounts for granting salary expenses. I note that the Noticees have stated in their submission dated February 15, 2021, that they have paid salaries to all the employee, income tax and other applicable taxes on time and there is no default in any manner till date. Being a registered IA the Noticees have already violated the IA regulations and also in violation of PFUTP Regulations, and therefore the balance of convenience demands preventive measures by such activities from being undertaken for the protection of any existing or prospective investor. It is also noted that SEBI has powers under Sections 11B and 11(4) of SEBI Act, in the interest of investors, to pass final direction against the Noticees to repay such money received from various investors after giving a fair opportunity of hearing. The interim order *prima facie*, shows that Noticees have lured clients towards its service/products and is in violation the IA Regulations. Further the interim order has been passed in order to maintain the status quo, so that on final adjudication after granting fair opportunity of hearing on merits, if the liability to repay is established, the possible direction in the final order does not become infructuous. Therefore, I find that the balance of convenience is not in favour of the noticees. In view of this, the prayer to de-freeze the bank accounts cannot be acceded to at this stage. However, if there is any extraordinary situation given the current facts and circumstances of the case, Noticee may file separate application to SEBI, giving the necessary proof for release of money to the employees. SEBI, would consider the same, on verification of the claim based on any further information to be sought from the Noticee, and appropriately communicate its decision to the Noticee.

16. The noticees have prayed to de-freeze the demat accounts of the individual directors to take care of family and for financial aid. The interim order has found

prima facie violation of securities laws against BRIA and the directors being registered with SEBI in the capacity of Investment Adviser. Therefore, there is impending threat and urgency that they should be prevented from further committing breach of securities laws in securities market. The imminent threat is further compounded by the fact that the violation was committed by a registered Investment Adviser of SEBI which is required to abide by the rules, regulation and the code of conduct prescribed. The securities market provides for various avenues of investment. Making of such investment by buying securities and liquidation of the same by selling securities need to be undertaken in compliance of various securities laws relating to the dealing in securities. Since there is prima facie violation of securities laws, there is further urgent requirement that investors be insulated from the undesirable effects of further breach of securities laws by BRIA and directors. Therefore pending the direction under Sections 11B and 11(4) of SEBI Act, given the impending threat, to prevent the directors from further committing breach of securities laws in the securities market, there is a need that the securities in the hands of the directors continue to be frozen, so that the present interim directions and the final remedies, if any, against the director, do not become infructuous. Hence, the balance of convenience is not in favour of directors to revoke the directions of freeze in the demat account.

17. In view of the considerations made above, based on the submission made by noticees, and also the observations and reasons recorded in the interim order, I find the Noticees to be responsible for the findings in the interim order as mentioned in paragraph 2 above. Hence, I find that the Noticees are, prima facie, in contravention of various provisions of the SEBI Act, the IA Regulations and the PFUTP Regulations, as outlined in the Interim Order. Hence, there is no justifiable reason to revoke or modify the directions issued against BRIA and its directors vide the interim order.

18. I also note that the Noticees 2, 3 and 4, the directors of BRIA have not provided the information as per the direction 31.1(f) of the interim order. Therefore, the

noticees 2, 3 and 4 are required to furnish the information immediately on the receipt of this order.

19. Accordingly, necessary directions in this regard are issued in the following paragraphs.

Order:

20. In view of the foregoing paragraphs, pending detailed examination, I, in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act, 1992, read with Sections 11, 11B and 11D thereof, hereby confirm the directions issued vide ex-parte ad interim order dated January 25, 2021, against Bulls Research Investment Advisors Private Limited and its directors Mr Ashif Shaikh, Mr. Vinit Satpute and Mr. Sandeep Kushwah.

21. This order shall come into force with immediate effect. A copy of this order shall be served upon all the Noticees, Banks, Stock Exchanges, Depositories and Registrar and Transfer Agents for necessary action and compliance with the above directions.

Date: April 30, 2021

Place: Mumbai

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