

National Stock Exchange of India Circular

Department: Investigation	
Download Ref No: NSE/INVG/53493	Date: August 30, 2022
Circular Ref. No: 116/2022	

To All NSE Members

Sub: SEBI Order in the matter of Core Investment (Sole Proprietor–Deepak Bamne) and Core Group (Sole Proprietor– Matwar Mehra)

This is with reference to NSE Circular no. NSE/INVG/42732 dated November 26, 2019 referring to SEBI Order no. WTM/MPB/IMD/WRO-ILO/77/2019 dated November 26, 2019.

SEBI vide its order no. WTM/AB/WRO/WRO/18766/2022-23 dated August 30, 2022 has hereby debarred below mentioned entities from accessing the securities market, directly or indirectly and is prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of 3 (three) year from the date of this Order or till the expiry of 3 (three) year from the date of completion of refunds to complainants /investors /clients as directed in paragraph 8(a) of SEBI order, whichever is later.

Sr. No.	Name of the Entity	PAN
1	Core Investment And Its Proprietor, Deepak Bamne	BULPB6375B
2	Core Group And Its Proprietor, Matwar Mehra	BGXPM4854N

The Order shall come into force with the immediate effect.

The detailed order is available on SEBI website (<http://www.sebi.gov.in>).

Further, the consolidated list of such entities is available on the Exchange website <http://www.nseindia.com> home page under “Home-Regulation-Members-Action against Members- Debarred Entities”.

Members are advised to take note of the above and ensure compliance.

National Stock Exchange of India

In case of any further queries, members are requested to contact the following officials:

Mr. Apurv Garg (Extension: 24546), Mr. Anand Jangir (Extension: 22385)

Direct No: 022-26598417/18 Fax: 022-26598195

For and on behalf of
National Stock Exchange of India Limited

Anand Jangir
Manager

National Stock Exchange of India

Annexure

**SEBI Order in the matter of Core Investment (Sole Proprietor–Deepak Bamne) and Core Group
(Sole Proprietor– Matwar Mehra)**

SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

ORDER

UNDER SECTIONS 11(1), 11(4), 11B AND 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992.

IN RESPECT OF –

Sr. No.	NOTICEE	PAN
1.	CORE INVESTMENT AND ITS PROPRIETOR, DEEPAK BAMNE	BULPB6375B
2.	CORE GROUP AND ITS PROPRIETOR, MATWAR MEHRA	BGXPM4854N

IN THE MATTER OF CORE INVESTMENT.

1. Securities and Exchange Board of India (“SEBI”) had received a complaint dated July 9, 2018, against Core Investment (Sole Proprietor–Deepak Bamne) and Core Group (Sole Proprietor–Matwar Mehra) (hereinafter collectively referred to as “Noticees”) from one, K. L. Nayak (“Complainant”), wherein it was *inter alia* alleged that the Noticees had not made a pay-out of funds in respect of the investments made by the complainant.
2. Pursuant to receipt of the above mentioned complaint, SEBI conducted an examination in the matter and thereafter, had issued an *Ad Interim Ex Parte Order cum Show Cause Notice* dated November 26, 2019 (“Interim Order”), against the Noticees on the basis of findings contained in the examination report, *inter alia* alleging that:
 - i. The Noticees had carried out investment advisory activities and held themselves out as ‘investment advisers’ without obtaining a Certificate of registration from SEBI in violation of the provisions of Section 12(1) of the SEBI Act, 1992 (“SEBI Act”) read with Regulation 3(1) of SEBI (Investment Advisers) Regulations, 2013 (“Investment Advisers Regulations”).
 - ii. The Noticees had held themselves out as ‘research analysts’ without obtaining a Certificate of registration from SEBI in violation of the provisions of Section 12(1) of the SEBI Act, 1992 (“SEBI Act”) read with Regulation 3(1) of the SEBI (Research Analysts) Regulations, 2014 (“Research Analysts Regulations”).

iii. The Noticees through their website *www.coreinvestment.in*, misrepresented themselves as intermediaries registered in various capacities, permitted to provide portfolio management services, stock broking services in equities and derivatives, investment advisory and research services, for luring /inducing the public to deal in securities, in violation of Sections 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations**").

3. Vide the Interim Order, SEBI had *inter alia* issued the following directions against the Noticees:

"Core Investment (Sole Proprietor–Deepak Bamne) and Core Group (Sole Proprietor–Matwar Mehra), shall –

- a. cease and desist from holding out as registered intermediaries to deal in the securities market and cease to solicit or undertake such activity or any other activities in the securities market, directly or indirectly, in any matter whatsoever until further orders;*
- b. cease and desist from holding out /acting as an Investment Advisor and Research Analyst and cease to solicit or undertake such activity or any other activities in the securities market, directly or indirectly, in any matter whatsoever until further orders;*
- c. not access the securities market and buy, sell or otherwise deal in securities in any manner whatsoever, directly or indirectly, until further orders;*
- d. not divert any funds raised from investors, kept in bank account(s) and /or in their custody until further orders;*
- e. immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, communications, etc. in relation to their services in securities market, investment advisory activity and research analyst activity or any other unregistered activity in the securities market until further orders; ..."*

4. Vide the Interim Order, the Noticees were also called upon to show cause as to why suitable directions under Sections 11(1), 11(4), 11B and 11D of the SEBI Act and relevant SEBI Rules /Regulations including directions to continue the prohibition on them from buying, selling or otherwise dealing in securities market, for a particular period, refund the amount collected by the

Noticees from investors /clients, should not be issued /imposed against them for the violations alleged in the SCN.

5. The Interim Order was served upon the Noticees through registered post. The Noticees had filed a reply dated December 18, 2019. Thereafter,
 - a. An opportunity of hearing was granted to the Noticees on August 10, 2021, which was subsequently rescheduled on account of the COVID 19 pandemic, to February 8, 2022.
 - b. The hearing granted to the Noticees on February 8, 2022, stood adjourned to March 17, 2022, at the request of the Noticees. However, prior to the hearing on the aforesaid date, vide an e-mail dated March 16, 2022, the Noticees had requested that SEBI make available copies of complaint received in the matter, which information was subsequently provided vide SEBI letter dated April 11, 2022.
 - c. An opportunity of hearing was granted to the Noticees on June 16, 2022. The Noticees appeared for the hearing on June 16, 2022, through their authorised representative i.e. Ashok Kumar Shrivastava, and had made oral submissions on merit. Post completion of the hearing, the Noticees were granted seven days' time to submit written submissions in line with the oral arguments made by their authorised representative during the hearing. Accordingly, vide a letter dated June 16, 2022, the Noticees submitted their written submissions.

FINDINGS:

6. I have considered the Interim Order along with the replies /submissions made by the Noticees and all the material available on record. The SCN has alleged that the Noticees had held themselves out as '*investment advisers*' and '*research analysts*' without obtaining registration from SEBI in violation of the provisions of Section 12(1) of the SEBI Act read with Regulation 3(1) of the Investment Advisers Regulations and Regulation 3(1) of the Research Analysts Regulations. The aforementioned provisions of law read as under:

Provisions of the SEBI Act:

“Section 12 of the SEBI Act – Registration of stock brokers, sub-brokers, share transfer agents, etc.

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

Provided that a person buying or selling securities or otherwise dealing with the securities market as a stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market immediately before the establishment of the Board for which no registration certificate was necessary prior to such establishment, may continue to do so for a period of three months from such establishment or, if he has made an application for such registration within the said period of three months, till the disposal of such application:

Provided further that any certificate of registration, obtained immediately before the commencement of the Securities Laws (Amendment) Act, 1995, shall be deemed to have been obtained from the Board in accordance with the regulations providing for such registration.”

Provisions of the Investment Advisers Regulations:

“Regulation 3 of the Investment Advisers Regulations – Application for grant of certificate.

3.(1) *On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations:”*

Provisions of the Research Analysts Regulations:

“Regulation 3 of the Research Analysts Regulations – Application for grant of certificate.

3.(1) *On and from the commencement of these regulations, no person shall act as a research analyst or research entity or hold itself out as a research analyst unless he has obtained a certificate of registration from the Board under these regulations:”*

6.1 From the material available on record, the following is observed:

- i. The Noticees through their website *www.coreinvestment.in*, had stated that they were offering broking services in equities and derivatives, investment advisory and research services, portfolio management services, to more than fifty thousand clients with a turnover of over ₹1000 Crores a day.
- ii. It was stated on the aforesaid website that the Noticees were:
 - a. Registered as *Member at NSE with SEBI Regn. No. INB/F/E130653839*;
 - b. Registered as *Member at BSE with SEBI Regn. No. INB/F012653684*;
 - c. Registered with MCX in 2005;
 - d. Registered *since 2007*, for providing *Portfolio Management services with SEBI Registration no. INZ000791939*.
- iii. For the aforementioned portfolio management services, investment advisory and research services, broking services, the Noticees' website contained the following information:
 - a. *"Our Portfolio Managers are equipped to create an investment portfolio across various investment avenues like Equities, Fixed Deposits, Bonds, etc. to meet your unique needs.*
 - b. *Equity advisory team with trained equity professionals, who act as your Equity Advisor and help you take informed equity and derivatives investment decisions and build a healthy portfolio.*
 - c. *Our team of Research Analysts and Advisory Managers guide you with solutions, backed by research, knowledge and expertise on a regular basis. We constantly help you with strategies for equity and derivatives investment, recommendations for trading on futures & options, hedging with Nifty and other products and opportunities of near risk free arbitrage between various segments. Research support by a pool of skilled research analysts.*
 - d. *Core investment is a 7 year start-up started by 2 entrepreneurs having a combined experience of over 60 years in stockbroking and stock investing. It has membership of NSE, BSE, MCX, and MSEI and is a Depository Participant with CDSL."*

- iv. Through their website, the Noticees had offered prospective clients, various product and service packages relating to equity, commodity, IPO and NRI investment including 'Core Tips' for a duration of three to fourteen months along with SMS alerts, a promise of 'Bonus on Investment' /assured return on every deposit /investment made by such client(s), etc. Details of the aforementioned packages as obtained from the Noticees' website are reproduced below:

<u>BONUS ON INVESTMENT</u> ➤ %2 TO 5 OF EVERY DEPOSIT ➤ INVEST 25,000 & GET 800 ➤ INVEST 50,000 & GET 1600 ➤ INVEST 1,00,000 & GET 3000 ➤ INVEST 1,50,000 & GET 7000
<u>PREMIUM ADVANCE BROKERAGE</u> ➤ INR 5,000 FOR 3 MONTHS ➤ FLAT BROKERAGE 800/CR ➤ 3 MONTHS CORE TIPS ➤ BACK OFFICE SUPPORT ➤ SMS ALERT
<u>PRO ADVANCE BROKERAGE</u> ➤ INR 10,000 FOR 6 MONTHS ➤ FLAT BROKERAGE 800/CR ➤ 6 MONTHS CORE TIPS ➤ BACK OFFICE SUPPORT ➤ SMS ALERT
<u>PLATINUM ADVANCE BROKERAGE</u> ➤ INR 15,000 FOR 14 MONTHS ➤ FLAT BROKERAGE 800/CR ➤ 14 MONTHS CORE TIPS ➤ BACK OFFICE SUPPORT ➤ SMS ALERT

- v. The Noticees' website contained two bank account nos. for payment of consideration towards subscription for the above mentioned product and service packages i.e. Axis Bank account no. 917020053535718 and Yes Bank account no. 076261900002325 and also an online payment option linked to PayU Payments Pvt. Ltd.'s PayU Money.
- a. From the information forwarded to SEBI by Axis Bank's e-mail dated September 17, 2019, it was observed that the bank account no. 917020053535718 was held in the name of the Core Investment's sole proprietor, Deepak Bamne, with the account holder's e-mail given as deepbamne@gmail.com and the address as G-6, Gulmohar

Niketan, Basant Vihar Colony, Indore, Madhya Pradesh. Deepak Bamne was the sole operator of the aforementioned Axis Bank account. Core Investment was stated to have been incorporated on November 6, 2017 and its Axis Bank account was opened on November 8, 2017. For the period from November 17, 2017 to July 20, 2018, the Axis Bank account statement reflected various credit transactions totaling an amount of ₹60,22,089.

- b. From the information forwarded to SEBI by Yes Bank's e-mails dated July 23, 2018 and September 18, 2019, it was observed that the bank account no. 076261900002325 was held in the name of the Core Group's sole proprietor, Matwar Mehra, with the account holder's e-mail given as matwarmehra18@gmail.com and the address as Office no. 305, 5-P, U-3, Satguru Parinay, Indore, Madhya Pradesh. Matwar Mehra was the sole operator of the aforementioned Yes Bank account. Core Group was stated to have been incorporated on February 2, 2018 and its Yes Bank account was opened on March 3, 2018. For the period from March 7, 2018 to July 18, 2018, the Yes Bank account statement reflected various credit transactions totaling an amount of ₹16,01,215.
- c. As per the information provided to SEBI, by PayU Payments Pvt. Ltd ("**PayU Money**"), it is observed that the transactions done through PayU Money were for the client Core Investment having linked Axis Bank account no. 917020053535718, which account was owned and operated by its sole proprietor, Deepak Bamne. The funds received by the Noticees through PayU Money for the period December 2017–February 2018, totaled ₹1,08,400.
- vi. The inspection by SEBI, of the Noticees' office addresses (Head Office: 4th Floor, Jhaveri Complex no. 28/239/23, M. G. Road, Thrissur–680001 and Regional Office: Round the City Road, Mukkam Bridge, Mukkam, Kerala–673602) as listed on the Noticees' website, revealed that they were falsified and further, the Noticees' twelve phone nos. (0487–2569980 /81 /82 /83 /84 /85 /86 /87 /88 /89 /90 /91 /92) when contacted by SEBI were not reachable with the only response received being that "*the number does not exist*".

- vii. A perusal of the 'trade report' provided /issued by the Noticees to the complainant /investor revealed that the same was bogus as it did not contain any information concerning the investment purported to have been made by such investor but instead had terms such as 'SEBI Tax', etc.
- 6.2 The definition as given in Regulation 2(m) of the Investment Advisers Regulations states that 'Investment Adviser' shall mean "any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called". Further, Regulation 2(l) of the Investment Advisers Regulations defines 'Investment Advice' as "advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning."
- 6.3 In the instant proceedings, the Noticee had also failed to prove that the proceeds totaling ₹76,23,304 as received through several credit transactions in their Axis Bank (including through PayU Money) and Yes Bank accounts were actually proceeds from any other source of business /activity. I am therefore, left with no option but to conclude that all such sums were nothing but consideration received by the Noticees from investors /clients, in lieu of 'Investment Advice' offered through subscription to its investment advisory services. The bank accounts mentioned on the website for the purpose of receiving consideration for the services advertised on the website www.coreinvestment.in was held in the name of the Noticees' sole proprietors, thereby indicating that the beneficiaries of such website, were indeed only Deepak Bamne and Matwar Mehra.
- 6.4 The aforementioned definitions at paragraph 6.2 when viewed in light of the observations contained in the preceding paragraphs lead me to conclude that the Noticees had indeed held themselves out as 'Investment Adviser' by offering to give 'Investment Advice' related to investing in, purchasing and selling of securities in lieu of consideration received through various investment packages offered for subscription on its website, to prospective investors /clients.

6.5 Section 12(1) of the SEBI Act *inter alia* provides that no investment adviser shall buy, sell or deal in securities except under, and in accordance with, the conditions of a Certificate of registration obtained from the Board. Further, Regulation 3(1) of the Investment Advisers Regulations provides that no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a Certificate of registration from the Board. It is pertinent to mention that the Noticees were never registered with SEBI, in any capacity as an intermediary. By operating as ‘Investment Adviser’ as defined under Regulation 2(m) of the Investment Advisers Regulations, without obtaining registration from SEBI, I find that the Noticees had violated Section 12(1) of SEBI Act read with Regulation 3(1) of the Investment Advisers Regulations.

6.6.1 With regard to the allegation that the Noticees had held themselves out as ‘research analysts’ without obtaining a Certificate of registration from SEBI in violation of the provisions of Section 12(1) of the SEBI Act read with Regulation 3(1) of the Research Analysts Regulations as the Noticees’ website stated that they were offering a *“team of Research Analysts and Advisory Managers guide you (prospective client) with solutions, backed by research, knowledge and expertise on a regular basis. We constantly help you with strategies for equity and derivatives investment, recommendations for trading on futures & options, hedging with Nifty and other products and opportunities of near risk free arbitrage between various segments. Research support by a pool of skilled research analysts.”*, I note that the definition of ‘Research Analyst’ as given under Regulation 2(1)(u) of the aforementioned Regulations means “a person who is primarily responsible for, -

- i. preparation or publication of the content of the research report; or
- ii. providing research report; or
- iii. making ‘buy/sell/hold’ recommendation; or
- iv. giving price target; or
- v. offering an opinion concerning public offer,

with respect to securities that are listed or to be listed in a stock exchange, whether or not any such person has the job title of ‘research analyst’ and includes any other entities engaged in issuance of research report or research analysis.

Explanation. – The term also includes any associated person who reports directly or indirectly to such a research analyst in connection with activities provided above.”

6.6.2 In the instant proceedings, I note that except for the above-mentioned claims on the Noticees' website, no other additional material has been brought out on record to suggest that the Noticees were indeed involved in any of the activities covered under Regulation 2(1)(u) of the Research Analysts Regulations. Having regard to the aforementioned, I am of the considered view that the allegation against the Noticees of holding themselves as '*Research Analysts*' has not been adequately made out.

6.7.1 The SCN has also alleged that the Noticees through their website *www.coreinvestment.in*, misrepresented themselves as intermediaries registered in various capacities, permitted to provide portfolio management services, stock broking services in equities and derivatives, investment advisory and research services, for luring /inducing the public to deal in securities in violation of Sections 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c) and (d) of the PFUTP Regulations. The aforementioned provisions of law read as under:

“Provisions of the SEBI Act:

12A. No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

Provisions of the PFUTP Regulations:

Regulation 2(1)(c) of the PFUTP Regulations:

“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 of the PFUTP Regulations:

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.”*

6.7.2 The Noticees had launched a website i.e. www.coreinvestment.in, which amongst other things, stated that they were registered with SEBI since 2007 for providing portfolio management services. Further, the Noticees through the aforesaid website had also offered broking services in equities and derivatives, investment advisory and research services. The Noticees had

represented that the aforementioned services were provided to more than fifty thousand clients with a turnover of over ₹1000 Crores a day. It is reiterated that the Noticees were never registered with SEBI, in any capacity as an ‘intermediary’. Having regard to the aforementioned, I find that the Noticees while actively holding themselves out as ‘Investment Adviser’, etc. despite not having been granted valid Certificate of registration by SEBI, had knowingly misrepresented themselves to investors /clients as such with the intention to induce them to trade in securities through subscription to the product and service packages offered on its website. I am therefore, of the considered view that the above discussed activities of the Noticees amount to engaging in acts, practices, course of businesses which operated as ‘fraud’ (as defined under Regulation 2(1)(c) of the PFUTP Regulations) upon the public in connection with dealing in securities. Accordingly, I find that the investment advisory activities carried out by the Noticees were *fraudulent* in nature and in violation of the provisions of Section 12A(c) of SEBI Act and Regulations 3(d) read with Regulation 2(1)(c)(1), (2) and (3) of the PFUTP Regulations.

- 6.8 The Noticees in their written submissions have submitted that: *“the proprietorship firm of the Noticees, is registered with Nagar Palika Nigam, Indore. Through, the said proprietorship firm the Noticees, were engaged in the business of Ayurvedic Medicines. They were interested in shares investments and thus were doing investments in primary /secondary market and were known in the market as investors. As the Nagar Palika bye-laws allows the naming of trade name, they named their firm as ‘Core investment’ and short name ‘Core Group’ and had no bad intention in it. As per the Article 19(1)(g) of the Indian Constitution, Indian citizen has right to practice any profession, or to carry on any business. In light of the said Article, the Noticees were engaged in the aforesaid enterprise in the lawful manner and in compliance with all the laws. Due to exigencies of time, sometimes payments and deliveries are not completed in time which is natural for any business.”* In this regard, I note that business licenses are granted /issued by the relevant authorities like Nagar Palika, for specific purposes for which such application has been made. Any such business license granted by the authorities does not permit the licensee to act or operate without complying with the relevant Laws or absolve their liabilities for the violations committed by it. In the instant case, the Noticees were granted the business license by Nagar Palika, Indore, specifically for the purposes of dealing in Ayurvedic Medicines, whereas as observed in preceding paragraphs 6.1–6.5, they were found to be involved *inter alia* in providing unregistered investment advisory services without obtaining the mandatory Certificate of registration from SEBI. I am therefore, not inclined to accept the Noticees’ submissions in this regard.

- 6.9 The Noticees have also submitted that: *“they were interested in shares investments and were doing investments in primary and secondary market and were known in the market as investors. The complainant Shri K. L. Nayak is known to them and was a fellow investor. For the purpose of investment, they worked with him and owing to nonpayment of paying amount, he was not allowed the pay-out and delivery. The complaint has been addressed and full payment has been made to him. They do not have any other pending dues to any other complainant”*. In this regard, I note that the Noticees were neither members of any stock exchange(s) nor were they registered in any capacity with SEBI or any such exchange(s), despite claiming so on their website. Further, although each of the Noticees’ sole proprietors were registered as clients with stock brokers, it was only Deepak Bamne, the Proprietor of Core Investment, who had traded in his own name in the cash market (mostly day trading) and F&O, on NSE. As the Noticees were never registered with SEBI as an *‘intermediary’* in any capacity nor were they members of any Stock exchange(s); therefore, the Noticees could not have undertaken business in the nature of stock broking, portfolio management services, etc. on behalf of their clients including the complainant.
- 6.10 The Noticees have claimed that the complaint of K. L. Nayak has been addressed and full payment has been made to him and *“the Noticees do not have any other pending dues to any other complainant”* or any other person. In support of their contention, an Affidavit dated June 10, 2022, executed by the complainant and two Affidavits dated June 15, 2022, executed by the Noticees, have been submitted. In this regard, after perusal of the aforesaid Affidavits, I note that the same have been executed on June 10, 2022 and June 15, 2022, after elapse of considerable amount of time and after SEBI was seized of the matter. Incidentally, it is also noted that it was only in March 2022 that the Noticees had sought copies of complaint, which were provided to them vide SEBI letter dated April 11, 2022. The Affidavits have been executed immediately prior to the personal hearing in the matter scheduled on June 16, 2022. Having regard to the aforementioned, I am of the view that the aforementioned Affidavits have been executed clearly as an afterthought and do not inspire confidence. Further, redressal of complaint by the Noticees do not absolve them of their liabilities under the Investment Advisers Regulations, arising out of the violations found to have been committed by them.
- 6.11 The Noticees have also submitted that *“Pursuant to the complaint, SEBI examined the matter and sought information from the complainant through a questionnaire containing 11 questions related to SEBI registered brokers or sub brokers. Out of the said 11 questions, only for one*

question i.e. “whether you have filed any KYC with Core Investment? If yes, a copy may be submitted?” the complainant had replied it with “yes”, and replied that the KYC was required for the purpose of identity of the person and there was no purpose for the Noticees behind it. The investments in the companies mentioned in the questionnaire by SEBI, were sold by the Noticees but because of the delay in payout of the funds, they were not able to give the delivery on time. For this reason, the complaint was made against them. They have not violated any of the SEBI Rules, Regulations and guidelines.” In this regard, I note that pursuant to the receipt of any complaint, SEBI examines the matter and seeks information from the complainant, to ascertain the relevant facts and circumstances of the case. The information sought, in general, relates to the nature of the complaint. In the instant case, after perusal of the complaint against the Noticees, I note that the complainant had referred to the Noticees, as his broker and advisor. In light of the same, SEBI had sought details from the complainant through a questionnaire, believing the Noticees to be the stock broker of the complainant. The nature and type of questions by SEBI, is an exercise to examine and determine if any entity has violated any provisions of the securities laws or if it is involved in any unauthorized activities. In the instant case, after an examination of the matter, SEBI had observed that the activities of the Noticees including the investment plans floated by them offering tips, holding out to have a team of advisory managers, etc. were *inter alia* in the nature of unregistered investment advisory activities in violation of the SEBI Act and Investment Advisers Regulations and thus, the Interim Order came to be passed against the Noticees.

7. The Interim Order had *inter alia* called upon the Noticees to show cause as to why a direction to refund the amount collected from the investors /clients as fees /consideration, in lieu of ‘Investment Advice’ offered through subscription to its investment advisory services, etc. should not be issued against them. As per the material available on record, the amount of fees /consideration collected by the Noticees as a result of providing unregistered ‘Investment Advice’ to investors, amounted to ₹76,23,304 [received through several credit transactions in their Axis Bank (including through PayU Money) and Yes Bank accounts (₹60,22,089 to Core Investment and ₹16,01,215 to Core Group)]. In light of the findings in the preceding paragraphs, I am of the considered view that the Noticees are liable to refund the aforementioned amount to their clients /investors. I however, note that the Interim Order does not identify any particular investor or any specific group of investors who have suffered losses due to unauthorized activity carried out by the Noticees.

ORDER:

8. In view of the foregoing, I, in exercise of the powers conferred upon me in terms Sections 11(1), 11(4) and 11B and 11D read with of Section 19 of the SEBI Act, hereby direct that:

- (a) The Noticees, Core Investment (Sole Proprietor–Deepak Bamne) and Core Group (Sole Proprietor– Matwar Mehra), shall within a period of three months from the date of coming into force of this Order, jointly and severally, refund the money received from any complainants /investors /clients, as fees /consideration or in any other form, in respect of their unregistered investment advisory activities;
- (b) The Noticees shall issue public notice in all editions of two National Dailies (one English and one Hindi) and in one local daily with wide circulation, detailing the modalities for refund, including the details of contact person such as names, addresses and contact details, within 15 days of coming into force of this Order;
- (c) The repayments to the complainants /investors shall be effected only through Bank Demand Draft or Pay Order or electronic fund transfer or through any other appropriate banking channels, which ensures audit trails to identify the beneficiaries of repayments;
- (d) The Noticees are prevented from selling their assets, properties and holding of mutual funds /shares /securities held by them in demat and physical form except for the sole purpose of making the refunds as directed above. Further, the banks are directed to allow debit only for the purpose of making refunds to the complainants /investors /clients who were availing the investment advisory services from the Noticees, as directed in this Order, from the bank accounts of the Noticees;
- (e) After completing the aforesaid repayments, the Noticees shall file a report of such completion with SEBI addressed to the Division Chief, Division of Post-Inspection Enforcement Action, Market Intermediaries Regulation and Supervision Department, SEBI Bhavan II, Plot No. C4 A, G Block, Bandra Kurla Complex, Bandra (East) Mumbai –400051, within a period of 15 days, after completion of three months from the coming into force of this Order, duly certified by an independent Chartered Accountant and the

direction at paragraph 8(d) above shall cease to operate upon filing of such report on completion of refunds to complainants /investors;

- (f) The Noticees are debarred from accessing the securities market, directly or indirectly and is prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of **3 (three) year** from the date of this Order or till the expiry of **3 (three) year** from the date of completion of refunds to complainants /investors /clients as directed in paragraph 8(a) above, whichever is later;
- (g) The Noticees shall not undertake, either during or after the expiry of the period of debarment/restraint as mentioned in paragraph 8(f) above, either directly or indirectly, investment advisory services or any activity in the securities market without obtaining a certificate of registration from SEBI as required under the securities laws.
9. The above direction for refunds /repayment to complainants /investors /clients as given in paragraph 8(a) above, does not preclude such complainants /investors /clients to pursue other legal remedies available to them under any other law against the Noticees for refund of money or deficiency in service.
10. This Order shall come into force with immediate effect.
11. A copy of this Order shall be served upon the Noticees.
12. A copy of this Order shall also be forwarded to the recognised Stock Exchanges, Depositories, Banks and Registrar and Transfer Agents for necessary compliance with the above directions and also the Government of Madhya Pradesh for its information.

Sd/-

Place: Mumbai
Date: August 30, 2022

ASHWANI BHATIA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA