National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/54983	Date: December 23, 2022
Circular Ref. No: 211/2022	

To All NSE Members,

Sub: SEBI Order in the matter of Moneytree Research (Proprietor - Narendra Madan Rathod)

SEBI vide its order no. WTM/ASB/WRO/WRO/22345/2022-23 dated December 23, 2022 has hereby debarred the below entity from accessing the securities market, directly or indirectly and are prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of 3 years from the date of this order or till the expiry of 3 years from the date of completion of refunds to clients/ investors along with depositing of balance amounts, if any, with SEBI as directed in para 12(a) and 12(e) of the Order, whichever is later.

Sr. no.	Name of the entity	PAN
1.	Narendra Madan Rathod (Proprietor of M/s. Moneytree Research)	ASDPR5843D

The order comes into force with 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-Regulatory Actions”.

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. Souradeep Ghosh (Extension: 23345), 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

ANNEXURE: SEBI Order in the matter of Moneytree Research – Proprietor - Narendra Madan Rathod

WTM/ASB/WRO/WRO/22345/2022-23

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

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

In respect of:

Noticee	PAN
Narendra Madan Rathod **(Proprietor of M/s. Moneytree Research)**	**ASDPR5843D**

In the matter of Unregistered Investment Adviser

Background:

1. Pursuant to receipt of a complaint which *inter alia* alleged that Moneytree Research, a sole proprietary concern of Shri Narendra Madan Rathod (hereinafter referred to as "**the Noticee**"), had cheated the complainant in the name of investment in securities market, Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") examined the matter. Consequent to completion of the examination, a Show Cause Notice dated August 13, 2021 (hereinafter referred to as "**the SCN**"), was issued to the Noticee. The SCN alleged *inter alia* the following:

   (a) It was observed from the archived web pages of the website www.moneytreeresearch.com that the Noticee offered various packages for investment advisory through the said website.. As on the date of SCN, the said website was not functional.

(b) The Noticee had opened a bank account (no. 144105001048) with ICICI Bank, Indore Branch, in the name of Moneytree Research. The Noticee had also opened an account with PayU Money, a payment Gateway, which was linked to the abovementioned bank account with ICICI Bank.

(c) From the examination of aforesaid bank account, it is observed that during the period June 20, 2017 to November 05, 2018, total credits of Rs.41,07,013 were received in the said bank account through numerous credit transactions, out of which Rs.1,15,510 was received through PayU Money Gateway.

(d) As per the Account opening form submitted to ICICI Bank (Account. No: 144105001048), the said bank account was operated by Shri Narendra Madan Rathod and he was the sole proprietor of Moneytree Research. Further, as per the interview / visit report, nature of activity was shown as advisory. Further, in the certificate issued by Indore Municipal Corporation, which was submitted to ICICI Bank by Shri Narendra Madan Rathod, the business activity was mentioned as Share Trading.

(e) It thus appeared that the credits received in the bank account maintained with ICICI Bank were for providing stock tips under the guise of investment advice packages and the amount credited in the above bank account i.e. ₹41,07,013 could be treated as fees received by the Noticee for providing investment advisory services, offered through the abovementioned website.

(f) Based on the above mentioned observations, it was alleged that the Noticee acted as an 'Investment Adviser' by collecting fees from investors for advisory services without having certificate of Registration from SEBI, and thus had violated the provisions of Section 12(1) of SEBI Act, 1992 read with Regulation 3 (1) of the SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as "**IA Regulations**").

2. In view of the above, the Noticee was called upon to show cause as to why suitable directions should not be issued against him under Sections 11(1), 11(4) and 11B(1) of the SEBI Act, 1992.

Service of SCN, Reply and Personal Hearing:

3. The SCN along with annexures sent to the Noticee through Speed Post had returned undelivered. Subsequently, the SCN was enclosed with a covering letter dated January 28, 2022 which was served on the Noticee through Registered Post, as evident from the Consignment Tracking Report obtained from India Post Website and the signed Acknowledgement Card which is available on record. However, no reply whatsoever was received from the Noticee. Subsequently, an opportunity of personal hearing was granted to the Noticee by scheduling the hearing on July 19, 2022. The notice of hearing dated April 28, 2022, informing about the date of hearing and the modalities thereof and providing the login details for making appearance through video conferencing, was served on the Noticee through speed post, which is evident from the Consignment Tracking Report obtained from India Post Website and the signed Acknowledgement Card which is available on record. Subsequently, another letter dated July 05, 2022 was sent to the Noticee reiterating the date of hearing and mentioning revised login details making appearance through video conferencing. The said letter returned undelivered. I note that the Noticee failed to appear before me on the date of hearing. I note that though the letter dated July 05, 2022 had returned undelivered, the notice of hearing dated April 28, 2022 had clearly mentioned the date and time of hearing and also the address of Indore Local Office from where the Noticee could attend the hearing through video conferencing. However, the Noticee has not responded to the Notice of hearing dated April 28, 2022 in any manner whatsoever. In these circumstances, since the Noticee has failed to respond to the SCN as well as the notice of hearing dated April 28, 2022 and has failed to attend the personal hearing on July 19, 2022, I take that the Noticee has nothing to submit in this matter. I, thus, proceed to decide the matter *ex-parte,* based on material available on record.

Consideration and findings –

4. Before proceeding further, I deem it important to refer to the provisions of law alleged to have been violated by the Noticee. The same are quoted hereunder

SEBI Act, 1992 —

Section 12 (1)

Registration of stock brokers, sub-brokers, share transfer agents, etc.

"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."

IA Regulations:

Regulation 3(1)

*"**Application for grant of certificate** - 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".*

5. I note from the print-outs of the archived pages of the website www.moneytreeresearch.com, which are enclosed as Annexure B to the SCN, that the following was mentioned on the said website:

- *"MONEY TREE has emerged as the most trusted advisory firm amongst the competitors as we value the time which in turn returns the real value for the money invested by the traders in the trading fraternity. We have earned our clients from the day of inception till now and they are increasing day by day in multiples. We have won the trust of clients as the best equity commodity tips provider in Indian and international market as we keep a keen eye on the needs of technologies and as a result they provide the best research based tips in the best possible way".*
- *Services offered: Stock Tips, Stock Future Tips, Nifty Future Tips, Option Tips, Commodity Tips, Agri Tips, Currency Tips, Premium Pack, Rhodium Pack and Profit Call.*
- *Contact:*
  Mr. Narendra Rathod (+91) 9713959155
  Shekhar Tower – 201, Vijay Nagar, Indore (M.P.)

6. I note from the said web pages that the services being offered pertained to Stock Market, Derivative Market, Commodity Market and Currency Derivatives and there were tabs on the said website marked as 'Pricing', 'Payment', 'Quick Pay' and 'Refund Policy', indicating that the services were offered in lieu of fees /

consideration. The said website also contained a tab named 'Pay Now with PayU Money'.

7. I note from the documents provided by PayU Money, which are enclosed as Annexure-C to the SCN, that PayU Money account opened in the name of Moneytree Research was linked to the ICICI Bank Account No. 1441050010498 which was opened with the Noticee's PAN. I further note from the KYC documents and Account Opening Form for the said account provided by ICICI Bank, which are enclosed as Annexure-D to the SCN, that the said account was opened in the name of Money Tree Research with Shri Narendra Rathod (Noticee) as its sole proprietor and authorized signatory to access and operate the said account. I also note from records that a total amount of Rs. Rs.41,07,013 was credited to the said account through numerous credit transactions. I note that since the Noticee has failed to respond to the allegation in the SCN that these credit transactions were payment of consideration for availing advisory services and has failed to explain the said credit transactions, I am constrained to conclude that the said credits in the Noticee's bank account with ICICI Bank pertained to receipt of fees / consideration received by the Noticee as fees / consideration from clients / investors in lieu of investment advisory services.

8. Apart from the above, I note from the print-out of webpages of the website www.moneytreeresearch.com which are available on record that the said website also contained details of an SBI Bank Account No. 63037809363 (IFSC Code: SBIN0030007) which appeared to be in the name of Narendra Rathod (Noticee). Further, there was also a mention of a bank account with Yes Bank. However, the details of the same were not visible. The above indicates the Noticee may have received advisory fees from investors in the said bank accounts with SBI and Yes Bank, in addition to the credits received in the Noticee's Bank account with ICICI Bank.

9. The definition as given in Regulation 2(m) of the IA 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 IA 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."* The aforementioned definitions when viewed in light of the observations contained in the preceding paragraphs lead me to conclude that the Noticee had indeed held himself out as *'Investment Adviser'* by offering to give *'Investment Advice'* related to investing in, purchasing and selling of securities in lieu of consideration received from investors /clients.

10. Section 12(1) of the SEBI Act, 1992 *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 SEBI. Further, Regulation 3(1) of the IA 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 SEBI. It is pertinent to mention that the Noticee was never registered with SEBI, in any capacity as an intermediary. By operating as an *'Investment Adviser'* as defined under Regulation 2(m) of the IA Regulations, without obtaining registration from SEBI, I find that the Noticee has violated Section 12(1) of SEBI Act, 1992 read with Regulation 3(1) of the IA Regulations.

11. The SCN had *inter alia* called upon the Noticee to show cause as to why suitable directions under Sections 11(1), 11(4) and 11B(1) of the SEBI Act, 1992 should not be issued against him. In the instant proceedings, the amount of fees /consideration collected by the Noticee in his bank account with ICICI Bank as a

result of providing unregistered *'Investment Advice'* to investors, was Rs. Rs.41,07,013. In addition to the same, there are grounds to believe that the Noticee had also received advisory fees in other bank accounts, though such amount has not been ascertained. In light of the findings made above, I am of the considered view that the Noticee is liable to refund the entire amount collected as fees in lieu of unregistered *'Investment Advice'* offered to its clients /investors in various bank accounts or otherwise, and accordingly, a direction to the Noticee to refund such amount will be in the interest of investors in the securities market.

Directions –

12. In view of the foregoing, I, in exercise of the powers conferred upon me in terms Sections 11(1), 11(4) and 11B(1) read with of Section 19 of the SEBI Act, 1992 hereby direct that:

    (a) The Noticee (Narendra Madan Rathod, proprietor of Moneytree Research) shall within a period of three (3) months from the date of this Order, refund the money received from any investors/clients, as fees or consideration or in any other form, in respect of his unregistered investment advisory activities.

    (b) The Noticee shall, within 15 days from the date of this Order, 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. A period of two (2) months from the date of the publication of the public notice shall be provided to the investors/clients for submitting their claims.

    (c) The repayments to the investors/clients shall be effected only through Bank Demand Draft or Pay Order or electronic fund transfer or through appropriate banking channels, which ensures audit trails to identify the beneficiaries of repayments.

(d) Within a period of 15 days after completing the refund as directed in paragraph 13(a) above, the Noticee shall file a report with SEBI detailing the amount refunded to investors / clients, which should be addressed to the "*Division Chief, Division of Post-Inspection Enforcement Action, Market Intermediaries Regulation and Supervision Department, SEBI Bhavan II, Plot No. C7, G Block, Bandra Kurla Complex, Bandra (East) Mumbai –400051*". The above mentioned report should be duly certified by an independent Chartered Accountant and should indicate the amount of refund, mode of payment by bank transactions, name of the parties, communication address, mobile / telephone numbers, etc.

(e) The remaining balance amount shall be deposited with SEBI which shall be kept in an escrow account for a period of one year for distribution to clients / investors who were availing the investment advisory services from the Noticee. Thereafter, the remaining amount, if any, shall be deposited in the Investors Protection and Education Fund, maintained by SEBI.

(f) The Noticee is restrained from selling his assets, properties and holding of mutual funds/shares/securities held by him in demat and physical form except for the sole purpose of making the refund / depositing balance amount with SEBI, as directed above. Further, banks are directed to allow debit from the bank accounts of the Noticee, only for the purpose of making refund to the clients/ investors who were availing the investment advisory services from the Noticee and for depositing balance amount with SEBI, as directed in this Order.

(g) The Noticee is debarred from accessing the securities market, directly or indirectly and is prohibited from buying, selling or otherwise dealing in securities, directly or indirectly in any manner whatsoever, for a period of 3 (three) years from the date of this Order or till the expiry of 3 (three) years from the date of completion of refund to clients / investors along with depositing of balance amount, if any, with SEBI, as directed in paragraph 12(a) and 12(e) above, whichever is later.

(h) Upon submission of report on completion of refund to clients / investors to SEBI and deposit of the balance amount, if any, with SEBI, the direction at paragraph 12(f) above shall cease to operate within 15 days thereafter.

(i) The Noticee shall not undertake, either during or after the expiry of the period of debarment /restraint as mentioned in paragraph 12(g), 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.

13. The direction for refund to clients / investors and depositing the balance amount with SEBI, as given in paragraph 12(a) and 12(e) above, shall not preclude the clients / investors to pursue any other legal remedy available to them under any other law, against the Noticee for refund of money or deficiency in service, before any appropriate forum of competent jurisdiction.

14. The above directions shall come into force with immediate effect.

15. A copy of this Order shall be served upon the Noticee. A copy of this Order shall also be forwarded to all the recognized Stock Exchanges, Depositories, Banks and Registrar and Transfer Agents for necessary compliance with the above directions; and also to the Government of Madhya Pradesh for information.

-Sd-

PLACE: MUMBAI **ASHWANI BHATIA**

DATE: DECEMBER 23, 2022 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA