National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/56554	**Date: April 28th, 2023**
Circular Ref. No: 114/2023	

To All NSE Members

Sub: **SAT Order in the matter of Capital Target Financials and M/s. Trend Market Advisory services**

This is with reference to NSE circular no. NSE/INVG/52886 dated July 05, 2022, referring to SEBI Order no. WTM/AB/SRO/SRO/17806/2022-23 dated July 05, 2022 and NSE circular no. NSE/INVG/52906 dated July 07, 2022, referring to SEBI Order no. WTM/AB/SRO/SRO/17854/2022-23 dated July 07, 2022.

SAT its order dated September 21, 2022 directed upon submission of the aforesaid report directed in SAT order to SEBI and deposit of the remaining money, if any, the debarment order and restraint order would be lifted within 15 days thereafter.

SEBI now vide its email dated April 28, 2022 has stated that the entities concerned below have complied with the Hon'ble SAT Order and have deposited the requisite amounts in the escrow account with SEBI.

Sr. No.	Name of entity	PAN
1	Shri C. Paranitharan,	APWPP4519C
2	M/s. Capitaltarget Financials	AAHFC0266F
3	Shri C. Muralitharan	AFKPC7801E
4	M/s. Trend Market Advisory Services	AAFFT3503J
5	Mr. NSK Chithanathan	ABJPC3376P
6	Mr. C. Senthilnathan	BAFPS0502P
7	Mr. C Vijai	Not Available
8	Ms. S. Kokila	Not Available

The detailed order is available on SAT website (http://www.sat.gov.in).

Further, the consolidated list of such entities is available on the Exchange website http://www.nseindia.com home page at the below mentioned link:

https://www.nseindia.com/regulations/member-sebi-debarred-entities

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

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

Mr. Rajkumar Jain (Extension: 23457); 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
Senior Manager

National Stock Exchange of India

Annexure : SAT Order in the matter of Capital Target Financials and M/s. Trend Market Advisory Services

BEFORE THE SECURITIES APPELLATE TRIBUNAL
MUMBAI

Date of Decision : 21.09.2022

Misc. Application No. 1035 of 2022
And
Appeal No. 567 of 2022

1. C. Paranitharan
71, Muthalamman, Koil Street,
Tirumangalam,
Madurai – 625 706.

2. M/s Capital Target Financials
683, PTN Complex, 2^{nd} Floor,
Madurai Rd,
Tirumangalam – 625 706.

3. C. Muralitharan
71, Muthalamman, Koil Street,
Tirumangalam,
Madurai – 625 706. …..Appellants

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051. …Respondent

Mr. Malhar Zatakia, Advocate with Ms. Disha Parekh and Ms. Sharayu Kate, Advocates i/b NDB Law for the Appellant.

Mr. Manish Chhangani, Advocate with Ms. Samreen Fatima, Advocate i/b The Law Point for Respondent.

AND
Misc. Application No. 1036 of 2022
And
Appeal No. 568 of 2022

1. M/s Trend Market Advisory Services
683, PTN Complex, 2nd Floor,
Madurai Rd,
Tirumangalam – 625 706.

2. C. Muralitharan
71, Muthalamman, Koil Street,
Tirumangalam,
Madurai – 625 706.

3. C. Paranitharan
71, Muthalamman, Koil Street,
Tirumangalam,
Madurai – 625 706.

4. NSK Chithanathan
20/22, Muthalamman, Koil Street,
Tirumangalam,
Madurai – 625 706. …..Appellants

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051. …Respondent

Mr. Malhar Zatakia, Advocate with Ms. Disha Parekh and Ms. Sharayu Kate, Advocates i/b NDB Law for the Appellant.

Mr. Manish Chhangani, Advocate with Ms. Samreen Fatima, Advocate i/b The Law Point for Respondent.

CORAM : Justice Tarun Agarwala, Presiding Officer
Ms. Meera Swarup, Technical Member

Per : Justice Tarun Agarwala, Presiding Officer (Oral)

1. Both the appeals are against a common issue and are also interconnected and are being taken up together. Appeal no. 567 of 2022 has been filed by C. Paranitharan who is the proprietor of M/s. Capital Target Advisory Services and partner in M/s. Capital Target Financials. Appeal no. 568 of 2022 has been filed by M/s Trend Market Advisory Services is a partnership firm in which C. Paranitharan is one of the partners. C. Paranitharan has filed appeal against the order dated July 5, 2022 passed by the Whole Time Member ('WTM' for short) of the Securities and Exchange Board of India ('SEBI' for short) and M/s. Trend Market Advisory Services has filed the appeal against order dated July 7, 2022 passed by the WTM of SEBI.

2. For facility, the facts enumerated in Appeal no. 567 of 2022 are being taken into consideration. The show cause notice alleged that the appellants were providing investment advisory services without registration. The WTM after considering the material evidence on record and after considering the replies found that the appellants were engaged in giving advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products through its website in lieu of consideration without getting themselves

registered as an investment advisor under the SEBI (Investment Advisers) Regulations, 2013 ('IA Regulations' for short). The WTM found that the appellants violated Section 12(1) of the SEBI Act, 1992 which provides that the investment adviser shall not 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 the Act. The WTM further found that the appellant failed to obtain a certificate of registration as mandated under Regulation 3(1) of the IA Regulations which provides that no person shall act as an investment adviser unless he has obtained a certificate of registration from SEBI and conducts activities in accordance with the provisions of IA Regulations. The WTM accordingly issued the following directions:-

(a) The Noticees shall within a period of three months from the date coming into force of this direction, jointly and severally, refund the money received from any complainants/ investors, as fees or 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 direction;

(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 clients/ investors/ complainants 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, within a period of 15 days, the Noticees shall file a report of such completion with SEBI addressed to the Division Chief, CIS Division, Investment Management Department, SEBI Bhavan, Plot No. C4 A, G Block, Bandra Kurla Complex, Bandra (East) Mumbai – 400051, duly certified by an independent Chartered Accountant and the direction at para 24(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 are prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of 6 months from the date of this order or till the expiry of 6 months from the date of completion of refunds to complainants/ investors as directed in para 24(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 para 24(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.

3. Similar directions were issued in the appeal of M/s. Trend Market Advisory Services.

4. We have heard Shri Malhar Zatakia, the learned counsel assisted by Ms. Disha Parekh and Ms. Sharayu Kate, the learned counsel for the appellants and Shri Manish Chhangani assisted by Ms. Samreen Fatima, the learned counsel for the respondent.

5. The learned counsel for the appellants conceded that they were carrying on an investment advisory services and were totally unaware that they are required to take a

registration under the IA Regulations. It was contended that the appellants were providing services since 2008 much prior to the enforcement of the regulations which came in 2013. It was also stated that when show cause notice was issued the appellants realized that they were not registered under IA Regulations and accordingly stopped their services. It was, thus, contended that there was no intention to defraud the investors and that in the absence of any complaint from anyone seeking advice from them and in the absence of *mens rea*, the directions issued by WTM was harsh and disproportionate to the misconduct.

6. The learned counsel for the appellants upon taking instructions from the appellants contended that in the given facts and circumstances of the case the appellant will comply with the directions of the WTM to refund the amount to the investors.

7. In the light of the aforesaid, we find that the appellants fairly conceded that they were carrying on advisory services since 2008 when there was no restriction under the SEBI Act and its regulations with regard to registration as an investment adviser. The stipulation of having a registration came only when the IA Regulations came into effect in 2013 and it is

only thereafter the requirements of getting itself registered arose.

8. In view of the aforesaid, coupled with the fact that nothing has come on record to indicate that the appellants have defrauded its investors and, in the absence of any evidence of any fraud, we dispose of the appeal with the following directions:-

(a) The appellant 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 21 days from today;

(b) The repayments to the complainants/investors shall be effected only through Bank Demand Draft or Pay or electronic fund transfer or through any other appropriate banking channels, which ensures audit trails to identify the beneficiaries of repayments;

(c) The aforesaid exercise shall be carried out within 3 months from today.

(d) After the completion of the aforesaid period, the appellant shall file a report to SEBI detailing the amount refunded. The details shall indicate the amount, mode of payment by banking transaction, name of the parties, communication address, mobile numbers and telephone numbers etc;

(e) The remaining balance amount shall be deposited with SEBI who will keep it in an escrow account for a period of one year and distribute the proceeds if any claimant appears. Thereafter, remaining amount if any will be deposited in the Investors Protection & Education Fund;

(f) Till the aforesaid directions are complied the appellants are restrained from accessing the securities market directly or indirectly and further prevented from selling assets, properties and holding of mutual funds / shares / securities held by them in demat account and physical form except for the sole purpose of making the refunds as directed above;

(g) Upon submission of the aforesaid report to SEBI and deposit of the remaining money, if any, the debarment order and restraint order would be lifted within 15 days thereafter.

9. The appeal is partly allowed in terms of the aforesaid directions. Miscellaneous applications are disposed of.

10. This order will be digitally signed by the Private Secretary on behalf of the bench and all concerned parties are directed to act on the digitally signed copy of this order. Certified copy of this order is also available from the Registry on payment of usual charges.

Justice Tarun Agarwala
Presiding Officer

Ms. Meera Swarup
Technical Member

21.09.2022
msb