

National Stock Exchange of India Circular

Department: Investigation	
Download Ref No: NSE/INVG/ 59480	Date: November 22, 2023
Circular Ref. No: 239/2023	

To All NSE Members

Sub: SEBI Order in the matter of unregistered investment advisory services/activities of YM Forecast managed by P Krishnakumar and Jagadeesan S.

This is with reference to SEBI Order No. QJA/GR/SRO/SRO/29770/2023-24 dated November 22, 2023 wherein SEBI has debarred following entities 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 one year from the date of this order or till the date of filing of report, as directed in para 19(e) above, whichever is later.

Sr. no.	Name of Entity	PAN
1.	P Krishnakumar	ASDPK8613Q
2.	Jagadeesan S	BDDPJ0903L

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 at the below 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 email us at dl-invsg-all@nse.co.in

National Stock Exchange of India

**For and on behalf of
National Stock Exchange of India Limited**

**Sandesh Sawant
Senior Manager**

**ANNEXURE: SEBI Order in the matter of unregistered investment advisory
Services/activities of YM Forecast managed by P Krishnakumar and Jagadeesan S.**

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Section 11(1), 11(4), 11(4A), 11B (1) and 11B (2) of the Securities and Exchange Board of India Act, 1992 read with Rule 4 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995.

In respect of:

Noticee No.	Name of the Noticees	PAN
1.	P Krishnakumar	ASDPK8613Q
2.	Jagadeesan S	BDDPJ0903L

In the matter of unregistered investment advisory services/activities of YM Forecast managed by P Krishnakumar and Jagadeesan S.

*(The above entities are individually referred to by their corresponding names / numbers and collectively referred to as “**Noticees**”)*

BACKGROUND:

1. Securities and Exchange Board of India (“hereinafter referred to as **SEBI**”) had conducted an examination on receipt of an email references complaining against www.ymforecast.com managed by P Krishnakumar (hereinafter referred to as “**Noticee No.1**”) and Jagadeesan S (hereinafter referred to “**Noticee No.2**”) and *prima facie* found that they were carrying out unregistered investment advisory activities. Subsequently, a show cause notice dated September 4, 2023 (hereinafter referred to as “**SCN**”) was issued to the Noticees, calling upon them to show cause as to why suitable directions including directions as to refund of fees

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collected, debarment, non-association with listed entities, intermediaries, etc. should not be issued against them under sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) for violations of section 12(1) of the SEBI Act read with Regulation 3(1) of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as “**IA Regulations**”).

2. The SCN contained the following observations and allegations against the Noticees with regard to SEBI’s examination of their activities:

- 2.1. SEBI received email references from one complainant on November 18, 2022 & November 19, 2022 complaining against www.ymforecast.com managed by Noticees, alleging that stock calls were provided and charges of Rs.9,000 per month was collected and also alleged that P Krishnakumar was using fake NISM certificate. The following were noted from the aforesaid references:

- 2.1.1. The screenshot of WhatsApp chat with YM Forecast Krishnakumar shared by the complainant contained images of scheme details viz., Astrology Based Nifty | live market call with Target | 1 month - Rs.9,000; 2 month- Rs.12,000; 6 month- Rs.44,000; 12 month-Rs.61,000; Pre Advance Prediction PRO Chart -3 month -Rs.14,999.

- 2.1.2. The WhatsApp chat contained bank account details of P.Krishnakumar i.e. ICICI Bank a/c number - 065901502242, IFSC- ICIC0000659 and the beneficiary name as P. Krishnakumar. VPA as ymkrishnakumar@icici for receiving the investment advisory fees;

- 2.1.3. The complainant also shared the screenshot of payment dated August 22, 2022 of Rs.2,999/- for 3 month subscription booking made to YM Forecast with mobile no. 790****647 vide UPI transaction ID 223446184461 linked to Jagadeeshan with UPI ID “magiljagadeesanleo@okicici” .

2.2. Pursuant to the receipt of the aforesaid complaint, a further examination into the activities of Noticees were undertaken by SEBI. As per the domain registration details of www.ymforecast.com checked on <https://whois.com>, it was observed that the aforesaid website was created on March 01, 2021. Administrative / Registrant contact in respect of the website was mentioned as Jeyakumar, PG Softwares, Coimbatore, email ID: info@pgsoftwares.com.

2.3. Accordingly, vide email dated January 23, 2023, domain ownership details of the above website were sought from Jeyakumar, PG Softwares. In reply, Jeyakumar, vide email dated January 27, 2023, stated that they are a website designing company and designed a website for its client viz., YM Forecast. He further stated that Noticee No.1 is the domain/ website owner. He also attached copy of PAN card of Noticee No.1 and stated that charges for the same was received by cash.

2.4. On perusal of their website www.ymforecast.com, it was *prima facie* noted that the Noticees were offering various investment advisory services to its clients upon payment of fees. The Noticees had *inter alia* advertised the following on their website:

2.4.1. *YM Forecast is amongst top stock advisory companies in India.*

2.4.2. *NISM Registration number viz., NISM-202200016488*

2.4.3. *YM forecast is a one-stop solution to trade wisely in nifty, bank nifty, crude oil, gold, and global all index. No need to follow any other's tips or calls. We will give you that at what time nifty bullish or bearish. Every day morning 4:30 AM or before one day we will give you advance nifty prediction chart with reversal time and bounce back time. YM Forecast continues to provide research based results on the rise and fall of shares through astrology. The company gives expert results in the share market including commodity market and forex market.*

2.4.4. *Payments: G pay 790****647, you can pay us online through Credit/Debit card. Note: After making payment, fill up the activation form.*

2.4.5. *Table: Pricing*

SI No.	Packages	Duration & Offer				
Equity						
		1 months	2 months	4 months	6 months	1 Year
1	Nifty Future Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)	62000 (59000)
2	Nifty Option Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)	62000 (59000)
3	Stock Cash Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)	62000 (59000)
4	Stock Future Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)	62000 (59000)
5	Stock Option Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)	62000 (59000)
6	Jackpot Future Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)	62000 (59000)
7	Equity Plus Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)	62000 (59000)
Commodity						
Sr No.	Packages	15 Days (Paid Trial)	1 months	3 months	6 months	
1	CRUDE OIL Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)	
2	GOLD Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)	
3	SILVER Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)	

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4	COPPER Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)
5	NATURAL GAS Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)
6	ALUMINIUM Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)
7	ZINC Pre Advance Prediction chart	12000 (9000)	15000 (12000)	27000 (24000)	40000 (37000)

2.4.6. Activation Form- to avail the services of YM Forecast – which captures the KYC details, Trading Capital, Payment details, services opted

2.4.7. Login/Register interface provided for “Clients”

2.4.8. Terms & Conditions: We are not SEBI registered Financial Advisors or Investment consultants.

2.4.9. Contact Info- 408, Rasu Complex, II nd Floor, Syndicate Bank Upstairs, Avinashi, Tamil Nadu - 641 654. +91 790****647, email-info@ymforecast.com

2.5. Further, from the copy of screenshot of WhatsApp chat shared by the complainant, it was observed that Noticee No.1 had shared the details of his ICICI bank account no. 065901502242 to the complainant for receiving the fees for investment advisory services. Further, it was also noted that the website www.ymforecast.com mentioned the GPay number – 790****647 for receiving the fees for investment advisory services. It was further mentioned that fees shall be paid through Credit Card/Debit card.

2.6. Vide email dated November 21, 2022, KYC documents and copy of transaction statement pertaining to ICICI Bank account number, 065901502242 (IFSC Code: ICIC0000659) and accounts associated with UPI ID “magiljagadeesanleo@okicici” linked to mobile no. 790****647 was sought from ICICI Bank Ltd (hereinafter referred to as “**ICICI**”) which was received on November 29, 2022 and December 13, 2022. Following were noted from the same:

Account holder details	Bank Account details	Address & contact details
P. KRISHNAKUMAR PAN- ASDPK8613Q	ICICI- SB Account no. 065901502242 IFSC- ICIC0000659 DoA: 30.12.2011	ADDRESS: 4/147, VELLIYAMPALAYAM, SEMBIYANALLYUR (PO) AVINASHI, COIMBATORE- 638459, TAMIL NADU. Email ID: krishramkk@gmail.com Ph No. 978***028
JAGADEESAN S PAN- BDDPJ0903L	ICICI- SB Account no. 615401079326 IFSC- ICIC0006154 DoA: 15.02.2021	Address: 2/708, S R NAGAR SOUTH, VIVEKANANDAR 10TH, THIRUPPUR - 641687, TAMIL NADU. Email ID: magiljagadeesanleo@gmail.com Phone No: 7904108647

2.7. On examination of the account opening form and KYC documents received from ICICI, it was noted that the aforementioned bank accounts were opened in the individual capacity of the Noticees and they were the authorized signatory as well as the beneficiary of their respective bank accounts.

2.8. Subsequently, vide letter dated December 14, 2022, the reference received from the complainant was forwarded to the Noticees and they were asked to submit the information relating to the unregistered investment advisory services offered by them through their website www.ymforecast.com. They were also advised to refrain from all unregistered investment advisory / research analysis / portfolio management or any other unregistered activity in the securities market. The said letter was forwarded by way of email to both of them and was delivered. It was then noted that the aforesaid website www.ymforecast.com became non-functional subsequent to SEBI's letter / email dated December 14, 2022.

2.9. In response to the said SEBI's letter, two emails were received on December 14, 2022, one from the email ID "magiljagadeesanleo@gmail.com" (stated to be from P Krishnakumar) and another from "info@ymforecast.com". Following were noted from the same:

- 2.9.1. That P Krishnakumar does not know the complainant and that one lady contacted him through WhatsApp;
- 2.9.2. The payment screenshot of Rs.2,999/- shared by the complainant in the complaint was actually paid by one “Ashok” from Madurai. P Krishnakumar stated to have provided advisory services to Ashok during the period Aug’22 to Nov’22 and attached screenshot of trading calls given to “Ashok” on 17.11.2022;
- 2.9.3. P Krishnakumar holds a NISM certification in NISM Series –VIII: Equity Derivatives Certificate Examination. NISM certificate is dated 02.05.2022 and his NISM registration number is NISM- 202200016488 which was also displayed on the website of www.ymforecast.com.
- 2.10. As regards to the submission of Noticee No. 1 that payment of Rs.2,999/- was not received from the complainant as it was paid by one “Ashok”, it was noted that UPI transaction ID, 223446184461, as seen in the payment screenshot of Rs.2,999/- provided with the complaint, was same as in the transaction statement of ICICI account no. 615401079326 belonging to Noticee No.2 on the same date for the same amount of Rs.2,999/-.
- 2.11. Thus, from the complaint and the website, www.ymforecast.com, it was observed that ICICI bank account no. 615401079326 of Jagadeesan S and ICICI bank account no. 065901502242 of P Krishnakumar were used for collecting fees for investment advisory services.
- 2.12. It was also noted that the details such as money collected, list of clients etc., as sought by SEBI in its aforesaid letter, were not provided by the Noticees. In view of the same, vide email dated January 10, 2023, the Noticees were once again advised to submit the details sought by SEBI in its letter dated December 14, 2022.

2.13. With regards to the allegation of fake NISM registration, it was verified from the NISM skills registry that NISM registration number, NISM- 202200016488 belonged to P Krishnakumar.

2.14. Since Noticees did not submit the details sought by SEBI, they were advised to submit the information sought in person at SEBI Office, Chennai (SEBI-SRO). No reply was received from Noticee No.2, however, Noticee No.1 submitted his reply vide mail dated February 13, 2023 from the email ID krishramkk@gmail.com and reiterated the same during his personal appearance at SEBI-SRO on February 21, 2023.

2.15. The following submissions were made by Noticee No.1 vide the aforesaid reply dated February 13, 2023:

2.15.1. Astro based prediction in stock market was provided by P Krishnakumar in the name of YM Forecast through a website (www.ymforecast.com), Youtube and Telegram Channel;

2.15.2. He has provided service to clients and charged fees in the range of Rs.5,000 to Rs.12,000;

2.15.3. He stated that the above activities were carried out unaware of SEBI laws and that he has stopped the same subsequent to receipt of letter from SEBI;

2.15.4. Through astro consulting and financial astrology services he has received fees of around Rs.26 lakhs.

2.15.5. P Krishnakumar provided details of fees collected in his ICICI a/c no. 065901502242 and ICICI a/c no. 615401079326 of Jagadeesan S towards investment advisory services which sums up to Rs.25,97,894/.

2.16. With regards to the above submission of Noticee No.1, it was noted that the Noticees did not provide standalone astro services as per the available records and the investment advisory services provided by Noticees was packaged as a bundle of astro consulting and financial astrology services.

2.17. Further, Noticee No.1 also admitted that investment advisory activities were carried out by him unaware of SEBI laws.

2.18. Further, vide email dated February 21, 2023, the Noticees were advised to provide credit wise purpose of amount collected in the aforementioned ICICI bank accounts and list of clients/investors to whom investment advice was provided, details of all persons who has provided the investment advice to clients, sample copy of investment advice provided, etc.

2.19. In reply to the above, vide email dated February 26, 2023, Noticee No.1 submitted details of certain transactions identified as personal/own/from broker etc., in the ICICI Bank account of Noticee No.2. However, he did not submit other details such as list of clients/investors etc as sought by SEBI.

2.20. Despite the several letters and emails from SEBI advising Noticee No.2 to submit the required details w.r.t. the alleged investment advisory services, no reply was received from him. However, from an email id registered in the name of Noticee No.2 with ICICI Bank, a reply was received on the same day identifying as "P Krishnakumar" i.e. Noticee No.1. In this regard, during the aforementioned meeting held on February 21, 2023 at SEBI-SRO, Noticee No.1 stated that Noticee No.2 is his co-brother (i.e. P Krishnakumar's wife's sister's husband) and resides at the address "2/708, S R Nagar South, Vivekanandar 10th, Thiruppur - 641687, Tamil Nadu" from where the SEBI letter dated December 14, 2022 returned with the reason being "Addressee refused". The copy of the said SEBI's letter was handed over to Noticee No.1 during the meeting.

2.21. It was also noted that the aforementioned address mentioned by Noticee No.1 is the registered address of Noticee No.2 as per ICICI Bank records and is also his registered address as per client master details of his trading/demat accounts maintained with Angel One Limited and Enrich Financial Solution

Private Limited. Two other email IDs of Noticee No.2 viz., SMJAGU95@GMAIL.COM and BELIVEKRISH@GMAIL.COM were traced from the client master data and the aforesaid letter of SEBI was also forwarded to the said email IDs on March 03, 2023 and March 07, 2023 which did not bounced back. Despite the same, it was noted that Noticee No.2 did not submit any reply.

2.22. The summary of credit transactions in the ICICI bank account no. 615401079326 of Jagadeesan S and ICICI bank account no. 065901502242 of P Krishnakumar are as given below:

Transaction Period*	Particulars	No. of all credit transactions	Total credits in ₹
01.03.2021 to 26.03.2023	Direct Credits to ICICI account no. 065901502242 of P Krishnakumar	514	49,33,108
01.03.2021 to 26.03.2023	Direct Credits to ICICI account no. 615401079326 of Jagadeesan S	322	35,15,463
	Total	836	84,48,571
* The credits received from the date of website creation i.e. from 01.03.2021 to 26.03.2023			

2.23. It was observed that several credit transactions in both the ICICI bank accounts were matching with the fee amount specified for investment advisory packages on the website of www.ymforecast.com. Also, the narration of multiple credit transactions in both the ICICI bank accounts had the terms related to investment advice/investment advisory services viz., fee, subscription, trading, nifty, YM Forecast etc.

2.24. As stated in previous paragraphs, P Krishnakumar, vide email dated February 13, 2023, had claimed that a sum of Rs.25,97,894/- was collected as fees towards unregistered investment advisory services in the ICICI bank account of P Krishnakumar and Jagadeesan S and submitted bank statement of the said accounts marking the amount received as fees in support of the same.

The said details are summarized as under:

Sl No.	Package category	No. of credit transactions	Amount (in Rs.)	Package category	No. of credit transactions	Amount (in Rs.)
ICICI a/c no. 065901502242 of P Krishnakumar				ICICI a/c no. 615401079326 of Jagadeesan S		
1	9,000	33	297000	5,000	11	55,000
2	10,999	4	43996	5,500	3	16500
3	12,000	47	564000	6,000	3	18000
4	12.999	2	25998	7,000	7	42000
5	14,900	6	89400	9,000	62	558000
6	48,000	2	96000	12,000	66	792000
	Total (A)		11,16,394	Total (B)		14,81,500
	Grand Total (A+B) = Rs.25,97,894/-					

2.25. However, in addition to the above amount admitted by P.Krishnakumar as fees collected, based on the independent examination of bank statements of the ICICI accounts of P.Krishnakumar and Jagadeesan S carried out by SEBI, the following were also considered as fees collected towards investment advisory services offered under the name of YM Forecast:

2.25.1. Amounts totaling to Rs.2,34,999 which were matching with package amount but was not included in the amount admitted by P. Krishnakumar as fees collected.

2.25.2. Credit entries totaling to Rs.2,59,896 which had the narration related to investment advice/investment advisory services but was not included in the amount admitted by P. Krishnakumar as fees collected.

2.26. Thereafter, vide email dated March 03, 2023, details of aforementioned credit entries were shared with the Noticees and they were asked to inform the purpose of the credits received along with supporting documents in case the said credits are not counted as fees collected for investment advisory services. It was also stated in the email that in the absence of any reply or supporting documents, the same shall be construed as fees collected for investment advisory services. A reminder was also sent on March 16, 2023. However, no reply was received from the Noticees till date.

2.27. Thus, from the above analysis and taking into consideration the submission of P Krishnakumar, atleast Rs.30,92,789 (i.e. 25,97,894 + 2,34,999 + 2,59,896) are considered as fees collected by the Noticees during the period April 21, 2021 to January 27, 2023 towards unregistered investment advisory services offered under the name of YM Forecast. The details of fees collected are summarized below:

Table: Fees collected

Transaction Period#	Particulars	No. of credit transactions	Amount (in ₹)
21.04.2021 to 08.10.2022	Amount admitted as fees collected in the ICICI a/c no. 615401079326 of Jagadeesan S	151	14,81,500
05.04.2022 to 12.09.2022	Amount admitted as fees collected in the ICICI a/c no. 065901502242 of P Krishnakumar	94	11,16,394
	Admitted amount (A)	245	25,97,894
19.05.2021 to 27.01.2023	Credits received in ICICI a/c no. 065901502242 of P Krishnakumar and ICICI a/c no. 615401079326 of Jagadeesan S which are matching with the fee amount specified for the investment advisory products / packages (in addition to 245 credit transactions admitted)	19	2,34,999
25.06.2021 to 03.10.2022	Credits received in ICICI a/c no. 065901502242 of P Krishnakumar and ICICI a/c no. 615401079326 of Jagadeesan S which had the narrations related to investment advice (in addition to 245 credit transactions admitted)	14	2,59,896
	Additional amount identified (B)	33	4,94,895
	Total (A+B)	278	30,92,789
'#'- The transaction period is from the date of first credit identified as amount collected towards investment advisory services till the date of last credit transaction in the account identified as amount collected towards investment advisory services			

2.28. From the above observations, the role of P.Krishnakumar and Jagadeesan S were summarized as below:

2.28.1. The website www.ymforecast.com offered various investment advisory services/packages against charges specified therein and displayed the NISM registration number (NISM-202200016488) of P Krishnakumar. Further, P. Krishnakumar was the domain and website owner of www.ymforecast.com

2.28.2. The website www.ymforecast.com displayed the mobile no. 790****647 for receiving fees via Google-pay i.e. UPI mode. The payment screenshot of subscription charge of Rs.2,999/- shared by the complainant was paid to the mobile no. 790****647 which was linked to the UPI ID “magiljagadeesanleo@okicici”. Details received from ICICI bank revealed that Google-pay number mentioned on the website for receiving fees was associated with ICICI bank account no. 615401079326 of Jagadeesan S. Jagadeesan S had signed the account opening form of the said account and he had given a cheque for Rs.50,000/- towards initial deposit from his Karur Vysya Bank account. The bank account was opened on February 17, 2021 and the website www.ymforecast.com was created on March 01, 2021.

2.28.3. Screenshot of WhatsApp chat with P Krishnakumar shared by the complainant revealed that P Krishnakumar had also shared his ICICI bank account no. 065901502242 for receiving the fees for investment advisory services.

2.28.4. Several credits entries were observed in the aforesaid ICICI bank accounts of P Krishnakumar and Jagadeesan S which were matching with the package amount specified for investment advisory services. Also narration of the multiple credit entries in the said accounts had the terms related to investment advisory services.

2.28.5. P Krishnakumar had admitted that investment advice was provided and fees in respect of the same were collected in the ICICI account of P Krishnakumar and Jagadeesan S. He had also shared copy of investment advice provided to one of his investor.

2.28.6. P Krishnakumar had shared the WhatsApp chat history of “YM Forecast Premium” group (number 790****647). P Krishnakumar regularly posted “Advance Prediction Pro Chart”, Target price, Exit Price etc., in the said group.

2.29. Based on the information available, it was alleged that P Krishnakumar had provided investment advice which was also admitted by him. The ICICI bank

accounts of both P Krishnakumar and Jagdeesan S were used for collecting the fees for investment advisory services.

2.30. Further, even after multiple reminders, Jagdeesan S did not submit the purpose/reason of the various credits received in his ICICI bank account. The fact that money was primarily collected in the account of Jagdeesan S (who was the authorized signatory as well as beneficiary of the amounts collected in the said account) makes him liable for the investment advisory services offered through www.ymforecast.com.

2.31. Thus, based on the evidence gathered from the complaint, contents of the website www.ymforecast.com, information received from the Noticees and transactions statement of the aforesaid ICICI Bank account no. 065901502242 of P Krishnakumar and ICICI bank account no. 615401079326 of Jagadeesan S which were used for the purpose of collecting fees in respect of providing unregistered investment advisory services, it was alleged that P Krishnakumar and Jagdeesan S have acted hand in gloves with each other in providing unregistered investment advisory services carried out in the name of YM Forecast and that a sum of atleast Rs.30,92,789 were collected towards fees during the period from 21.04.2021 to 27.01.2023 from large number of investors.

3. The aforesaid SCN was issued to the Noticees by SPAD at the addresses mentioned on their website www.ymforecast.com as well as that mentioned in the KYC details obtained from the Noticee's Bank. The scanned copy of the SCN was also sent via email to the email ids info@ymforecast.com; krishramkk@gmail.com; magiljagadeesanleo@gmail.com; smjagu95@gmail.com; and belivekrish@gmail.com i.e. from which the Noticees had made submissions to the queries of SEBI during the course of examination as well as which were traced from the client master data of Angel One Limited and Enrich Financial Solution Private Limited, where the trading/demat accounts of Noticee No.2 were maintained. The SCN was served both vide SPAD as well as email to both the Noticees. The

Noticees were given 21 days' time to file their reply to the SCN from the date of receipt. As there was no response, a reminder email was also sent on October 12, 2023, advising the Noticees to submit their reply to the SCN. However, no reply was filed by the Noticees. Thereafter, the Noticees were granted an opportunity of personal hearing on November 17, 2023, which was intimated to them vide hearing notice dated November 7, 2023 (delivered to them on their email ID). Further, a reminder was also sent on November 14, 2023. However, the Noticees did not appear for the hearing.

4. I note that the Noticees have neither filed any reply nor appeared for hearing. Hence, it is presumed that Noticees have nothing to submit in respect of the allegations levelled in the SCN. Therefore, I am constrained to proceed further in the matter *ex-parte*, on the basis of material available on record.
5. From the aforesaid facts, I find that the Noticees were engaged in giving advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products in lieu of consideration. Therefore, I find that in terms of regulation 2(1)(l) of the IA Regulations, the Noticees were providing "investment advice". I further note that if an entity is engaged in providing 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 in lieu of consideration, including entities which are holding themselves out as investment advisers, are covered by the definition of "Investment Adviser" as given in Regulation 2(1)(m) of the IA Regulations.
6. As noted above, the Noticee used to charge fee for investment advisory services ranging from ₹9,000 to ₹59,000 and received a sum of at least Rs.30,92,789 in connection with investment advisory activities in the aforesaid ICICI Bank account no. 065901502242 of P Krishnakumar and ICICI bank account no. 615401079326 of Jagadeesan S. The Noticees have not made any submissions to prove that these funds were earned from other source of income. Hence, I find that these services

were being offered by the Noticees for the consideration, as noted above. Therefore, I find that the Noticees were engaged in the business of providing investment advice to their clients, for consideration, and thus, were acting as an investment adviser, as defined under regulation 2(1)(m) of the IA Regulations.

7. It is imperative that any person carrying out investment advisory activities has to necessarily obtain registration from SEBI and conduct their activities in accordance with the provisions of SEBI Act and Regulations framed thereunder.
8. I note that for seeking a certificate of registration for acting as an investment adviser, an entity is required to satisfy, inter alia, the following requirements, as provided under IA Regulations:
 - 8.1. An application for seeking certificate of registration to be made to Local Office, Regional Office or Head Office, of SEBI, as the case may be, in Form A as specified in the First Schedule to IA Regulations, 2013 along with requisite nonrefundable application fee;
 - 8.2. The applicant, in case of an individual investment adviser or its principal officer in case of a non-individual investment adviser shall be appropriately qualified and certified as under:
 - 8.2.1. A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognized by the Central Government or any State Government or a recognized foreign university or institution or association or a professional qualification by completing a Post Graduate Program in the Securities Market (Investment Advisory) from NISM of a duration not less than one year or a professional qualification by obtaining a CFA Charter from the CFA Institute;
 - 8.2.2. An experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management;

8.2.3. Applicant in case of individual investment adviser or its principal officer in case of a non-individual investment adviser, and persons associated with investment advice shall have, at all times a certification on financial planning or fund or asset or portfolio management or investment advisory services, from (a) NISM; or (b) any other organization or institution including Financial Planning Standards Board of India or any recognized stock exchange in India provided such certification is accredited by NISM.

8.3. Individual applicant must have net worth of not less than 5 lakh rupees and non-individual applicant must have net worth of not less than 50 lakh rupees.

9. Further, the IA Regulations provides for the minimum professional qualification and prescribes mandatory net-worth requirement. Further, it *inter-alia* provides for disclosures of any conflict of interest, risk profiling of clients, maintenance of records related to client assessments and the suitability of advice. The prescriptions in the IA Regulations are intended to safeguard the interest of investors and curb the perpetration of unregistered entities entering the field of investment advisory services and indulging in unscrupulous market practices.

10. Section 12(1) of the SEBI Act provides as under:

“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.”

11. As per regulation 3(1) of IA Regulations, the registration of the investment advisers is mandatory. It provides that,

“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”

12. It is noted that none of the Noticees were registered with SEBI in the capacity of Investment Adviser during the period under examination. It is further noted that the Noticees received amounts to the tune of Rs.30,92,789 in the aforesaid ICICI bank accounts which are in the nature of Investment Advisory fees.

13. In view of the above, I find that aforesaid total credit of Rs.30,92,789/- in the ICICI Bank accounts of the Noticees were received by the Noticees as fee for investment advisory services provided by the Noticees while acting as an investment adviser without obtaining certificate of registration from SEBI. In view of the above, I find that the Noticees by acting as investment adviser within the meaning of the IA Regulations and without obtaining certificate of registration from SEBI have acted in total disregard to the requirements of law and have violated Regulation 3(1) of the IA Regulations and Section 12(1) of the SEBI Act.

14. I note that the SCN has called upon the Noticees to show cause as to why appropriate penalty be not imposed upon them under Section 15EB of SEBI Act for the violations alleged in the SCN. Section 15 EB of the SEBI Act are extracted hereunder: -

Section 15 EB - Penalty for default in case of investment adviser and research analyst

“Where an investment adviser or a research analyst fails to comply with the regulations made by the Board or directions issued by the Board, such investment adviser or research analyst shall be liable to penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.”

15. As noted above, the Noticees continuously received investment advisory fees in their bank accounts since date of opening of such bank accounts. In view of the

above, I find that the Noticees acted in violation of Regulation 3(1) of the IA Regulations and Section 12(1) of the SEBI Act from July, 2021. Therefore, I find that the Noticees are liable to be imposed with penalty under Sections 15EB of the SEBI Act.

16. I note that Section 15J of the SEBI Act provide for factors which are required to be considered for adjudging quantum of penalty. Section 15J of the SEBI Act reads as follows: -

“Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.”*

Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

17. The activities of the Noticees, as brought out above, seen in the backdrop of the aforesaid provisions show that they were acting as an investment adviser without holding the certificate of registration as investment adviser. Therefore, I find that the Noticees have violated the provisions of Section 12(1) of SEBI Act read with Regulation 3(1) of the IA Regulations.

18. As observed above, I note that the Noticees received total credit of amounts to the tune of Rs.30,92,789/- (Rupees Thirty Lakh Ninety Two Thousand Seven Hundred and Eighty Nine) in the said bank accounts of ICICI Bank as advisory fees. These being the proceeds of an illegal activity, are liable to be refunded to the respective clients.

DIRECTIONS:

19. In view of the foregoing, I, in exercise of the powers conferred upon me in terms Sections 11(1), 11(4), 11(4A), 11B (1) and 11B (2) read with of section 19 of the SEBI Act, and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, do hereby issue the following directions:

- (a) The Noticees shall refund all the money collected/received from any investors / complainants, as fees or consideration or in any other form, in respect of their unregistered investment advisory activities immediately, and in any case, within a period of three months from the date of this order.
- (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, about this Order and shall give details of modalities for refund, including the details of contact person such as name(s), address(es) and contact detail(s) of person(s) to be approached for refund, within 15 days from the date of receipt of this order;
- (c) The repayments to the investors/ complainants 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 prohibited from selling their assets, properties including 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 from the bank accounts of the Noticees, only for the purpose of making refunds to the clients/ investors/ complainants who were availing the investment advisory services from 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. C7, G Block, Bandra Kurla Complex, Bandra (East) Mumbai –400051”, within a period of 15 days, after expiry of four months from the date of public notice, as directed above, duly

certified by an independent Chartered Accountant and the direction at para 19 (d) above shall cease to operate upon filing of such report;

- (f) The remaining balance amount shall be deposited with SEBI which will be kept in an escrow account for a period of one year for distribution to clients/complainants/investors who were availing the investment advisory services from the Noticees. Thereafter, remaining amount, if any, will be deposited in the 'Investors Protection and Education Fund' maintained by SEBI;
- (g) In case of failure of the Noticees to comply with the aforesaid directions in subparagraph(a) and (f), SEBI, on the expiry of the stipulated time period therein from the date of coming into force of this order, may recover such amounts, from the Noticees, in accordance with Section 28A of the SEBI Act, 1992 including such other provisions contained in securities laws;
- (h) 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 one year from the date of this order or till the date of filing of report, as directed in para 19(e) above, whichever is later;
- (i) The Noticees shall not undertake, either during or after the expiry of the period of restraint and prohibition, as mentioned in para 19(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;
- (j) The Noticees are hereby imposed with penalty of Rs.1,00,000/- (Rupees One Lakh Only) each under Section 15EB of the SEBI Act;
- (k) The Noticees shall remit / pay the said amount of penalty, within a period of forty-five (45) days from the date of receipt of this order, through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of EDs/CGMs -> PAY NOW. In case of any difficulties in online payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

20. For any non-compliance of this order, the Noticee shall be subject to strict action under the applicable provisions of the law, including prosecution.

21. It is clarified that the direction for refund as given in Para 19 (a) above, does not preclude the clients/investors to pursue the other legal remedies available to them under any other law, against the Noticees for refund of money or deficiency in service before any appropriate forum of competent jurisdiction.

22. This order shall come into force with immediate effect.

23. A copy of this order shall be sent to the Noticees, all the recognized Stock Exchanges, the relevant banks, Depositories and Registrar and Transfer Agents of Mutual Funds and BSE Administration and Supervision Ltd.

Date: November 22, 2023

Place: Mumbai

**G RAMAR
CHIEF GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA**