
**ORDER UNDER THE RULES, BYE-LAWS AND REGULATIONS OF BSE LIMITED IN THE MATTER
OF SHARES BAZAAR PRIVATE LIMITED (CLG. NO. 6780)**

This Order is being passed under the Rules, Bye-Laws and Regulations of BSE Limited (hereinafter “**Exchange**”) in the matter of Shares Bazaar Private Limited (hereinafter “**Trading Member**”).

Background:

1. Shares Bazaar Private Limited is registered as a Trading Member of the Exchange and was admitted as a member of the Exchange on January 14, 2022. The Trading Member has obtained SEBI Registration Number INZ000303836 dated February 01, 2022 but till date have not commenced business at the Exchange.
2. The Exchange *vide* Notice bearing ref. no. 20220325 - 58 dated March 25, 2022, *inter alia*, advised the members to refrain from engaging in practices, such as, incentives/referral schemes, assured return schemes/unauthorised portfolio management service etc. It was categorically stipulated that the members are not permitted to undertake any business/activity that is not allowed under the Rules, Bye-Laws and Regulations of the Exchange and circulars of the Securities and Exchange Board of India (hereinafter “**SEBI**”)/Stock Exchanges including operating any scheme of unauthorised collective investments/portfolio management, promising indicative/guaranteed/fixed returns/payments etc. Further, the Exchange directed that non-adherence to the Rules, Bye-Laws and Regulations of the Exchange and circulars of SEBI/Stock Exchanges will be viewed very seriously and strict disciplinary action will be initiated against the members engaging in unauthorised market practices.
3. National Stock Exchange of India Limited (hereinafter “**NSE**”) issued a Press Release dated July 12, 2022, on its website, *inter alia*, cautioning the investors that the Trading Member is offering investment plans with assured returns and that the Trading Member is neither registered as a member nor as an authorized person of any registered member at NSE. Further, the investors were advised not to subscribe to any scheme/product offered by any entity offering indicative/assured/guaranteed returns in the stock market as the same is prohibited by law.
4. Taking note of the above mentioned Press Release issued by NSE, a verification was carried out by the Exchange wherein it was observed that :
 - i. The Trading Member was offering investment plans with assured schemes which, *inter alia*, involved collecting money from investors and providing assured returns to such investor.

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- ii. Assuring a minimum return of 18 percent to 48 percent each year, depending on the plan chosen by the investor.
 5. The marketing and advertisement material of “Making Millions Financially Free (hereinafter “**MMFF**”) Program” which was received during the aforesaid enquiry mentioned as follows:
 - a. Minimum investment – 1 lakh, minimum assured returns p.a. – 18%
 - b. Minimum investment – 1 lakh, minimum assured returns p.a. – 30%
 - c. Minimum investment – 1 lakh, assured returns p.a. – 48%
 - d. Capital secure with 48% assured returns p.a.
 - e. Assured returns 48% per annum on investment with capital secure irrespective of profit or losses.
 6. Accordingly, a Show Cause Notice (hereinafter “**SCN**”) dated July 21, 2022 was issued by the Exchange to the Trading Member, *inter alia*, requiring to show cause as to why disciplinary action should not be taken against the Trading Member for violation of the Rules, Bye-Laws and Regulations of the Exchange, *inter alia*, for offering assured returns and directed to submit its reply / representation to the SCN on or before July 29, 2022. *Vide* the said SCN, marketing and advertisement material of MMFF referred to above along with proposed agreement with prospective client for Portfolio Management Service (“**PMS**”) and assured returns was also shared with the Trading Member.
 7. The Trading Member *vide* its email dated July 29, 2022 replied to the aforesaid SCN. Upon perusal of the response dated July 29, 2022 addressed by the Trading Member, discrepancies were observed by the Exchange. Accordingly, the FIRs lodged by the Trading Member before SR Nagar Police Station, Hyderabad and KPHB Police Station, Hyderabad against the alleged misconduct of the Chief Executive Officer of the Trading Member, Mr. Tirumala Lakshmi Venkata Ramesh (hereinafter “**CEO**”) were requested to be provided by the Exchange *vide* email dated August 12, 2022 from the Trading Member. The Trading Member *vide* email dated August 13, 2022 addressed to the Exchange provided certain clarifications and enclosed a copy of complaint lodged with the KPHB Police Station.
 8. Upon receipt of the additional information from the Trading Member, a Supplementary Show Cause Notice dated August 25, 2022 (hereinafter “**Supplementary SCN**”) was issued by the Exchange to the Trading Member, *inter alia*, for failure to have adequate procedures and process to supervise its business/conduct and violation of provisions of Rules, Bye-Laws and Regulations of the Exchange and circulars/notices issued by the Exchange.

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9. The Trading Member *vide* its letter dated August 27, 2022 replied to the Supplementary SCN *inter alia* providing clarification regarding two complaints filed with different Police Stations. However, there were no clarifications provided with regard to the Trading Member's responsibility towards maintaining processes and procedures to supervise conduct of its employees and its liability on account of conduct of employee/agent. Further, the Trading Member informed that action by issuing warning has been initiated against the concerned employee.

Trading Member's submissions to the SCN and the Supplementary SCN:

10. Brief of the Trading Member's submissions are as follows:
- a. The Trading Member is at initial stages of its business and is considering various future business strategies in the financial and forex market. It is in the process of appointing right talent in the fields of legal, accounting and finance backgrounds for carrying out the activities of the Trading Member.
 - b. Mr. Venkata Tirumala was appointed as the CEO of the Company effective from January 29, 2021 to carry out the activities of brokerage, being a member of NSE, BSE and MCX.
 - c. Mr. Venkata Tirumala prepared the strategic roadmap of the Trading Member which includes membership of NSE and other exchanges and providing returns to the investors.
 - d. Mr. Venkata Tirumala, publicized content with respect to various memberships and investment plans of the Trading Member on the web page which were never approved by the Board of Directors or Mr. Bhupal Nanavath.
 - e. MMFF is a product made by Mr. Venkata Tirumala but was not released publicly and the Trading Member is not driving any such product. However, since such news spread with respect to the Trading Member, the management of the Trading Member terminated Venkata Tirumala by the end of February, 2022.
 - f. The Trading Member has never promoted such activity nor any marketing has been carried out till date with respect to MMFF and it is not the Trading Member's product. In May 2022, the Trading Member found that Rajiv Mehta has posted on Twitter about MMFF, the link for which was provided.

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- g. Further, as per the Trading Member's information, since Mr. Venkata Tirumala is trying to spoil their goodwill and credibility in the market, the Trading Member has filed a complaint against him.
 - h. MMFF is not a product or a service provided by the Trading Member.
 - i. The Trading Member shall carry out its business activities by adhering to the applicable regulatory requirements.
 - j. The Trading Member collects various data from public domain e.g., NSE, BSE website etc. and publishes data on its website which is available to public at large and offers no buy or sell opinion or any advisory. The same is done in the course of normal broking business activities of the Trading Member.
 - k. The Trading Member was formed by the promoters with good intent to carry out the business of broking as per the defined terms of SEBI and the Exchange.
 - l. The Trading Member has been filing all the requisite forms, annual accounts and other requirements within the due dates before various authorities.
 - m. The Trading Member is engaged in providing broking services to close family and friends and help them with processing the trading based on their own call on purchase or sale.
 - n. Any advertisement, publications etc. made by the Trading Member are general in nature and not carried out with the intent of rendering any services such as Portfolio Management Services / Investment Advisory services / Research Analyst services.
 - o. The Trading Member is not carrying out any Portfolio Management Services / Investment Advisory services / Research Analyst services.
 - p. The decision of buying/selling any shares is solely taken by the investors/traders and are not influenced by the Trading Member.
 - q. The Trading Member purely renders the services of broking and facilitates dissemination of information available on different websites viz. NSE / BSE etc. to the investor / trader as per their request.

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- r. The Trading Member undertakes to comply with the regulatory requirements as and when it undertakes any activity viz., Portfolio Management Services/Investment Advisory services/Research Analyst services etc.
 - s. Further, with respect to the Press Release issued by NSE, the Trading Member met representatives of NSE and explained all the facts as stated above and informed that Trading Member has applied for NSE membership and will close all Authorized Person accounts.
 - t. Wrong attachment was attached inadvertently with the response submitted to the Exchange regarding the complaint lodged with Police Station and a reference to the Police Station was made unintentionally as both areas, i.e., SR Nagar jurisdiction and KPHB jurisdiction, fall very near to each other.
 - u. The Trading Member understood that jurisdiction to lodge complaint lies with SR Nagar's Police Station, however, the jurisdiction was KPHB's Police Station and assured that action was initiated against the employee and was resolved with a warning.
 - v. With respect to various matters raised on web information, the Trading Member assured that all pages containing such schemes were deleted and that they have further explained the technical issues as to how they fall under historical pages and may appear in Google searches.
 - w. The Trading Member undertakes to immediately withdraw and remove all advertisements, representation, literatures, brochures, materials, publications, documents, communications etc. physical or digital in relation to Portfolio Management Services/ Investment Advisory services/Research Analyst services, if any.
 - x. The Trading Member's actions are completely in compliance with the applicable law and requested an opportunity for a personal hearing.
11. Subsequently, the Exchange informed the Trading Member that proceedings relating to the SCN and Supplementary SCN will be heard before the Member Committee of the Exchange (hereinafter "**Committee**") on September 21, 2022.

Personal hearing before the Committee

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12. On September 21, 2022, the Trading Member was represented by Mr. Bhupal Nanavath – Director, Mr. Naresh Mitta – Chief Executive Officer and Mr. Sarveswar Reddy – Company Secretary before the Committee for the hearing.
 13. During the hearing, the Trading Member, *inter alia*, made the following submissions:
 - a. The Trading Member denies that it was carrying out any Portfolio Management Service (hereinafter “PMS”) and whatever activities that were done in this regard were by ex-CEO Venkata Tirumala. Further, in the year 2021 and 2022, everyone was working from home, only few members of the staff were working in the office and they were not privy to what ex-CEO Venkata Tirumala was doing.
 - b. It was submitted that ex-CEO Venkata Tirumala was not carrying out any marketing activities but was carrying out such activities (like PMS). He also did some modifications on their website on trial basis.
 - c. In January 2022, the Director took decision that such activities should not be carried out and it is to be stopped.
 - d. No marketing collateral, i.e., the MMFF, was placed in the market.
 - e. The Trading Member lodged a criminal complaint at SR Nagar Police Station but they were informed that the said Police Station had no jurisdiction, so complaint was filed before KPHB Police Station where it was accepted and the said CEO was removed.
 - f. It was submitted that the online platform is under testing and there is no marketing or any marketing collateral about it. It was only a ‘practice’ and it has not been put live and informed everybody that it is still under testing.
 - g. The Trading Member has applied for NSE and MCX membership and it is under process and further the Trading Member has a meeting with them. The Trading Member stated that he was told at NSE that they are awaiting BSE confirmation of membership.
 14. Pursuant to the personal hearing, the Exchange *vide* email dated September 22, 2022 requested to provide status of application for membership filed with NSE and MCX along with latest communication from the respective exchanges. Further, it was also requested to provide documents regarding the Trading Member’s IT infrastructure and website along with requisite internal approvals from dissemination and removal of

MMFF program. Lastly, the status of the complaint filed against Mr. Venkata Tirumala by the Trading Member was also sought by the Exchange.

15. The Trading Member *vide* letter dated September 29, 2022 supplemented copy of applications filed by the Trading Member with NSE and MCX along with certain other explanations and submission. Pertinently, the Trading Member did not provide any document / information on IT infrastructure and website along with requisite internal approvals from dissemination and removal of MMFF program. Furthermore, the Trading Member did not provide any updated status on the complaint filed against Mr. Venkata Tirumala.
16. On perusal of the aforesaid response addressed by the Trading Member, the Exchange *vide* email dated October 10, 2022 requested to provide a copy of latest communication or any update from NSE. Furthermore, since the Trading Member did not provide the document / information as sought *vide* email dated September 22, 2022, it was again requested to provide necessary supporting documents regarding the IT infrastructure and website along with MMFF program.
17. The Trading Member *vide* email dated October 13, 2022 responded to the aforesaid Exchange's email and submitted that the Trading Member had interacted with officials of NSE. Pertinently, the Trading Member again failed to supplement any supporting document with respect to IT infrastructure and website along with MMFF program.

Consideration of submissions and findings of the Committee

18. The Committee considered the SCN, the Supplementary SCN, the submissions (written as well as oral) made by the Trading Member and observed as follows:
 - a. Trading Member has neither disputed that the assured returns scheme i.e., MMFF was offered under the name and banner of the Trading Member nor the marketing and advertisement material of MMFF and the proposed agreement for PMS and assured return services which reflected the name of the Trading Member.
 - b. Trading Member has submitted that it was not responsible for providing assured returns scheme i.e., MMFF and the same was provided by its CEO, Mr. Venkata Tirumala and therefore, the Trading Member has not committed any non-compliance, is untenable for the following reasons:

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- i. At the outset, a Trading Member is liable for the acts of its CEO. Rule 6 of the Chapter IV of the Rules of the Exchange expressly provides that a trading member shall be fully responsible for the acts and omissions of its officials.
 - ii. No credible action has been taken against its CEO despite serious nature of allegation except by filing an ambiguous complaint with the Police Station.
 - iii. The Trading Member has failed to produce any document to demonstrate that the complaint filed by it was pursued further.
 - iv. Further, it seems that the Trading Member has accepted the apology tendered by its CEO and failed to pursue requisite legal proceedings despite the fact that marketing material of MMFF featured the designated director of the Trading Member who holds 90 % stake of the Trading Member.
 - v. While the complaint lodged with SR Nagar Police Station did not bear any acknowledgement, the complaint filed with KPHB Police Station fails to list out specific misconduct committed by its CEO regarding assured returns scheme. In fact, the complaint filed with KPHB Police Station fails to even mention about assured returns scheme.
 - vi. The Trading Member informed that the directors decided to stop the assured returns activity in the month of January, 2022 and its CEO has resigned in the month of February, 2022; however assured returns scheme continued thereafter as evident from material available on the internet and the press release dated July 12, 2022 issued by NSE.
19. It is pertinent to observe here that the Trading Member has not produced any material to show that the press release dated July 12, 2022 issued by NSE intimating about assured returns offered by the Trading Member, has been challenged by the Trading Member.
 20. The MMFF Program of the Trading Member evidentially referred to providing minimum assured returns p.a. between 18% and 48%, which is grossly in non-compliance with the Exchange's Notice dated March 25, 2022. Furthermore, the service agreement provides for assured returns 48% per annum on investment with capital secure irrespective of profits or losses. Additionally, it also prescribes for dividend withdrawals on monthly basis i.e., 4% on Rs. 5 lakhs irrespective of profits or losses. These promises of assured returns on investment and dividend withdrawals are violative of the provisions of the Exchange's notice dated March 25, 2022 read with Rules, Bye-Laws and Regulations of the Exchange. Thus, the

Trading Member has violated the provisions of the Exchange's notice dated March 25, 2022.

21. The contention raised by the Trading Member that MMFF was not released publicly is incorrect on account of facts as observed above.
22. Trading Member in its response have accepted that they are rendering the services of broking and facilitating dissemination of information available on different websites viz. NSE / BSE etc. to the investor / trader as per their requests despite not receiving commencement permission from the Exchange.
23. The contention raised by the Trading Member that its website was under testing is incorrect since the website showcasing various services provided by it was viewable by the public at large. In this regard, a link ("https://www.sharesbazaar.com/about_pms") referred to in Supplementary SCN is not disputed wherein Trading Member used to advertise about the PMS and claimed that Trading Member had about 2500+ clients while Trading Member was not registered with SEBI for providing PMS. This is further demonstrated by the undisputed agreement referred to above which, inter alia, states about PMS account of the customer and refers to weblink (www.sharebazaar.com / <https://pms.sharesbazaar.com/login>).
24. Trading Member has also failed to provide adequate and satisfactory response/explanation to the allegations/non-compliances raised in SCN and Supplementary SCN.
25. Despite repeated directions from the Exchange, the Trading Member failed to substantiate its submission and did not provide requisite information / document regarding IT infrastructure and website along with requisite approval for dissemination and removal of MMFF program and other services offered by it. Further, the Trading Member also failed to provide further update regarding the complaint lodged with KPHB Police Station against its CEO.
26. The Trading Member did not respond to the issues raised in the Supplementary SCN with regard to its failure in maintaining adequate processes and procedures to supervise the conduct of its employees. This clearly demonstrates that the Trading Member miserably failed to have adequate checks and controls over the operation / administration of the Trading Member and did not act in fair and diligent manner which is detrimental for the functioning of the Trading Member as a member of the Exchange.

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27. NSE had issued a legal notice to the Trading Member for wrongful representation made by the Trading Member as a member of NSE, wherein the Trading Member admitted the incorrect representation.
 28. While the Trading Member had undertaken to delete webpages containing schemes and remove all the advertisements / materials relating to Portfolio Management Services / Investment Advisory / Research Analyst Services, it has failed to substantiate the same. It is pertinent to state that a trading member is required to obtain the Exchange's approval for disseminating advertisement which the Trading Member has failed to do.
 29. The conduct of the Trading Member as observed above amounts to un-businesslike and unprofessional conduct.
 30. Despite repeated directions, the Trading Member failed to provide update regarding membership application filed by it with NSE and MCX. On account of the aforesaid failure, the Exchange was required to check the status of the membership application filed by the Trading Member with NSE wherein NSE had informed that they have rejected the membership application filed by the Trading Member.
 31. Basis the aforesaid observations, the Committee finds that the Trading Member has committed the following violations/non-compliances:
 - i. The Exchange's Notice bearing ref. no. 20220325 - 58 dated March 25, 2022.
 - ii. Provisions of the Rules, Bye-Laws and Regulations of the Exchange as follows:
 - Rule 1, Rule 2, Rule 3(b), (c), (d), (e) and Rule 5 of Chapter IV of the Rules of the Exchange;
 - Bye-Law 2(a) and (c) of Chapter VI of the Bye-Laws of the Exchange;
 - Regulation 4.2.1(a), (b), 4.6.1, 4.6.2, 4.6.3 and Regulation 4.7.4(a) of Chapter 4 of the Capital Market Segment Regulations of the Exchange
 - Clause 1.4(h) of the Code of Advertisement for Stock-Broker issued by the Exchange.
 32. The Committee observes that the responsibility of a Market Infrastructure Institution like the Exchange vis-à-vis securities market is of the higher degree as compared to other intermediaries. It is further observed that investors' confidence in the securities market reflects the effectiveness of the regulatory mechanism in force. Therefore, penalty for violation of the Exchange's Rules, Bye-Laws and Regulations, notices/circulars/directions shall not be limited to

monetary terms rather all such measures including disciplinary actions such as declaration of defaulter/expulsion/suspension/withdrawal of membership should be taken to pre-empt and check all kinds of impermissible conduct in order to boost the investors' confidence in the capital market.

33. The Committee also noted that if such misconduct / violation (which is of serious and repetitive in nature) on the part of the Trading Member is dealt only by imposing penalty or deactivation of trading terminal, the same will not only pose a serious risk to the interest of investors but would also undermine the role of a stock exchange. Thus, the aforesaid serious nature of violations warrants disciplinary action against the Trading Member. The conduct of the Trading Member as observed above is unbecoming like a member and disorderly in nature.
34. Further, the Committee observed that the Trading Member has shown utter disregard and disobedience to the requirements prescribed by the Exchange and directions issued by the Exchange.
35. Taking into consideration the aforesaid and the powers granted under the Rules, Bye-Laws and Regulations of the Exchange, the Committee is of the view that the Trading Member is guilty of serious misconduct and severe violation(s) as observed above and therefore the Trading Member shall be expelled in terms of the Rules, Bye-Laws and Regulations of the Exchange.
36. In light of the aforesaid, the Committee hereby directs that the Trading Member shall stand expelled from the Exchange with immediate effect.

Date: 30-12-2022

Sd/-

Chairman

Sd/-

Member

Sd/-

Member

Sd/-

Member

Sd/-

Member