

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER
INTERIM EX PARTE ORDER

Under Sections 11(1), 11(4), 11B(1) and 11D of the Securities and Exchange Board of India Act, 1992 and Regulation 35 of Securities and Exchange Board of India (Intermediaries) Regulations, 2008

In Re: Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003

In respect of:

S. No.	Name of the Entity	PAN
1	Mr. Nilesh Vispute, Proprietor M/s The GRS Solution	AOBPV4061M

In the matter of M/s. The GRS Solution

-
1. M/s. The GRS Solution (hereinafter referred to as '**GRS/IA**') is registered as an Investment Adviser ("IA") under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (hereinafter referred to as the "**IA Regulations**") with effect from March 07, 2017, under Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") registration number INA000007225. GRS is proprietorship firm of Mr. Nilesh Vispute. The registered office of GRS is, Plot No. E. C. 60, Type B, Sector C, Scheme No. 94, Indore – 452001, Madhya Pradesh. The website address of GRS is www.thegrssolution.com.

2. SEBI conducted an offsite inspection in relation to the affairs of GRS during November 23, 2020 to December 10, 2020, to ascertain compliance with the provisions of SEBI Act, 1992 (hereinafter referred to as “**SEBI Act**”) and rules and regulations made thereunder. The period of inspection was from April 01, 2019 till the date of inspection i.e. September 22, 2020 (hereinafter referred as ‘**Inspection Period**’).

SEBI’s Inspection:

3. During the inspection documents/information pertaining to KYC, Risk Profiling, Suitability, fees/charges for services, communication with clients, complaints, etc. were inspected on a sample basis. Based on inspection / examination of documents / information and submission provided by GRS, SEBI *prima facie* found the following;
 - 3.1. GRS has offered assured/expected returns to its clients in violation of IA Regulations
 - 3.2. GRS does not have risk profiling and suitability assessment policy as per the provision of IA Regulations
 - 3.3. GRS has not maintained the records/information of the documents for the requisite period.
 - 3.4. GRS has forged and manipulated documents submitted to SEBI during the course of Inspection.
 - 3.5. GRS has manipulated risk profiling to deceive and misrepresent the clients.
 - 3.6. GRS by collecting upfront fees thereby locks up the clients with its service/product due to no refund policy.

GRS and its proprietor Mr. Nilesh Vispute, have *prima facie* violated the provisions of IA Regulations, and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”)

CONSIDERATION & PRIMA FACIE FINDINGS

4. I have perused the material available on record regarding assured/expected returns, risk profiling and suitability assessment of clients, fee charged/received from clients, communication with clients, etc. In this context, *prima facie*, the following issues arise for determination:

4.1. Issue No. 1: Whether GRS has, *prima facie*, violated any provisions of IA Regulations?

4.2. Issue No. 2: Whether GRS has, *prima facie*, violated any provisions of SEBI Act read with PFUTP Regulations?

4.3. Issue No. 3: If answers to Issue No. 1 & 2 is affirmative, who is responsible for the violations?

4.4. Issue No. 4: If answer to issue no. 1 & 2 is in affirmative, whether urgent directions, if any should be issued against those responsible for the violations?

5. Before moving forward, it is appropriate to refer to the relevant provisions of SEBI Act, IA Regulations and PFUTP Regulations:

SEBI Act, 1992

“Section 12A. No person shall directly or indirectly—

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

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

IA REGULATIONS:

Regulation 2(1) (r) *Persons associated with investment advice” shall mean any member, partner, officer, director or employee or any sales staff of such investment adviser including any person occupying a similar status or performing a similar function irrespective of the nature of association with the investment adviser who is engaged in providing investment advisory services to the clients of the investment adviser;*

Explanation. —All client-facing persons such as sales staff, service relationship managers, client relationship managers, etc. by whatever name called shall be deemed to be persons associated with investment advice, but do not include persons who discharge clerical or office administrative functions where there is no client interface.]

Regulation 7(2) *An individual registered as an investment adviser and partners and representatives of investment advisers registered under these regulations offering investment advice shall have, at all times, a certification on financial planning or fund or asset or portfolio management or investment advisory services:*

- (a) *from NISM; or*

(b)from any other organization or institution including Financial Planning Standards Board India or any recognized stock exchange in India provided that such certification is accredited by NISM.:

Regulation 15(1) *An investment adviser shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interests as and when they arise.*

Regulation 15(9) *An investment adviser shall abide by Code of Conduct as specified in Third Schedule:*

THIRD SCHEDULE

Securities and Exchange Board of India (Investment Advisers) Regulations, 2013

[See sub-regulation (9) of regulation 15]

CODE OF CONDUCT FOR INVESTMENT ADVISER

- 1. Honesty and fairness:** *An investment adviser shall act honestly, fairly and in the best interests of its clients and in the integrity of the market.*
- 2. Diligence:** *An investment adviser shall act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives.*
- 3. Capabilities.** *An investment adviser shall have and employ effectively appropriate resources and procedures which are needed for the efficient performance of its business activities*
- 4. Information about clients:** *An investment adviser shall seek from its clients, information about their financial situation, investment experience and investment objectives relevant to the services to be provided and maintain confidentiality of such information.*
- 5. Information to its clients:** *An investment adviser shall make adequate disclosures of relevant material information while dealing with its clients.*

- 8. Compliance:** *An investment adviser including its [partners, principal officer and persons associated with investment advice] shall comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.*
- 9. Responsibility of senior management:** *The senior management of a body corporate which is registered as investment adviser shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the body corporate.*

Regulation 16: Risk profiling:

Investment adviser shall ensure that:

- (a) *it obtains from the client, such information as is necessary for the purpose of giving investment advice, including (i) age; (ii) investment objectives including time for which they wish to stay invested, the purposes of the investment; (iii) income details; (iv) existing investments/ assets; (v) risk appetite/ tolerance; (vi) liability/borrowing details.*
- (b) *it has a process for assessing the risk a client is willing and able to take, including: (i) assessing a client's capacity for absorbing loss; (ii) identifying whether client is unwilling or unable to accept the risk of loss of capital; (iii) appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers.*
- (d) *any questions or description in any questionnaires used to establish the risk a client is willing and able to take are fair, clear and not misleading, and should ensure that: (i) questionnaire is not vague or use double negatives or in a complex language that the client may not understand; (ii) questionnaire is not structured in a way that it contains leading questions*
- (e) *risk profile of the client is communicated to the client after risk assessment is done;*

Regulation 17 Suitability:

Investment adviser shall ensure that,-

- (a) All investments on which investment advice is provided is appropriate to the risk profile of the client;*
- (b) It has a documented process for selecting investments based on client's investment objectives and financial situation;*
- (c) It understands the nature and risks of products or assets selected for clients;*
- (d) It has a reasonable basis for believing that a recommendation or transaction entered into: (i) meets the client's investment objectives; (ii) is such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance; (iii) is such that the client has the necessary experience and knowledge to understand the risks involved in the transaction.*
- (e) Whenever a recommendation is given to a client to purchase of a particular complex financial product, such recommendation or advice is based upon a reasonable assessment that the structure and risk reward profile of financial product is consistent with clients experience, knowledge, investment objectives, risk appetite and capacity for absorbing loss*

Regulations 19: Maintenance of records:

- (1) An investment adviser shall maintain the following records;*
 - a) Know Your Client records of the client;*
 - b) Risk profiling and risk assessment of the client;*
 - c) Suitability assessment of the advice being provided;*
 - d) Copies of agreements with clients, incorporating the terms and conditions as may be specified by the Board;*
 - e) Investment advice provided, whether written or oral;*
 - f) Rationale for arriving at investment advice, duly signed and dated;*

g) *A register or record containing list of the clients, the date of advice, nature of the advice, the products/securities in which advice was rendered and fee, if any charged for such advice.*

(2) *All records shall be maintained either in physical or electronic form and preserved for a minimum period of five years:*

Liability for action in case of default.

28. An investment adviser who -

(a) *contravenes any of the provisions of the Act or any regulations or circulars issued thereunder;*

(b) *fails to furnish any information relating to its activity as an investment adviser as required by the Board;*

(c) *furnishes to the Board information which is false or misleading in any material particular;*

shall be dealt with in the manner provided under the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

PFUTP REGULATIONS

Regulation 2(1)(c):

“(c) “fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

- (3) *an active concealment of a fact by a person having knowledge or belief of the fact;*
- (4) *a promise made without any intention of performing it;*
- (5) *a representation made in a reckless and careless manner whether it be true or false;*
- (6) *any such act or omission as any other law specifically declares to be fraudulent,*
- (7) *deceptive behaviour by a person depriving another of informed consent or full participation,*
- (8) *a false statement made without reasonable ground for believing it to be true.*
- (9) *the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.*

And “fraudulent” shall be construed accordingly ...”

Regulation 3. *No person shall directly or indirectly—*

buy, sell or otherwise deal in securities in a fraudulent manner;

- (a) *use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (b) *employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (c) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized*

stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

Regulations 4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities market.

(2) Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following: -

...

(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities”.

(o) fraudulent inducement of any person by a market participant to deal in securities with the objective of enhancing his brokerage or commission or income

(s) mis-selling of securities or services relating to securities market by (i) knowingly making a false or misleading statement, or (ii) knowingly concealing or omitting material facts, or (iii) knowingly concealing the associated risk, or (iv) not taking reasonable care to ensure suitability of the securities or service to the buyer

ISSUE No. 1: Whether GRS has, prima facie, violated any provisions of IA Regulations?

6. Promising Assured Returns and Profits

6.1. On examination of the materials available on record such as website content, and complaints, it is observed that GRS has been promising assured profit / returns on the investment made by the clients and luring them to avail its services.

6.2. It is observed from the website of GRS i.e. www.thegrssolution.com (snapshot taken on December 9, 2020) that the following content has been mentioned/displayed in the nature of promising assured returns, to lure clients to take GRS services;

*“Investor **obtains High return on Investment** on our expert tips from market other than fixed deposits, gold and other typical areas of investment such as F&O Stock Tips Multibagger.”*

*“Register for India's Best Financial Services Now!! Make Your Investment Grow with **High Accurate 1-2 Sure Calls**. Work with Stock Market Expert with proper Follow-ups which insure you **recover all your losses**.”*

*“Stock Cash Tips: We provide **assure 80-85% accuracy** with all our Stock Cash Tips under this plan.”*

*“Option Tips: We always maintain **80% - 85% accuracy**.”*

*“MCX Tips: .In this package **you can surely earn a maximize profit** with our highly accurate calls with good percent of accuracy. In commodity segment **we provide sure shot levels and calls** on gold and silver with a high margin.
”*

*“Nifty Future Tips: We maintain **80% - 85% accuracy**.”*

*“NCDEX Agri Services: The GRS Services offers the promise of high GRS Services offers the **promise of high success rates NCDEX calls**.”*

6.3. During the review of the complaints, it was observed from the telephonic conversation between representative/employee of GRS with the complainant,

where the complainant is being assured of return of principal as well as profit. The extract of the transcript of recording is as follows:

Recording Transcript 1

GRS representative: *“Total amount ke liye aap mujhe 20 din ka time de dijiye”*

Client: *“Matlab jo maine 17 lakh diya hai uska”*

GRS representative: *“Nahi main apka pura profit bhi dilvaungi, paisa diya hai woh to ayega hi ayega, aur profit bhi ayega”*

Recording Transcript 2

GRS representative: *“Jo mere trade rahenge jinki ek dum surety rehegi sir aap no. of lot jitney ho sab uthalena no. of lot jitne ho sake sab uthalena uski responsibility meri rehegi usme aapko losses nahi honge main nikalungi jaada se jaada tin din mein 4 ya 5 trade 4 se 5 lakh ka profit ye rahega”*

Client: *“Ji”*

6.4. In other telephonic conversation obtained during the onsite visit, between representative/employee of GRS with an investor (name of the client could not be ascertained from the recording), it is observed that the representatives are giving profit guarantee is as follows:

Recording Transcript 3

GRS representative: *“I suggest you something”*

Client: *“Yeah tell me”*

GRS representative: *“Ok. Basically we are working for last 7 years in this market right ok and if you have 3 Lakhs rupees for an example in working on intraday ok so i will give you*

the profit minimum on minimum 2k to 3K on daily basis right.

Client: *“Hota nahi hai i tell you hello it is not simple”*

6.5. As per the information available on the website of GRS, the details of bank accounts for collection of fees for services/products, are as under:

Table 1

S. No.	Bank Name	Branch Address	Account No.	IFSC code
1	ICICI Bank Ltd.	Y.N. Road, Indore	328705000135	ICIC0003287
2	State Bank of India Ltd.	IFB Branch, Indore	37793496056	SBIN0030340
3	HDFC Bank Ltd.	Trade House, South Tukoganj, Indore	50200032363854	HDFC0000036
4	Axis Bank Ltd.	Vijay Nagar Branch, Indore	918020051966377	UTIB0000568
5	Kotak Mahindra Bank	MG Road, Indore	7312007932	KKBK0000751

Apart from the aforesaid bank accounts, GRS also collects fees through payment gateway - PayU Money and Google Pay

6.6. Apart from the evidence on promising assured returns/profits, Proprietor of GRS, Mr. Nilesh Vispute in his submission during visit by SEBI on December 15, 2020, admitted that:

“I hereby admit that, profit guarantee was committed to clients of GRS by our employees. Further, these employees also collected higher advisory charges on pretext of assured returns.”

6.7. From the above, I *prima facie* observe that the IA has been promising assured return / profits, if the clients availed its services. Moreover, I also *prima facie* observe that the IA being a registered with necessary certification with SEBI, knew fully well that all the investments in securities market are subject to market risk and that returns cannot be assured no matter how much and for how long the investment is made.

However, the IA still went ahead and assured returns/profits to its clients. Mr. Nilesh Vispute proprietor of the IA has also admitted to profit guarantee to the clients to lure clients into taking its services. Thereby, the IA has made *prima facie* false and misleading representation to its clients/investors.

6.8. I also note that, every investment in the securities market is subject to market risk and any investment made by the client/investor can also run into losses and even become zero. Considering the dynamics of the market, the returns from the investment in the market are unpredictable, no matter how much and for how long the investment is made. Any information that is put out for the consumption of its existing and prospective clients, has to be done with great responsibility and should be of such nature that it enables investors to take reasoned and unbiased decisions regarding their investment. The acts and contents on the website of the IA *prima facie* appear to be an attempt to induce the client to subscribe to its advisory service by showing profit numbers which *prima facie* are acts to mislead the client as full disclosure is not made by the IA that on the proposed investment of the client, he/she may incur loss. These act *prima facie*, appears to have done with an intention to bring in more customers and thereby increase the income of the IA.

Violations

6.9. In view of the above, it is *prima facie* observed that the conduct of the IA of promising assured returns/profits, *prima facie* is an active concealment of the material fact that every investment in the market is subject to market risk and any investment made by the client can also run into losses and even become zero. Thus, by not disclosing this material aspect and knowingly misrepresenting the clients, the IA has *prima facie* acted in a deceitful manner and has misled its clients.

6.10. The above conduct shows that the IA is acting in a dishonest manner and not acting in the best interest of the clients. In view of the above, IA *prima facie*, (a) failed in their responsibility to act in fiduciary capacity for their clients which is entrusted upon

the IA under regulation 15 (1) of IA Regulations and (b) failed to abide by clauses 1 and 2 of Code of Conduct as mentioned in Schedule III read with regulation 15(9) of IA Regulations. Thus, IA has, prima facie, violated regulation 15(1), clauses 1 and 2 of Code of Conduct as mentioned in Schedule III read with regulation 15(9) of IA Regulations.

7. **Lack of Policy for Risk Profiling and Suitability Assessment**

7.1. Vide email dated November 25, 2020, inter alia GRS was asked to provide Suitability and Risk Profiling policy. As GRS did not submit the documents a reminder letter dated December 7, 2020, was again sent to GRS to submit the required documents. In response, GRS, vide its letter dated December 8, 2020, submitted only document relating to product suitability and did not submit risk profiling policy. In view of the above, it appeared that GRS did not have risk profiling policy. Subsequently, during the onsite visit GRS was asked produce risk profiling policy. In this regard Proprietor of GRS, Mr. Nilesh Vispute has mentioned in his submission that,

“We did not have appropriate risk profiling policy and risk policy submitted by us to SEBI was created for the sole purpose of SEBI inspection. As SEBI had asked us detailed risk profiling policy and suitability policy, which we apparently did not have. In order to cover the same we created the documents just before the SEBI inspection.”

7.2. As per regulation 16 (b) an IA is mandated to have a process/policy for assessing the risk a client is willing and able to take, including, capacity to absorb loss, willingness and/or ability to accept risk of loss of capital. Further, as per Regulation 17(b) of IA Regulations, an IA should have documented process for selecting investments for its clients based on their investment objective and financial situation; Since the documents given by the Proprietor of GRS, Mr. Nilesh Vispute was created for the purpose of inspection, the same are not genuine documents. Therefore, there

are no valid documents on record submitted by him to support that it has policy on risk profiling and suitability.

Violations

7.3. In view of the above and also as admitted by the proprietor Mr. Nilesh Vispute it is *prima facie* found that GRS does not have appropriate risk profiling policy nor has any documented policy of suitability assessment of advice provided to its clients. In view of the above, GRS has failed to comply with Regulation 16 (b), and 17(b) of IA Regulations.

8. Non availability and maintenance of documents

8.1. GRS was asked to provide documents in respect to KYC, Risk Profiling of its clients, Risk profiling accepted by the clients, suitability, rationale for advices, Invoices, etc. GRS provided the client master, invoices, welcome emails send to clients and risk profile of clients in response to queries made in inspection. As GRS did not submit any documents related to KYC, financials of the clients, acknowledgement of risk profiling/suitability from the clients, again information was sought during onsite inspection. In this respect, GRS submitted that representatives of IA (Risk Profiling Team) seek response from clients telephonically and does not meet the client personally. Further, with respect to obtaining and maintenance of documents, Proprietor of GRS, Mr. Nilesh Vispute submitted stating that,

“I hereby admit that we did not collect supporting documents to assess income details, assets, liabilities, etc. for the purpose of risk profiling. I submit that there has been negligence on our part as we did not collect substantiating information to assess risk profile of client.....

“I hereby submit that the client related documents including invoices, welcome mail, RPM, etc. submitted to SEBI during inspection were

created/forged just before inspection for the sole purpose of complying with SEBI inspection requirement.

'We do not have call recording of any of the clients. We capture the client recordings. However, we don't store the call recordings for more than a month.

"I hereby admit that we have not communicated risk profiling to clients and further in most of the cases, we had not taken acknowledgement w.r.t risk profiling from clients."

8.2. I note that, as per regulation 16(a) of IA Regulations, an IA is under obligation to obtain from the client such information as is necessary for the purpose of giving investment advice, including age, investment objective, income details, existing investment/assets, risk appetite/tolerance, liability/borrowing details., etc., as per 16(b) of IA Regulations obligated to ensure that the IA has a process for assessing the risk a client is willing and able to take and as per 16 (e) required to communicate risk profile of the client to the client after risk assessment is done. Further the IA is mandated to have documented process for selecting investments for its clients based on their investment objective and financial situation as per 17 (b) of IA Regulations. I observe that documents and information in compliance to the above are admittedly not maintained by GRS.

8.3. As mandated by regulations 19 (1) and (2) of IA Regulations, IA shall, inter alia, obtain the following documents and maintain these documents either in physical or electronic form for a minimum period of 5 years:

- a. Know Your Client records of the client;
- b. Risk profiling and risk assessment of the client;
- c. Suitability assessment of the advice being provided;

- d. Copies of agreements with clients, incorporating the terms and conditions as may be specified by the Board;
- e. Investment advice provided, whether written or oral;
- f. Rationale for arriving at investment advice, duly signed and dated;
- g. A register or record containing list of the clients, the date of advice, nature of the advice, the products/securities in which advice was rendered and fee, if any charged for such advice.

8.4. As is observed from the inspection and admission by the Proprietor Mr. Nilesh Vispute that, GRS does not obtain any documents/evidence/information from clients while doing KYC and risk profiling of client. Therefore, if all any risk profiling was done it may have been done through telephone. However, even the call recordings are not available to support that the risk profiling was done through telephone. Since the documents given by the Proprietor of GRS, Mr. Nilesh Vispute was created/forged for the purpose of inspection, the same are not genuine documents. Therefore, there are no valid documents on record submitted by him to support that the IA has collected information from the clients in tune with the requirements of regulations 16(a) and 16(b) and maintained documents as mentioned in regulations 16(e), 17(b), 19 (1) and 19 (2) of IA Regulations.

Violations

8.5. Hence, it is observed that IA has neither obtained nor maintained any documents for KYC, risk profiling, suitability, acknowledgement from clients, communication with clients/investors, call recording of carrying out Risk profiling, suitability of clients, rationale for advisory services, etc.

8.6. From the above, it is observed that by not obtaining documents from the client for the purpose of KYC, risk profiling and suitability, communication with clients/investors, GRS has violated Regulation 16(a), 16(b), 16(e) and 17 of SEBI (IA) Regulations, 2013. Further, by not maintaining the records for the requisite time

period, GRS has violated Regulations 19(1) and 19 (2) of SEBI (IA) Regulations, 2013.

9. Wrong and manipulative information/submission to SEBI

9.1. During the analysis and scrutiny of the information and submission made during inspection, it was observed the invoices and RPM contained contradictory information. During the onsite visit while clarifying on the contradictory information submitted to SEBI, the Proprietor of GRS, Mr. Nilesh Vispute, admitted on the alteration and fabrication in the documents/information submitted to SEBI, stating that,

"I hereby submit that the client related documents including invoices, welcome mail, RPM etc. submitted to SEBI during inspection were created/forged just before inspection for the sole purpose of complying with SEBI inspection requirement.

For example, we have forged 2 invoices of Mr. Prem Nath, Mr. Shri Krishna Shakya (changed the dates in the invoices), Ms. Pushpa Mondal (changed the duration of services)

We have also edited RPM dates for client's details submitted to SEBI. This practice is to cover the fact that we had collected advisory charges prior to risk profiling"

.....I submit that there has been negligence on our part as we did not collect substantiating information to assess risk profile of client. In process, we had misrepresented several clients as high risk category clients whereas they belonged to medium risk category.

Further proprietor of GRS, Mr. Nilesh Vispute had also admitted in his submission, stating that,

...“We did not have appropriate risk profiling policy and risk policy submitted by us to SEBI was created for the sole purpose of SEBI inspection. As SEBI had asked us detailed risk profiling policy and suitability policy, which we apparently did not have. In order to cover the same we created the documents just before the SEBI inspection.”

9.2. Few instances of contrary details and manipulation/creation of the documents/information submitted to SEBI are brought out as below:

9.2.1. Client Name : Mr. Prem Nath

9.1.1.1. It is seen that the Mr. Nilesh Vispute sent the PDF version of the invoices to SEBI. It is observed that in case of the client Mr. Prem Nath the Invoice date was different from the PDF file creation date of the document as shown below:-

Table 2

S. No.	Invoice Date	Invoice creation date of PDF file
1	18-Apr-19	8-Dec-19
2	20-Apr-19	8-Dec-19
3	23-Apr-19	8-Dec-19
4	09-July-19	8-Dec-19
5	18-July-19	8-Dec-19

9.1.1.2. It was also observed that, the invoices sent to clients usually contained digital signature of Mr. Nilesh Vispute on behalf of GRS. However, for few clients such as Mr. Prem Nath the invoices did not have any such digital signature. It is noted that GRS itself has admitted the falsification in the documents indicating that the dates in the invoices have been manipulated.

9.1.2. Client Name : Mr. Raghawendra Kant

9.1.2.1. It was observed in case of client Mr. Raghawendra Kant, GRS had produced four Risk Profiling Form (RPF) dated i.e. on October 14, 2019, twice on October 17, 2019 and November 4, 2019 i.e. within a span of 20 days. The difference/contradiction observed in the four risk profile can be observed even in case of the forged/created documents.

Table 3

		1 st RPF (RPF-1)	2 nd RPF (RPF-2)	3 rd RPF (RPF-1)	4 th RPF (RPF-1)
	Question	October 14, 2019,	October 17, 2019	October 17, 2019	November 4, 2019
1	Would you invest where a small return is earned associated with small risk instead of a high return associated with high risk?	<u>prefer</u>		<u>Do not prefer</u>	<u>Indifferent</u>
2	When market is not performing well would you like to invest in more risky investment instead of less risky investment to earn high return?	prefer		Strongly prefer	Strongly prefer
3	High risk is associated with high return, Medium risk is associated with medium returns and low risk is associated with low returns? What risks can you bear (not prefer)?	Medium		High	High
4	What is the duration of investment you are looking forward to keep invested?	Intraday	Intraday	Intraday	Intraday
5	What is your Age Group?	Under 45	Under 45	Under 45	Under 45
6	Investment Goal	Regular Income	Regular Income	Regular Income	Regular Income
7	Proposed Investment Amount	2-5 lacs	1-2 lacs	2-5 lacs	1-2 lacs
8	Gross Annual Income details	1-5 lac,	1-5 lac,	1-5 lac,	1-5 lac,
9	Market Value of portfolio held	1-2 lacs	1-2 lacs	2-5 lacs	2-5 lacs
10	Investment Experience	<u>< 3 years</u>	<u>3-5 years</u>	< 3 years	< 3 years
11	How many dependents do you financially support?	<u>4+</u>	<u>Between 1-3</u>	4+	4+

		1 st RPF (RPF-1)	2 nd RPF (RPF-2)	3 rd RPF (RPF-1)	4 th RPF (RPF-1)
	Question	October 14, 2019,	October 17, 2019	October 17, 2019	November 4, 2019
1	Would you invest where a small return is earned associated with small risk instead of a high return associated with high risk?	<u>prefer</u>		<u>Do not prefer</u>	<u>Indifferent</u>
2	When market is not performing well would you like to invest in more risky investment instead of less risky investment to earn high return?	prefer		Strongly prefer	Strongly prefer
3	High risk is associated with high return, Medium risk is associated with medium returns and low risk is associated with low returns? What risks can you bear (not prefer)?	Medium		High	High
12	What is the size of your emergency fund?	<u>3-6 months income</u>	<u>> 6 months income</u>	3-6 months income	3-6 months income
13	What is your experience with investments in past?	<u>Good</u>	<u>Very Good</u>	Very Good	Very Good
14	What percentage of monthly income is allocated to pay off debt [all EMIs]?	<u>Between 20% - 35%</u>	<u>None</u>	Between 0% -20%	Between 0% -20%
15	Occupation (please select the appropriate)	Government sector	Government sector	<u>Private sector service</u>	<u>Government sector</u>
	Total Score	<u>280</u>	<u>360</u>	<u>350</u>	<u>330</u>

9.1.2.2. From the four RPFs of client, it was observed that the changes made in risk profile of client were significant as well as contradictory. Percentage of monthly income to pay off debt changed from 20%-35% to Nil, change in occupation, etc. The modification in the RPF was to change total risk profile score from 280 to 360, resulting in moving the client from Medium risk category to High risk category. With respect to this client it is pertinent to note that though the clients' annual income was between 1-5 Lacs, and proposed investment 1-2 lacs, yet, as per GRS submission, it is seen that a total of Rs. 14,73,401 was collected as service charges/fees. Such

a collection of huge amount of fee by selling products beyond the income capacity of the client, leads to prima facie finding that GRS has not followed the suitability requirements on this ground as well.

9.1.2.3. From the admission of GRS it is observed that, due to lack of any policy of risk profiling and suitability, the whole process lacked the due diligence, skill, care and compliance with respect to the risk profiling and suitability and if at all any risk profiling and suitability was even done the same has been manipulated leading to lack of honesty and fairness in the dealing.

9.2. Apart from the above vide email dated November 25, 2020, complete employee data was sought from GRS w.r.t inspection period. Vide reply dated November 25, 2020, GRS submitted details of 36 employees who have left during the inspection period and 6 employees who were currently working. Subsequently, during the onsite inspection it was observed that many other employees were employed with GRS during the inspection period and GRS has deliberately hidden their information from SEBI. SEBI recovered leaving/no dues letters from these employees to GRS.

9.3. In this respect the proprietor of GRS, Mr. Nilesh Vispute had also confirmed and admitted in his submission, stating that,

“Employees working in Customer representative department have been involved in carrying out risk profiling of clients as well as giving investment advices to clients. We did not collect required NISM certificates from these employees. Therefore, we don’t know whether these employees have NISM certificates or not”.

“Further, the research analyst Ms. Prity Kumari, who was working in research department as research assistant too did not have the required NISM certificate”

9.4. As per the designation of the employees' details retrieved, it was observed that they all were part of Customer Representative Department and were engaged in rendering Investment Advice on behalf of Investment Adviser. As admitted by the proprietor of GRS, that they have no information on the qualification and certification of the employees. Therefore it is observed that GRS was hiding information about these employees as these employees though involved in rendering Investment Advisory services on behalf of GRS during the Inspection Period had not fulfilled the requirements of qualification and certification contained in regulation 7(2) of IA Regulations.

9.5. In view of the above, it is observed that GRS and its representatives/employees dealing with the clients did not have requisite qualification and certification and have therefore violated regulation 15(13) read with regulation 7 of IA Regulations and clause 1, 2, 3 and 8 of Code of conduct for Investment Advisers as specified under Schedule III read with regulation 15(9) of IA Regulations.

9.6. Further in view of the incorrect, falsified and manipulated information/documents provided to SEBI during the course of Inspection and also admitted by the Proprietor of GRS, Mr. Nilesh Vispute, GRS is also in violation Regulation 15(9) read with clause 1 and 8 of Code of Conduct provided in Third Schedule of SEBI (IA Regulations), 2013.

10. Locking in the clients by advance fee for sale of products/packages without refund

10.1. The Proprietor of GRS, Mr. Nilesh Vispute has submitted in his submission during the inspection that, *We hereby admit that it had been common practice for us to collect advisory fees before carrying our risk profiling.*

10.2. I note that here that GRS admitted to having no risk profiling or suitability policy, No documents were obtained and maintained for risk profiling and suitability, No

confirmation of the clients on the risk profile and suitability and over and above it has also admitted to the fact that GRS collected high advisory fees on pretext/misrepresentation of assured return, from the clients. All these actions and conduct of the IA only represent that the IA has scant regard for exercising honesty, due skill, care and diligence. Thus, *prima facie*, it appears that the IA has failed to act with due skill, care and diligence as the IA has been selling advisory services / products without ensuring suitability of advice to its clients in accordance / appropriate to their risk profile. Moreover, the IA has a mandatory obligation to assess the client's financial situation, his investment objectives and his risk appetite before advising / selling a product / package to him. The risk profiling is required to be a guiding factor before the product is chosen consistent with the risk profile of the client.

10.3. Further I note that, lack of any policy/process on risk profiling and suitability and lack of genuine documents relating to risk profiling, leads to having improper risk profiling and lack suitability assessment by GRS. As also admitted by IA, fees is collected even before doing the KYC and the risk profiling and thus the package/service (suitability) is decided upfront without any risk profiling; furthermore, it is admitted in writing that the risk profile of clients are manipulated for higher advisory fees. Therefore, from the above it is *prima facie* found that the products/services sold by the IA to its clients could be completely inappropriate to the clients' need and was only meant to increase the IA revenue at the cost of the clients. In this scenario, I note here that, even if the client is dissatisfied/doesn't want to continue after the first service of GRS, yet, the client does not have any option to discontinue with the services/product, since the payment for the services/product has been made by the client in advance and the client is locked in with the IA as GRS also has "*No Refund and Cancellation*" policy.

10.4. I also note here that, it has also been brought out in above paragraphs that no documentary evidence was obtained for risk profiling and suitability, no acknowledgement/confirmation from the clients was obtained on risk profile and

suitability and the risk categorisation of client was manipulated/misrepresented. Therefore, the product/services offered by GRS is non-commensurate with the risk tolerance and appetite of the client and unsuitable to the client. Further the clients have been lured in taking its service/products by assurance/promise of profits/returns.

- 10.5. Thus in view of the above, the device/scheme articulated by GRS is such that, misrepresentation of assurance/promise of profits/returns lures the investors to avail the services of GRS and at the same time advance/upfront fees paid by the clients locks the clients with GRS without any opportunity to sever their ties in case of dis-satisfaction with its service/product, which is sold without reference to risk profile and suitability due to the “*No Refund and Cancellation*” policy followed GRS.

Violations

- 10.6. From the above, it is observed that GRS has not been fair and transparent in its dealing with clients regarding the fees charged to the client. It is *prima facie* observed that, GRS has adopted unethical business practices of collecting fees without even doing risk profiling especially when there was no refund/cancellation policy. GRS acted in the above manner with an objective to maximize its fees and keeping its own interest ahead of the clients’ interest. These acts of GRS are in complete disregard to the responsibility entrusted on him under the provisions of IA Regulations to act in fiduciary capacity and in the best interest of its clients.
- 10.7. In view of the above, it is observed that GRS has (a) failed in its responsibility to act in fiduciary capacity to its client which is entrusted upon him under regulation 15 (1) of IA Regulations, (b) failed to abide by clauses 1 (honesty and fairness), 8 (Compliance) of the Code of Conduct for IA as specified under Third Schedule read with regulation 15(9).

ISSUE No. 2: Whether GRS has, *prima facie*, violated any provisions of SEBI Act, read with PFUTP Regulations?

10. In the instant matter, it is *prima facie* found that:
 - 10.1. GRS has been promising assured returns and guaranteed profits to its clients, despite fully knowing that all the investments in securities market are subject to market risk and that such returns cannot be assured.
 - 10.2. GRS does not have appropriate Risk Profiling and Suitability Policy
 - 10.3. GRS has not obtained documents/evidence for KYC, information for risk profiling and does not have suitability policy.
 - 10.4. GRS has not communicated the risk profiling to its clients.
 - 10.5. GRS has not maintained the records/information of the documents for the requisite period
 - 10.6. GRS has provide incorrect, falsified and manipulated documents/information to SEBI during the course of Inspection.
 - 10.7. GRS by collecting upfront fees, locks up the clients with its service/product due to no refund policy.
 - 10.8. GRS by misrepresenting/manipulating the risk profiling and taking upfront fees has led to improper risk profiling for deceiving and misrepresentation of the clients.
11. As per Regulation 3 of PFUTP Regulation, no person (including an IA) shall directly or indirectly use or employ any scheme or device to defraud in connection with dealing in securities; or engage in any act, practice, course of business which operates as fraud or deceit upon any person (clients) in connection with any dealing in securities in contravention of the provisions of the Act or the rules and the regulations made there under.
12. The modus operandi adopted by IA discussed hereinabove, *prima facie*, shows that IA was actually not practicing investment advisory in the manner envisaged under the IA Regulations, which essentially would involve, honesty and fairness in the dealing with clients, exercising due skill care and diligence in the best interest of

clients, no assurance or promise on any return/profit, investment advice to the client appropriate risk profile and suitability, no misrepresentation to the clients, etc. Furthermore, GRS has tried to mislead SEBI inspection by providing created/falsified documents/information. Thus it is *prima facie* found that IA has knowingly and in a deceitful manner:

- 12.1. GRS has been promising assured returns and guaranteed profits to its clients, despite fully knowing that all the investments in securities market are subject to market risk and that such returns cannot be assured.
 - 12.2. GRS does not have appropriate Risk Profiling and Suitability Policy
 - 12.3. GRS has not obtained documents/evidence for KYC, information for risk profiling and does not have suitability policy.
 - 12.4. GRS has not communicated to its clients the risk profiling.
 - 12.5. GRS has not maintained the records/information of the documents for the requisite period
 - 12.6. GRS has provided incorrect, falsified and manipulated documents/information to SEBI during the course of Inspection.
 - 12.7. GRS has misrepresented/manipulated risk profiling leading to improper risk profiling to deceive and misrepresent to the clients
 - 12.8. GRS by collecting upfront fees locks up the clients with its service/product due to no refund policy.
13. Thus, the findings of the preliminary examination and the overall modus operandi discussed in this order, *prima facie*, shows that the scheme is knowingly employed by GRS to defraud its clients in connection with their dealings in the securities and to maximize its revenue generation at client's expense. I also observe that, IA is *prima facie* running a scheme and defrauding its clients, with an intention to maximize its income through advisory fees by employing above said devices, without caring for client's needs and keeping its own interest ahead of its client's interest.

14. Thus, the above discussed non-genuine, manipulative and deceptive activities of IA are, *prima-facie* fraudulent and are covered under the definition of “fraud” under regulation 2(1)(c) of the PFUTP Regulations. Thus, GRS through its fraudulent act / scheme as discussed above, has *prima facie* violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act, 1992 and Regulations 3 (a), (b), (c) and (d) of the PFUTP Regulations. GRS and its proprietor have also violated Regulations 4(1) and 4(2)(k), 4(2)(s), 4(2)(o) of SEBI (PFUTP) Regulations, 2003.
15. In summary, following *prima facie* findings are observed:
- 15.1. GRS by promising assured profits and returns, has tried to deceive its client. Neither there exist any grounds for belief for such assured returns nor can the assured profits be achieved. Further, knowing fully well that assured profits/guaranteed returns in securities market is practically impossible, GRS is knowingly misrepresenting the truth.
- 15.2. No evidence was submitted that, GRS has done any risk profiling and suitability. This is further supported by the fact that IA does not have any policy of risk profiling and suitability and if at all any risk profiling was even done the same has been manipulated and misrepresented leading to lack of honesty and fairness in the dealing and also questionable on the reliability of the documents/information.
- 15.3. GRS has not been fair in its dealing with the clients. By charging the fees upfront before risk profile and having no refund policy, GRS has devised to lock the client with its services, irrespective of the suitability or satisfaction with the product/services.
- 15.4. The above activities, *prima facie*, are the devices adopted by the GRS to defraud its clients in connection with their dealings in the securities. Hence, GRS is *prima facie* running a scheme and defrauding its clients, with an intention to maximize its income through advisory fees by employing above said devices, without caring for client’s needs and keeping its own interest ahead of its client’s interest.

15.5. GRS has also tried to mislead SEBI inspection by providing incorrect and falsified/manipulated documents and information.

ISSUE No. 3: *If answers to Issue No. 1 & 2 is affirmative, who is responsible for the violations?*

16. I note that Mr. Nilesh Vispute is the sole proprietor of GRS. I note the legal status of the proprietary firm from the judgment of the Hon'ble Supreme Court of India in *Ashok Transport Agency vs. Awadhesh Kumar & another*, [(1998) 5 SCC 567] that "... A proprietary concern is only the business name in which the proprietor of the business carries on the business. . A suit by or against a proprietary concern is by or against the proprietor of the business...". Therefore, I find that Mr. Nilesh Vispute is liable for the acts of GRS.

ISSUE No. 4: *If answer to issue no. 1 & 2 is in affirmative, whether urgent directions, if any should be issued against those responsible for the violations?*

17. An IA has to comply with all the provisions of IA Regulations which enables the IA to effectively discharge its functions in the interest of the investor. In all the aforesaid, GRS has fallen short of requirements as envisaged under IA Regulations. Further, the intermediary should not abuse the certificate of registration granted to it, in any manner.

18. It is observed that the website of the IA is functioning and it is one of the medium via which new / prospective clients may subscribe to the services of the IA. As discussed in preceding paragraphs, the conduct of the IA has been *prima facie* found to be fraudulent in nature and is also in violation of IA Regulations thus, it is imperative that the new / prospective clients are to be safeguarded from the activities of IA, which are *prima facie*, not as per the provisions of applicable laws.

19. I note that an entity acting as a securities market intermediary is expected to protect the interest of investors in the securities market in which he/she/it operates and it ill behooves the intermediary to be non-compliant with the provisions of IA Regulations. The intermediary should not abuse the certificate of registration granted to it, in any manner. As discussed in preceding paragraphs, the conduct of the IA has been *prima facie* found to be fraudulent in nature and is also in violation of IA Regulations and PFUTP Regulations. Further the IA has knowingly acted in the deceitful manner and submitted incorrect, falsified and manipulated information and documents to SEBI, disregarding the provisions and regulations contained in the IA Regulations. Thus, I am of the *prima facie* view that unless GRS is prevented from continuing to act as an IA, there will be a serious threat to the integrity of the market as well as it will be harmful to the interest of the investors.
20. As a regulator of the capital markets, SEBI has the duty to safeguard the interests of investors and protect the integrity of the securities market. Since the conduct of GRS and its Proprietor Mr. Nilesh Vispute, mentioned above does not *prima facie* appear to be in the interest of investors and the securities market, necessary action has to be taken against it immediately, else it may lead to loss of investors' trust in the securities market. Considering the facts and circumstances of this case, coupled with the fact that falsified and manipulated documents were submitted to SEBI, records and documents were not maintained and the fraudulent scheme, plan, device and artifice as *prima facie* found in this case was conducted, I am convinced that this is a fit case where effective and expeditious preventive action is required to be taken by way of an ad interim ex parte order to protect the interests of investors and preserve the safety and integrity of the securities market. Such action needs to be taken not only to prevent any further harm to the existing investors but also to new / prospective investor.
21. It has already *prima facie* been found that many of the IA existing clients have been sold services/packages based on the promises of assured profit/returns without

adherence to risk profiling and suitability. Further it has already *prima facie* been found that many of GRS existing clients have been sold services without any consideration of their financial situation, investment objective, risk profiling and suitability. The selling of such plans goes against the customized advice which would be required based on the investors' risk profile. This requirement of risk profiling goes to the very root of suitability of investment advice as clients are required to get the investment advice based on their risk profile. Exposing the existing clients to such services, which has no correlation to their financial appetite/risk profile, is against the interest of those investors. Further, it is also *prime facie* found that they have collected fees for the packages/services upfront and there is no refund policy or cancellation of services in case the clients are dissatisfied with the services/packages or the package is unsuitable. Further it is also *prime facie* found that the fees are collected before the risk profiling of the clients which leads to improper and unsuitable products. These acts of the IA indicates its intent of maximizing its fees and keeping its own interest ahead of the clients' interest. Most importantly, by assuring profits and returns in the securities market, the IA is making misrepresentation only to attract more clients knowing the fact that any kind of assurance or promise of profit/returns is impossible to make. By making such representation and also collecting fees upfront without having a refund policy, it shows the intent of the IA to maximise its fees by attracting more clients for its services rather than servicing in the interest of the investors/clients. Thus, in order to prevent the existing as well as the prospective clients from getting such advice which has no correlation to their financial appetite/risk profile, urgent steps need to be taken against GRS and its Proprietor Mr. Nilesh Vispute. Further, as discussed hereinabove, the very nature of the investment advisory activity being practiced by GRS has been found to be *prima facie* fraudulent and in violation of PFUTP Regulations. In view thereof, allowing GRS and its Proprietor Mr. Nilesh Vispute, who in addition to other matters has also admittedly falsified/manipulated the documents for submitted to SEBI, to continue its services to its clients, would tantamount to allowing the *prima facie* fraudulent investment advisory activity to

continue, which will be inimical to the interests of clients and will also be in contravention of what has been envisaged under the IA Regulations and PFUTP Regulations.

22. Exposing investors to such service also has the effect of interfering with the development of securities market, as victims of such services tend to lose faith in the securities market. Such an injury/detriment to the development of the securities market also qualifies as an “irreparable injury”. The objective of SEBI as enshrined in the SEBI Act is not only the protection of investors but also orderly development of securities market.

23. Further if an ex-parte order is not passed, many existing and prospective investors may have to part with large fees and investment resulting into irreparable injury to themselves as the advice given by GRS may not be as per their risk tolerance and the product offered to them may not be suitable as per their investment objectives and investment time horizon. However, if an ex-parte order is passed, what is at stake is the right of the current entity herein vis-a-vis multitude of prospective and current clients of the entity. It may be noted that one of the underlying differences between the ex parte order in the case of private suits and ex-parte public enforcement actions, is the identification of the injured party. In private damage suits, the injured individual, as “whole”, is identifiable whereas ex-parte public enforcement actions, seeks to protect the floating multitude of investing public by preventing, continuous and imminent violations of the securities laws. The potential loss of the investors by following the advice of GRS and its Proprietor Mr. Nilesh Vispute and resultant loss of investor’s confidence and reliability of securities market, cannot be retrieved, if, *prima facie*, GRS and its Proprietor Mr. Nilesh Vispute is permitted to carry out its irregular investment advisory service. Therefore, I consider the balance of convenience is also not in favour of the entity.

24. I, therefore find that pending conclusion of enquiry in the matter, in view of the *prima facie* evidence/findings against GRS and its Proprietor Mr. Nilesh Vispute, it is also essential to take urgent steps to prevent GRS and its Proprietor Mr. Nilesh Vispute from acting as an investment advisor and representing through any media as an investment advisor and securities market activities and alienating any assets, whether movable or immovable, or any interest or investment or charge in any of such assets, so that the final remedies, if any, do not become infructuous.
25. It is noted that the IA has already evaded the jurisdiction of SEBI by submitting falsified/manipulated documents to SEBI and also not subjecting themselves to the regulatory requirements of SEBI. With the initiation of quasi-judicial proceedings, it is highly likely that the IA may divert the money collected from the investor/clients. The same may result in defeating the effective implementation of the direction of refund, if any, to be passed after deciding the matter on merits. It therefore becomes necessary for SEBI to take urgent steps to prevent the IA from diverting the money collected from the investor/clients. The balance of convenience lies against the IA, which requires immediate action against them including not to divert the money collected from the investor/clients.
26. There is impending threat and urgency that the IA should be prevented from further committing breach of securities laws in securities market. The imminent threat is further compounded by the submission of falsified and manipulated information / documents to SEBI during inspection. It is observed that these are acts/conduct to evade the jurisdiction of SEBI. Since there is *prima facie* violation of regulatory norms and evading the jurisdiction of SEBI by falsifying and manipulating the documents and also non maintenance of the requisite documents, urgency further requires, the investors to be insulated from the undesirable effects of further breach of securities laws by the IA. As the bank accounts of the IA are active, the balance of convenience demands the preventive measure of stopping the collection of money in the bank accounts of the IA from investors/clients. The same can be effectively achieved by an appropriate direction of stopping the credit into the bank

accounts of the IA. As the IA has already evaded the jurisdiction of SEBI by prima facie, submitting falsified/manipulated documents/information, the balance of convenience also demands that the IA be prevented from diverting the funds collected from the investors/clients. Accordingly, an appropriate direction stopping debits and credits from the bank accounts of the IA has been incorporated.

27. Considering the above, in my view, the balance of convenience lies against GRS and its Proprietor Mr. Nilesh Vispute and immediate steps needs to be taken, to protect the investors / clients from freshly subscribing to or continuing to get such prima facie fraudulent / inappropriate / unsuitable investment advisory service by GRS and its Proprietor Mr. Nilesh Vispute.

ORDER

28. In view of the foregoing, pending conclusion of enquiry, in order to protect the interests of the investors and the integrity of the securities market, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11B(1) and 11D read with Section 19 of the SEBI Act and Regulation 35 of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 hereby direct by way of this *interim ex-parte order*, the following directions, which shall be in force until further orders: -

28.1. *GRS and its Proprietor Mr. Nilesh Vispute are directed:-*

28.1.1. *not to access the securities market and buy, sell or otherwise deal in securities or associates themselves with securities market, directly or indirectly, in any manner whatsoever either directly or on behalf of any of its clients through their accounts;*

28.1.2. *to cease and desist from acting as an investment advisor including the activity of acting and representing through any media (physical or digital) as an investment advisor, directly or indirectly, and cease to solicit or undertake such activity or any other activities in the securities market, directly or indirectly, in any matter whatsoever;*

28.1.3. *not to divert any funds raised from investors, kept in bank account(s) and/or in their custody;*

28.1.4. *to provide a full inventory of all assets held in their name, whether movable or immovable, or any interest or investment or charge on any of such assets, including details of all bank accounts, demat accounts and mutual fund investments, immediately but not later than 5 working days from the date of receipt of this order;*

28.1.5. *not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge on any of such assets held in their name, including money lying in bank accounts except with the prior permission of SEBI;*

28.1.6. *to immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, communications etc., in digital mode or otherwise, in relation to its investment advisory activity or any other activity in the securities market;*

28.1.7. *to remove all contents from website immediately and display only the content in its website that SEBI has passed interim order dated January 06, 2021 reproducing the directions mentioned in paragraph 20.1 and submit copy of the relevant web page to SEBI within five working days from the date of the receipt of this order.*

28.2. *If GRS and its Proprietor Mr. Nilesh Vispute have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out/ square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. GRS and its Proprietor Mr. Nilesh Vispute are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order*

28.3. *Banks namely, ICICI Bank, HDFC Bank, State Bank of India, Axis Bank Limited and Kotak Mahindra wherein GRS and its Proprietor Mr. Nilesh Vispute are holding an account, are directed not to allow any debits / withdrawals from or credits to the following accounts, without the permission of SEBI.*

S. No.	Bank Name	Branch Address	Account No.	IFSC code
1	ICICI Bank Ltd.	Y.N. Road, Indore	328705000135	ICIC0003287

2	State Bank of India Ltd.	IFB Branch, Indore	37793496056	SBIN0030340
3	HDFC Bank Ltd.	Trade House, South Tukoganj, Indore	50200032363854	HDFC0000036
4	Axis Bank Ltd.	Vijay Nagar Branch, Indore	918020051966377	UTIB0000568
5	Kotak Mahindra Bank	MG Road, Indore	7312007932	KKBK0000751

PayU Money and Google Pay where GRS and its Proprietor Mr. Nilesh Vispute are holding account linked with PAN AOBPV4061M and/or contact nos. 6232952149 and 6260808547 are directed to deactivate said accounts. Banks namely, ICICI Bank, HDFC Bank, State Bank of India, Axis Bank Limited and Kotak Mahindra, PayU Money and Google Pay are directed to ensure that these directions are strictly enforced

28.4. *The Depositories are directed to ensure, that they neither permit any debits nor any credits in the demat accounts held by Mr. Nilesh Vispute either individually or jointly.*

28.5. *The Registrar and Transfer Agents are directed to ensure, that they neither permit any transfer nor redemption of the securities, including Mutual Funds units, held by (a) GRS and (b) Mr. Nilesh Vispute either individually or jointly.*

29. The *prima facie* observations contained in this Order, are made on the basis of the material available on record. In this context, GRS and its Proprietor Mr. Nilesh Vispute may, within 21 days from the date of receipt of this Order, file their reply/objections, if any, to this Order and may also indicate whether they desire to avail an opportunity of personal hearing on a date and time to be fixed on a specific request to be made in that regard.

30. The above directions shall take effect immediately and shall be in force until further orders.

31. This Order is without prejudice to the right of SEBI to take any other action that may be initiated against GRS and its Proprietor Mr. Nilesh Vispute in accordance with law.
32. A copy of this order shall be served upon GRS and its Proprietor Mr. Nilesh Vispute, Stock Exchanges, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions.

-Sd-

Date: September 14, 2021

Place: Mumbai

**MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**