



SEBI Orders Compilation & Analysis

Investment Advisers related

Report | August 28, 2023

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1. Introduction and Background

The regulator, Securities and Exchange Board of India (SEBI) has been passing Orders on issues and cases related to Investment Advisers (IAs) or Registered IAs (RIAs) in the past and till date.

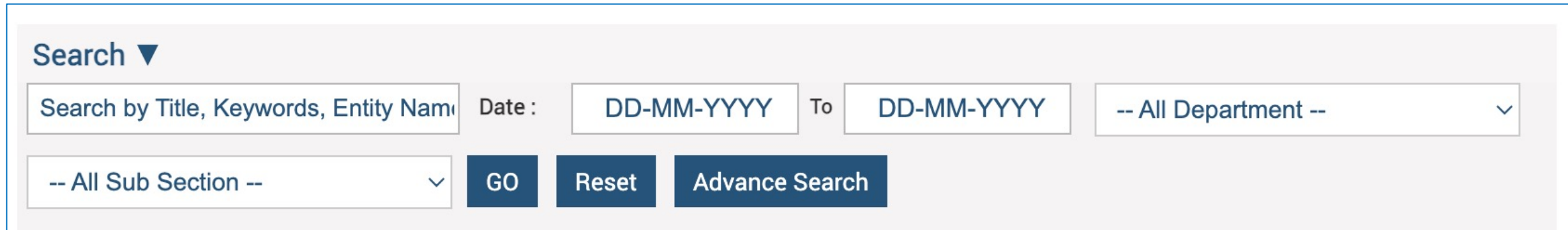
Association of Registered Investment Advisers (ARIA) as part of their advocacy initiatives, is representing to SEBI with certain observations on the issues faced by the RIA profession and provide recommendations to resolve them also keeping in mind the issues faced by the regulator from unscrupulous actors and/or unfair practices in the IA profession.

Towards this initiative, efforts are made and presented in this report, for compilation and analysis of SEBI Orders related to IAs.

2.1. Listing methodology

➔ The ***Search facility*** available on SEBI's website is used for the listing purposes.

The departments selected as all, and sub-sections selected as all, to not miss any instance of Order related to RIAs.

A screenshot of the SEBI Search Facility interface. It features a search bar with the placeholder text "Search by Title, Keywords, Entity Name". To the right of the search bar is a "Date :" label, followed by two date input fields with the placeholder "DD-MM-YYYY", and a "To" label between them. Further right is a dropdown menu with the text "-- All Department --" and a downward arrow. Below the search bar is another dropdown menu with the text "-- All Sub Section --" and a downward arrow. To the right of these dropdowns are three buttons: "GO", "Reset", and "Advance Search".

Search ▼

Search by Title, Keywords, Entity Name

Date : DD-MM-YYYY To DD-MM-YYYY

-- All Department --

-- All Sub Section --

GO Reset Advance Search

➔ The keywords "***adviser***" and "***advisor***" were used separately to gather the list of matched records.

➔ Records appearing as per this search, as on June 14, 2023 are only considered - which resulted in 423 records.

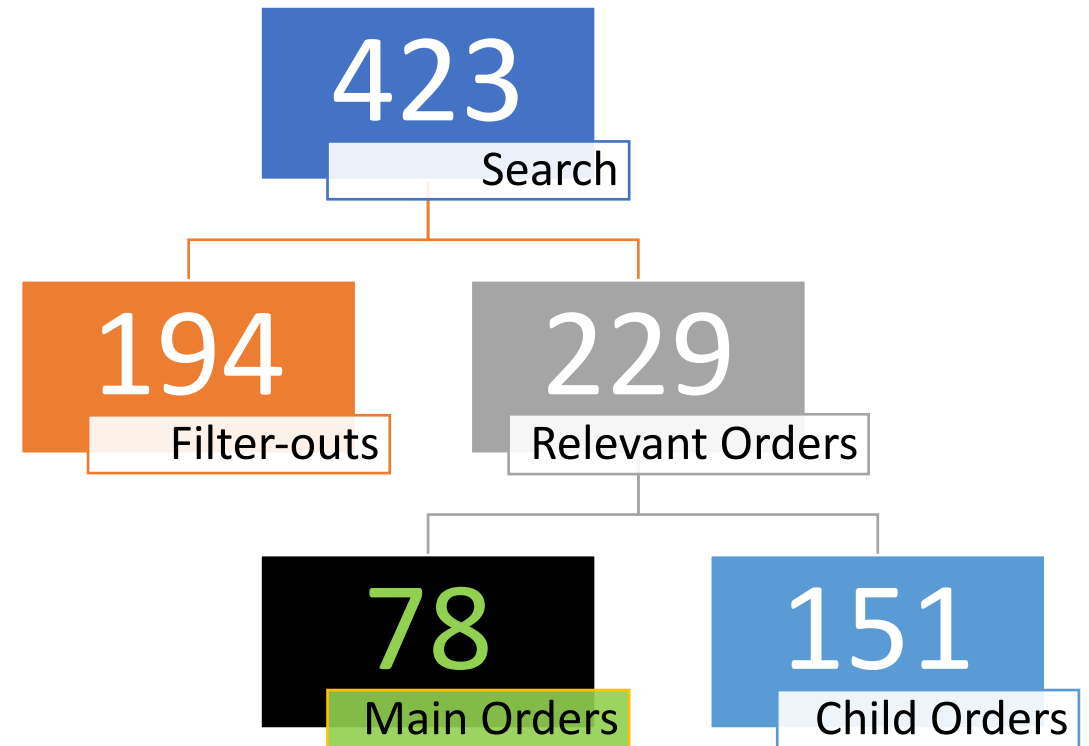
2.2. Relevant listing Drill-down

Out of the 423 listed records as per the search criteria, 194 were filtered-out due to following reasons:

- The particular record is just a Notice and not an Order.
- It is just an Informal guidance and not an Order.
- It is just in the SCN stage and not an Order.
- The order is not related to Investment advisory.

Out of the remaining 229 relevant records, grouping of related Orders was done and 78 unique main Orders resulted.

Balance, 151 are just the supporting records / Orders connected with the 78 main Orders.



3. Compilation methodology

While the compilation was attempted, it is understood that some aspects like Issue date, Registration status, Entity City/State (i.e. data points) will be **1 per Order** and certain other aspects like contravention provisions, services involved, discovery details (i.e. data points) will be **multiple per Order**.

Hence, to address this module-wise compilation was taken-up, in the following manner.

Following 8 modules of compilation with overall 80+ fields, were covered in the analysis as follows:

- | | |
|----------------------------------|---------------------------------|
| 1. Basic details | 5. Services involved |
| 2. Order provisions | 6. Investment products involved |
| 3. Contraventions provisions | 7. Discovery details |
| 4. Decisions/ Actions provisions | 8. Defaulters details |

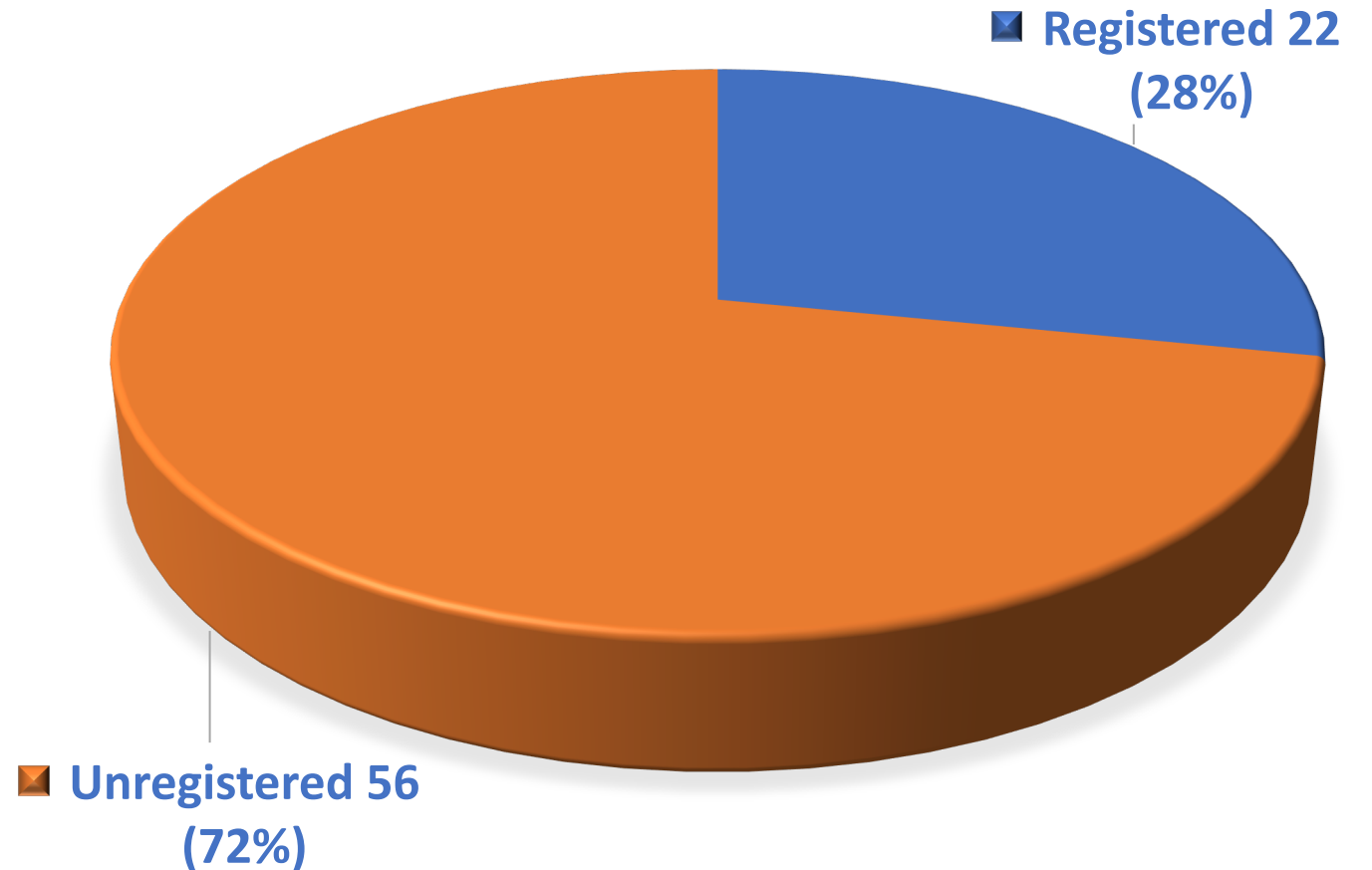
4.1. Analysis of Registration Status

In the 78 main Orders

- 56 Orders (72%) were Unregistered, and
- 22 Orders (28%) were Registered.

Further out of registered entities, the Individuals or Sole Proprietorships account for 64% of cases.

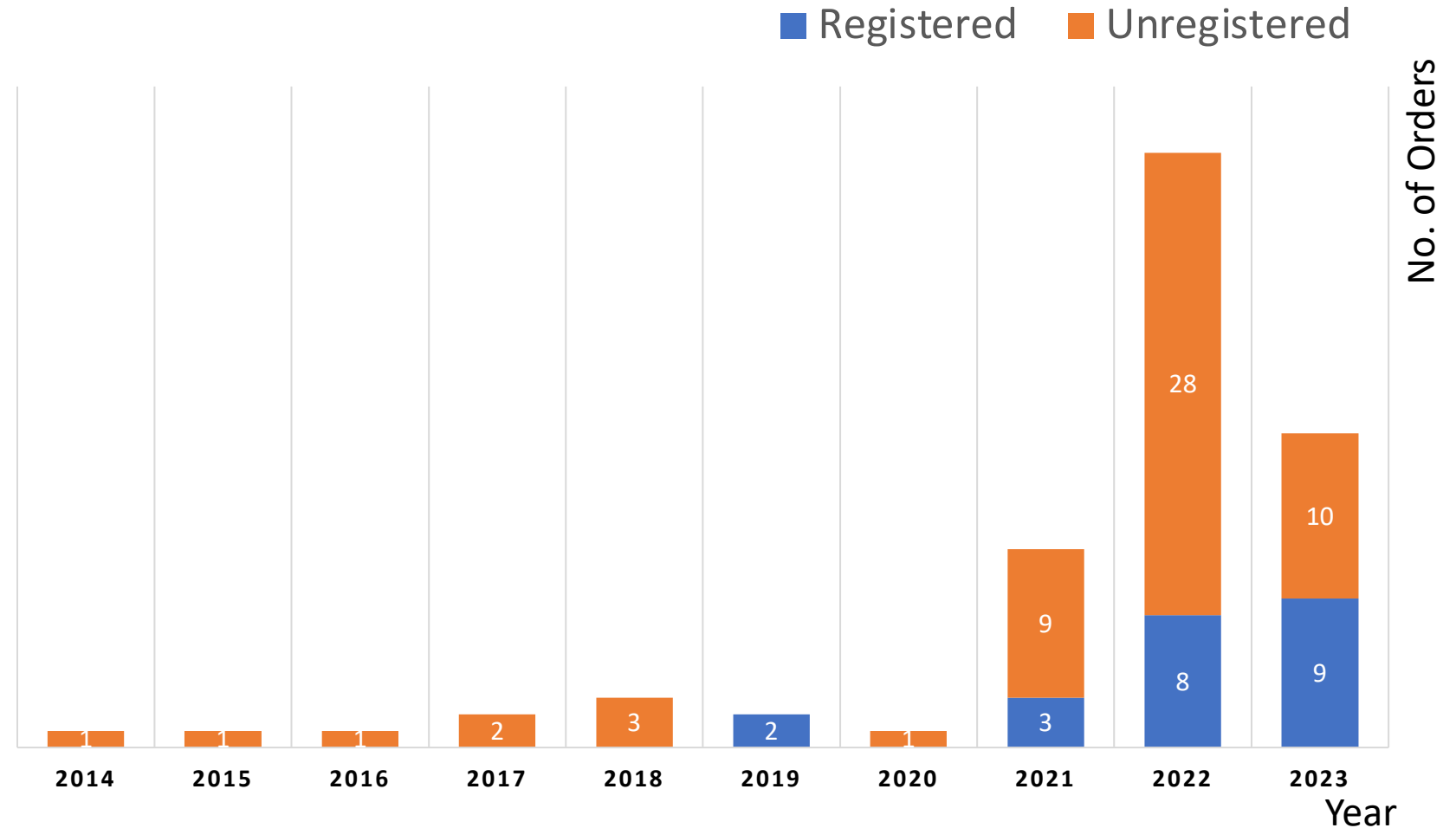
In subsequent analysis observations, *the splicing between Registered and Unregistered cases* is maintained, wherever possible.



4.2. Trend analysis of issuing Orders year-wise

This analysis presents the frequency of issuing Orders year-wise since, 2014.

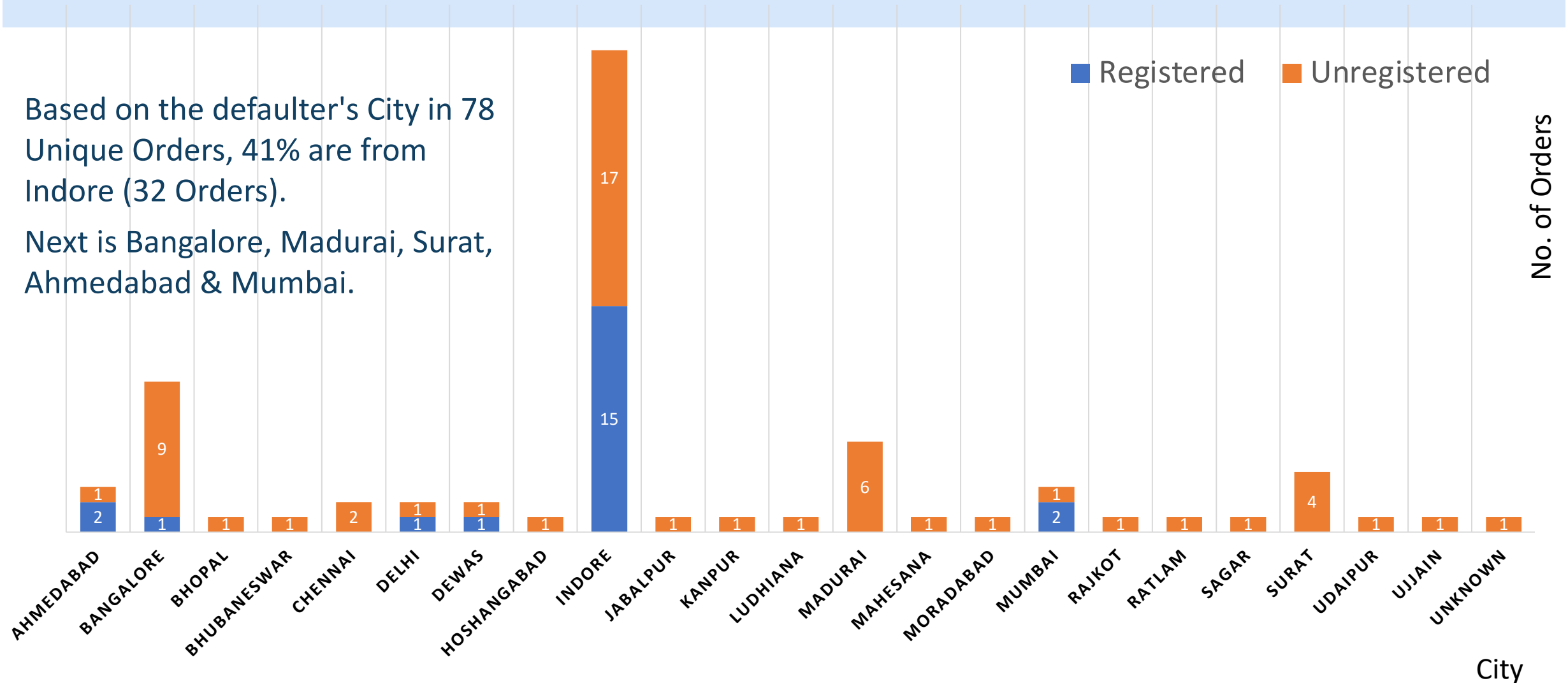
This is for the unique 78 Orders.
The frequency of issuing Orders mainly started from 2021 onwards.



4.3. Analysis of Defaulter's City

Based on the defaulter's City in 78 Unique Orders, 41% are from Indore (32 Orders).

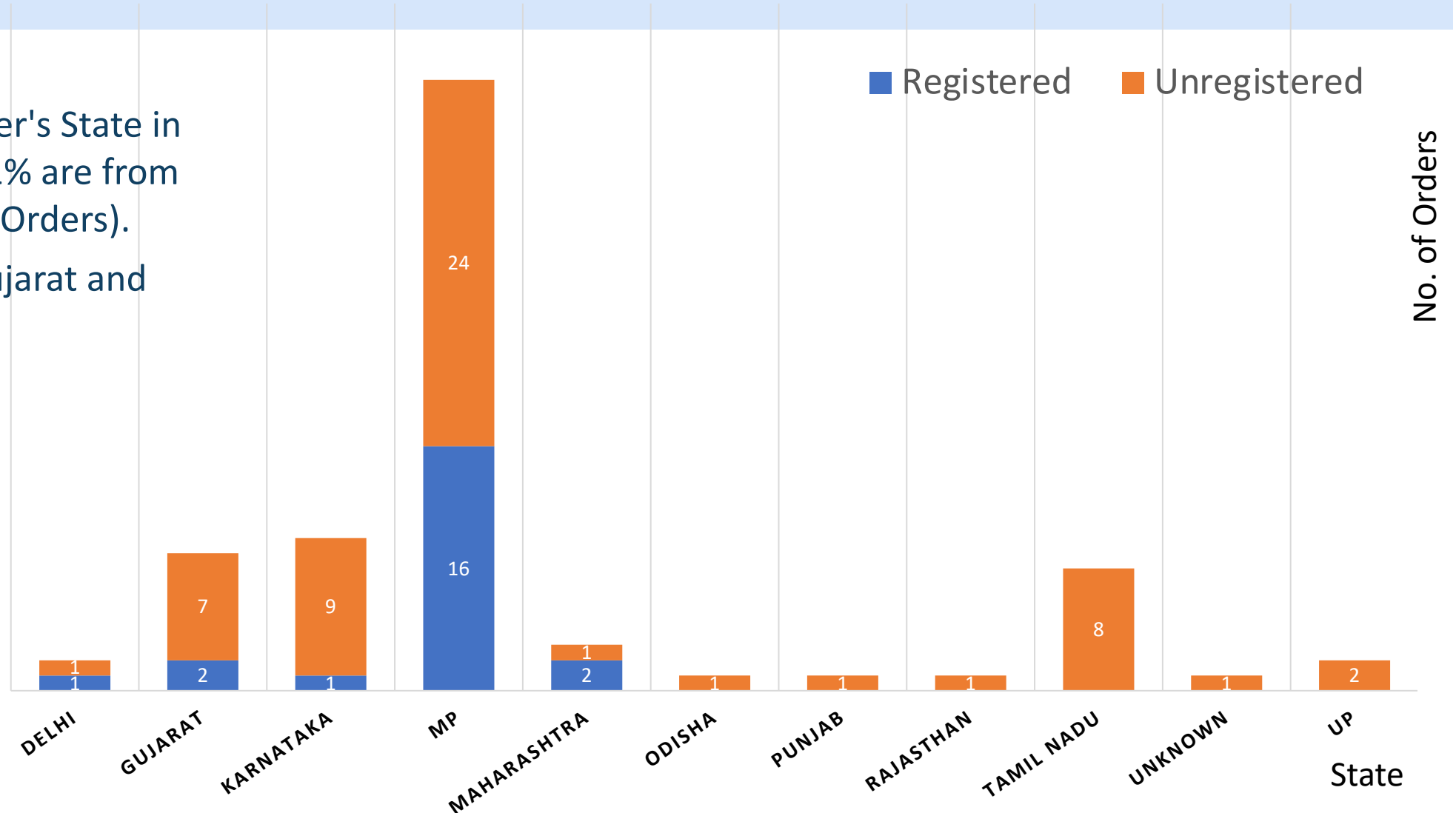
Next is Bangalore, Madurai, Surat, Ahmedabad & Mumbai.



4.4. Analysis of Defaulter's State

Based on the defaulter's State in 78 Unique Orders, 51% are from Madhya Pradesh (40 Orders).

Next is Karnataka, Gujarat and Tamil Nadu



4.5. Analysis of related Service Period

Keeping July 2020 as the cut-off date for Pre and Post amendment regime, the service period dealt by the Orders are analysed.

65% belong to the pre-amendment regime, and
35% belong to post-amendment regime.



July 2020 & Onwards



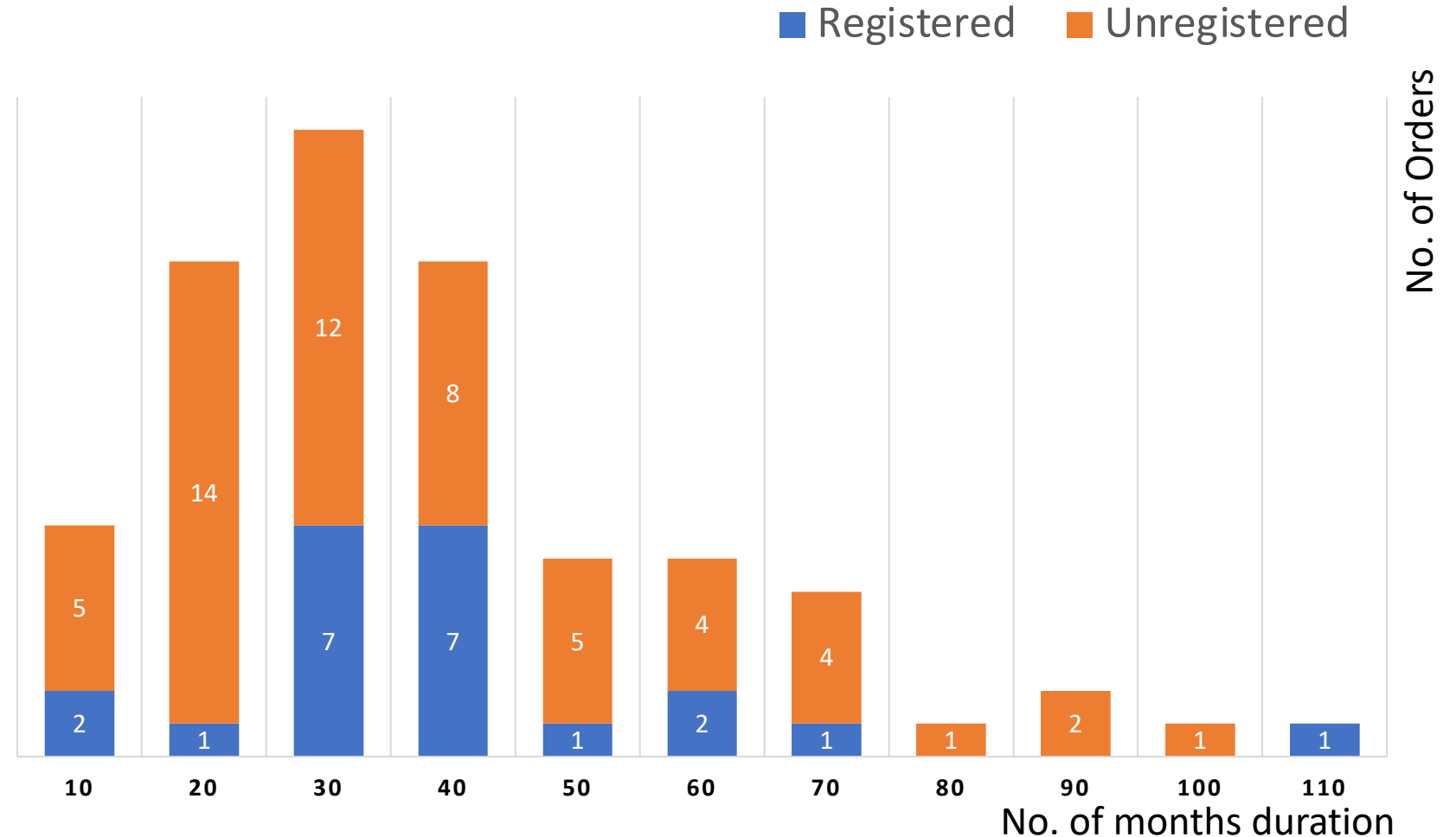
4.6. Analysis of Discovery to Decision

This analysis presents how much duration (months) is involved from discovery to the decision i.e. order issued date.

Discovery can be oldest complaint date or inspection date or such other discovery / case initiation related date.

This is for the unique 78 Orders.

Overall the average works out to 33 months.



4.7a. Analysis of Contravention provisions determined by the Orders

Registered Entities

Context: 22 out of 78 Orders (i.e. 28%)

For the Registered Entities, the following issues account for **80% of contraventions count (i.e. violation of provisions)** observed by the SEBI Orders.

- | | |
|------------------------------------|-------------------------------------|
| 1. Fraudulent activities | 6. Lack of Fiduciary responsibility |
| 2. General Conduct | 7. Information furnishing Issues |
| 3. Honesty Issues | 8. Suitability Issues |
| 4. Abiding with Regulations Issues | 9. Display / Disclosure Issues |
| 5. Dilligence Issues | 10. Complaints redressal Issues |

The following issues account for 15% of contraventions count are related to: Qualification/Experience/Certification Issues, Risk profiling Issues, Fees Issues, KYC Issues, Records maintenance Issues, Fit and proper Issues

Balance 5% contraventions count are related to: Segregation Issues, Networth Issues, Unregistered IA services, PMLA Issues, Seek Client Info Issues, Registration eligibility Issues, Own Transactions Issues, Capabilities Issues, Infrastructure Issues, Naming convention Issues, Appointment of Compliance Officer

4.7b. Analysis of Contravention provisions determined by the Orders

Unregistered Entities

Context: 56 out of 78 Orders (i.e. 72%)

For the Unregistered Entities, the following issues account for **95% of contraventions count (i.e. violation of provisions)** observed by the SEBI Orders.

1. Unregistered IA services
2. Fraudulent activities
3. Honesty Issues

Balance 5% contraventions count are related to: Lack of Fiduciary responsibility, General Conduct and Dilligence Issues

4.7c. Details of the Contraventions categories

Category Title	Contravention provisions
1. Abiding with Regulations Issues	IAR 13(a), IAR Sch3(8), IAR Sch3(9), SI 9(1)(c)
2. Appointment of Compliance Officer	IAR 20
3. Capabilities Issues	IAR Sch3(3)
4. Complaints redressal Issues	Cir-OIAE/2014, IAR 21(1), IAR 21(2), SI 13(1)
5. Dilligence Issues	IAR Sch3(2)
6. Display / Disclosure Issues	Cir-2019/169 27-12-2019, Cir-MIRSD/3/2014, IAR 18, IAR 18(6), IAR Sch3(5), IAR sch3(7)
7. Fees Issues	IAR Sch3(6)
8. Fit and proper Issues	IAR 6(f), SI Sch2
9. Fraudulent activities	PF 3(a), PF 3(a)-(d), PF 3(b), PF 3(c), PF 3(d), PF 4(1), PF 4(2)(k), PF 4(2)(o), PF 4(2)(r), PF 4(2)(s), SA 12A
10. General Conduct	IAR 15(9)

4.7c. Details of the Contraventions categories (Contd.)

Category Title	Contravention provisions
11. Honesty Issues	IAR Sch3(1)
12. Information furnishing Issues	IAR 5, IAR 13(b), IAR 15(12), IAR 24(3), IAR 25(1), IAR 25(2), IAR 28(f)
13. Infrastructure Issues	IAR 6(g)
14. KYC Issues	Cir-23/2011 Para3, Cir-CKYC, Cir-KYC, IAR 15(8)
15. Lack of Fiduciary responsibility	IAR 15(1)
16. Naming convention Issues	IAR 13(d)
17. Networth Issues	IAR 6(e), IAR 8(1)
18. Own Transactions Issues	IAR 15(7), IAR 15(10)
19. PMLA Issues	Cir-PMLA
20. Qualification/Experience/Certification Issues	IAR 6(b), IAR 6(c), IAR 7, IAR 7(2), IAR 15(13)

4.7c. Details of the Contraventions categories (Contd.)

Category Title	Contravention provisions
21. Records maintenance Issues	IAR 19(1), IAR 19(2), IAR 19(3)
22. Registration eligibility Issues	IAR 6, IAR 12(3)
23. Risk profiling Issues	IAR 16, IAR 16(a), IAR 16(b), IAR 16(c), IAR 16(d), IAR 16(e)
24. Seek Client Info Issues	IAR Sch3(4)
25. Segregation Issues	IAR 15(3), IAR 15(4), IAR 22
26. Suitability Issues	IAR 17, IAR 17(a), IAR 17(d), IAR 17(e)
27. Unregistered IA services	SA 12(1), IAR 3(1)

IAR: SEBI (Intermediaries) Regulations, 2008

SA: SEBI Act, 1992

SI: SEBI (Intermediaries) Regulations, 2008

PF: SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

4.8a. Analysis of Decisions / Actions

Registered Entities

Context: 22 out of 78 Orders (i.e. 28%)

The following decisions / actions were observed in the Orders:

- 1. Penalty Imposed - in 18 cases i.e. 82%**
- 2. Debarr from Securities Market - in 12 cases i.e. 55%**
- 3. Freeze Bank / Demat / MF - in 8 cases i.e. 36%**
- 4. Resolve pending Complaints - in 8 cases i.e. 36%**
- 5. Restrain from disposing assets - in 8 cases i.e. 36%**
6. Refund money (Disgorge) - in 7 cases i.e. 32%
7. Cancellation of RIA license/regn. - in 6 cases i.e. 27%
8. Cease & Desist to act as Investment advisor - in 4 cases i.e. 18%
9. Remove Ads/Website contents - in 2 cases i.e. 9%
10. Suspension of Registration - in 1 cases i.e. 5%
11. Others: Warning to Ensure Compliances...

4.8b. Analysis of Decisions / Actions

Unregistered Entities

Context: 56 out of 78 Orders (i.e. 72%)

The following decisions / actions were observed in the Orders:

- 1. Debarr from Securities Market - in 49 cases i.e. 88%**
- 2. Refund money (Disgorge) - in 47 cases i.e. 84%**
- 3. Restrain from disposing assets - in 47 cases i.e. 84%**
- 4. Freeze Bank / Demat / MF - in 39 cases i.e. 70%**
- 5. Restrain from Public Company association - in 17 cases i.e. 30%**
6. Penalty Imposed - in 13 cases i.e. 23%
7. Cease & Desist to act as Investment advisor - in 9 cases i.e. 16%
8. Resolve pending Complaints - in 9 cases i.e. 16%
9. Remove Ads/Website contents - in 7 cases i.e. 13%
10. Refund/Impound Unlawful Gains - in 1 cases i.e. 2%
11. Others: Settlement Payment...

4.9. Analysis of the Services involved

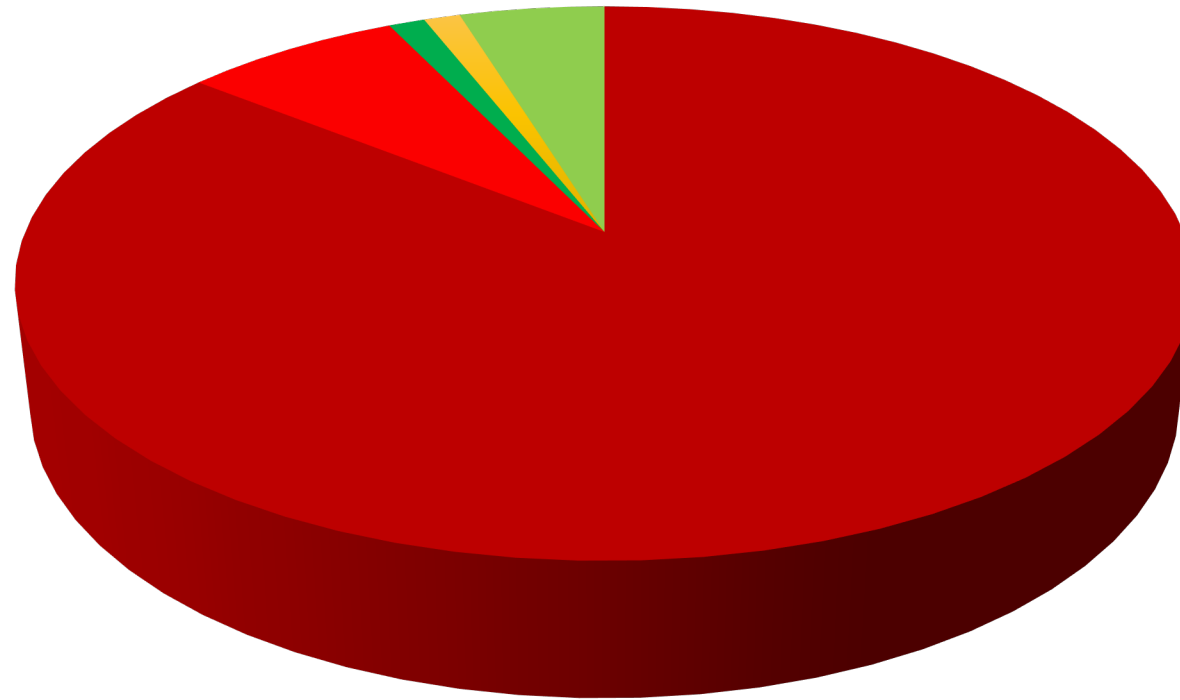
- Trading call providers (Regd.) 7%
- Trading call providers (Unregd.) 86%

- Non-TCP / Inv. advisory (Regd.) 5%
- Indeterminate - Likely TCP (Regd.) 1%
- Indeterminate - Likely TCP (Unregd.) 1%

Out of 78 cases majority 72 are TCP, 2 are indeterminate but likely TCP, and 4 are Non-TCP.

Out of 56 Unregistered 55 are TCP, and 1 is indeterminate but likely TCP.

Out of 22 registered 17 are TCP, 1 is indeterminate but likely TCP, and 4 are Non-TCP but violated operational matters not client related services.



Trading call providers (TCP) includes providers of advise pertaining to — Non-delivery trades, Equity Intraday, BTST, STBT, Derivatives like futures, options, commodities (except for hedging purposes) and leveraged trading or increasing exposure to equity shares beyond 100% of the portfolio value.

4.10. Analysis of Investment products dealt by defaulters

Registered Entities

Context: 22 out of 78 Orders (i.e. 28%)

The following investment products were observed by the Orders:

- **Equity / Derivatives – in almost all cases**
- **Mutual funds – in 1 case**

Unregistered Entities

Context: 56 out of 78 Orders (i.e. 72%)

The following investment products were observed by the Orders:

- **Equity / Derivatives – in almost all cases**

4.11a. Analysis of discovery details

Registered Entities

Context: 22 out of 78 Orders (i.e. 28%)

The following factors were the top reasons (in order) behind initiating investigations / determining contraventions and consequently passing Orders:

- 1. SCORES Complaint (44% counts)**
- 2. SEBI Inspection (38% counts)**
3. Email Complaint (13% counts)
4. FIRs and other proceedings
5. News Articles

4.11b. Analysis of discovery details

Unregistered Entities

Context: 56 out of 78 Orders (i.e. 72%)

The following factors were the top reasons (in order) behind initiating investigations / determining contraventions and consequently passing Orders:

1. Email Complaint (73% counts)

2. SCORES Complaint (10% counts)
3. SEBI Investigation
4. Application for Registration
5. Reference from another Defaulter
6. SEBI Inspection
7. Media Celebrity Popularity / Fin-Influencers
8. Reference from RBI
9. Reference from NSE

4.12. Analysis of entity-types of main defaulters involved

(An order usually has multiple defaulters / noticees – the following analyses it)

Registered Entities

Context: 22 out of 78 Orders (i.e. 28%)

The following types of defaulter-entities were observed by the Orders, where multiple-noticees are involved.

Company/Firm (23%)

Director/Partner (47%)

Individual/Proprietorship (30%)

Unregistered Entities

Context: 56 out of 78 Orders (i.e. 72%)

The following types of defaulter-entities were observed by the Orders, where multiple-noticees are involved.

Company/Firm (20%)

Director/Partner (40%)

Individual/Proprietorship (40%)

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