Department: Investigation	Segment: All
Circular No: MSE/ID/19586/2026	Date: August 19, 2026

Subject: SEBI Final Order in the matter of Alliance Research - Proprietor Mr. Mudassir Hasan

To All Members,

This is with reference to MSE Circular No. MSE/ID/9961/2020 dated January 06, 2021, in respect of SEBI Order No. WTM/MPB/IMD/WRO/164/2021 dated March January 06, 2021, has hereby directed Alliance Research and its Proprietor Mr. Mudassir Hasan (AGDPH7770D) 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 or on behalf of any of its client through their accounts.

Further, as per SEBI Order No. WTM/AS/WRO/WRO-DIV-5/32666/2026-27 dated August 18, 2026, has issued directions against the Noticee vide the Interim Order are hereby vacated and consequently, the restrains imposed upon the Noticee pursuant to the Interim Order shall cease to operate forthwith.

However, it is clarified that the directions, if any, issued against the Noticee in the Enquiry, Adjudication and Summary proceedings as mentioned at paras 3, 4 and 6 below in SEBI order shall remain unaffected and continue to remain in force.

The detailed order is available on SEBI website:- http://www.sebi.gov.in

This order shall come into force with immediate effect.

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

For and on behalf of
Metropolitan Stock Exchange of India Limited

Shweta Mhatre
Assistant Vice President

WTM/AS/WRO/WRO-DIV-5/32666/2026-27

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

UNDER SECTIONS 11(1), 11(4), 11(4A), 11B(1) AND 11B(2) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

In respect of:

Sr. No.	Name of Noticee	PAN
1	Mr. Mudassir Hasan, Proprietor – Alliance Research	AGDPH7770D

In the matter of Alliance Research

Background

1. Securities and Exchange Board of India ("**SEBI**") conducted an inspection of Alliance Research, an entity whose sole proprietor, Mr. Mudassir Hasan (hereinafter referred to as **"Alliance" / "Mudassir**" / "**Noticee**") was 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**") since April 16, 2015 (SEBI Registration Number: INA000002934). The inspection was conducted during February 11-15, 2020 at the Noticee's address, i.e., Chandrika Tower, 3rd Floor, Model Road, Napier Town, Jabalpur, Madhya Pradesh, and the period of inspection was from April 1, 2018 till the date of inspection, February 15, 2020.

2. The focus of SEBI's inspection was to ascertain compliance by the Noticee, *inter alia*, with the provisions of Securities and Exchange Board of India Act, 1992 ("**SEBI Act**"), IA Regulations, and the circulars and guidelines framed thereunder which cast certain obligations and responsibilities upon an Investment Adviser, its representatives and employees. The inspection *prima facie* revealed several violations of SEBI Act, IA Regulations, and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations**") such as carrying on unregistered investment advisory activities prior

to obtaining registration from SEBI, improper KYC, Risk Profiling and Product Suitability assessment, charging unfair amount of fees from clients, promising assured returns to clients, representatives and employees of the IA not meeting the requisite eligibility criteria, etc. Accordingly, pending conclusion of fact-finding in the matter, an Interim Order dated January 6, 2021 was passed against Mr. Mudassir for the violations observed during the inspection. The Interim Order, *inter alia*, directed Mr. Mudassir not to access the securities market and buy, sell or otherwise deal in securities or associate himself with the securities market, and to cease and desist from acting as an investment adviser. Further, the Depositories were directed to ensure that they neither permit any debits nor any credits in the demat accounts held by Mr. Mudassir, either individually or jointly. The said directions issued vide the Interim Order were later confirmed vide a Confirmatory Order dated July 29, 2022.

3. In this context, I note that apart from the present proceedings initiated under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the SEBI Act (hereinafter referred to as the "**11B proceedings**") pursuant to passing of the Interim Order and the consequent fact-finding, SEBI also initiated Enquiry proceedings under the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as the "**Enquiry proceedings**") and Adjudication proceedings under Section 15-I of the SEBI Act (hereinafter referred to as the "**Adjudication proceedings**") against the Noticee for the alleged violations observed during the course of the fact-finding.

4. In this regard, I note that the Noticee filed a settlement application dated November 1, 2023 before SEBI seeking to settle the aforesaid Enquiry and Adjudication proceedings and later, filed a revised settlement application dated February 27, 2025 seeking to also settle the present 11B proceedings, in addition to the Enquiry and Adjudication proceedings. This settlement application came to be rejected by SEBI on July 11, 2025 leading to revival of all the aforesaid proceedings initiated against the Noticee. It is observed that the Enquiry and Adjudication proceedings have culminated in passing of orders against the Noticee dated October 7 and October 10, 2025, respectively, whereby the Noticee's certificate of registration has

been suspended for a period of two months and a penalty of ₹6,00,000/- has been imposed upon him.

5. Accordingly, the 11B proceedings against the Noticee are the subject matter of this Order. For the sake of clarity, I note at this stage that imposition of penalty is envisaged in the present 11B proceedings only in respect of those alleged violations which were not the subject matter of the Adjudication proceedings.

6. I also find it relevant to note that during the pendency of the present proceedings, SEBI had also initiated summary proceedings against the Noticee under Section 12(3) of the SEBI Act read with Regulation 30A of the SEBI (Intermediaries) Regulations, 2008 for non-payment of renewal fees (hereinafter referred to as the "**Summary proceedings**"). The said summary proceedings have also culminated in passing of an Order dated July 21, 2026 wherein the Noticee's certificate of registration as an Investment Adviser has been cancelled.

Issuance of the Show Cause Notice, Reply of the Noticee and Personal Hearing

7. In view of the alleged violation of various statutory provisions by the Noticee, a Show Cause Notice dated December 3, 2025 (hereinafter referred to as the "**SCN**") was issued to the Noticee calling upon him to show cause as to why suitable directions under Sections 11(1), 11(4) and 11B(1) of the SEBI Act should not be issued against him, and why an inquiry should not be held against him and penalty should not be imposed under Sections 11(4A) and 11B(2) read with Sections 15EB and 15HA of the SEBI Act for the alleged violations.

8. In response to the SCN, the Noticee filed his reply which was received vide email dated January 5, 2026. After consideration of the said reply, a personal hearing was scheduled for the Noticee on February 2, 2026. However, the Noticee vide an email dated January 29, 2026 requested that his hearing may be postponed to another date on or after February 9, 2026, on account of non-availability of his authorised representative. The said request was acceded to and the hearing was rescheduled to February 13, 2026, when the Noticee appeared before me along

with his authorised representative and the submissions made vide his reply dated January 5, 2026 were reiterated.

9. For the sake of brevity, the oral and written submissions of the Noticee in respect of the various allegations levelled against him vide the SCN are not being reproduced herein and the same shall be summarised and dealt with while dealing with the said allegations in the ensuing section.

Consideration of issues and findings

10. Upon perusal of the SCN and the oral and written submissions made by the Noticee, I find that the following issues arise for my determination:

   A. Whether the alleged violation of various statutory provisions levelled against the Noticee in the SCN is established in light of the evidence available on record and the defences put forth by the Noticee?

   B. If the answer to Issue A is in affirmative, what directions, if any, are required to be issued in the matter and what should be the amount of penalty, if any, that needs to be levied on the Noticee?

11. Before proceeding to deal with the allegations levelled against the Noticee, it is relevant to note the various statutory provisions alleged to have been violated by the Noticee as are reproduced hereunder:

    SEBI Act

    Registration of stock brokers, sub-brokers, share transfer agents, etc.

    12. (1) *No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:*

    SEBI (Investment Advisers) Regulations, 2013

Application for grant of certificate.

3. (1) *On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations:*

Conditions of certificate.

13. *The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:-*

…

(b) the investment adviser shall forthwith inform the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted;

General responsibility.

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.*

…

(8) *An investment advisor shall follow Know Your Client procedure as specified by the Board from time to time.*

…

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

…

(13) *It shall be the responsibility of the investment adviser to ensure compliance with the certification and qualification requirements as specified under Regulation 7 at all times.*

THIRD SCHEDULE

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.

6. Fair and reasonable charges

An investment adviser advising a client may charge fees, subject to any ceiling as may be specified by the Board. The investment adviser shall ensure that fees charged to the clients is fair and reasonable.

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.

12. I now proceed to deal with each of the allegations levelled against the Noticee in light of the legal provisions alleged to have been violated and the material on record in support of the said allegations.

Carrying on unregistered investment advisory activities prior to obtaining registration from SEBI

13. The SCN alleged that the Noticee had mentioned 'Stock Market Advisory' in the description of services in the agreement dated March 11, 2015 which he had signed with CCAvenue for availing third-party payment gateway services, even though he had obtained SEBI registration only on April 16, 2015. Further, it was observed from the archived pages of the website of the Noticee (as on February 1, 2015, i.e., prior to obtaining registration) that details of an ICICI Bank account of the Noticee were mentioned for making payments by clients for advisory services and it appeared from the statement of this account for the period fromJanuary 16, 2015 to April 16, 2015 that there were a number of credits pertaining to advisory fees between January 16, 2015 and the date of obtaining SEBI registration, i.e., April 16, 2015. Similarly, as per the archived pages, another account in State Bank of India (belonging to one Mr. Sunil Yadav with whom Mr. Mudassir, in his statement recorded during the inspection, denied having any connection) was mentioned on the Noticee's website which also, as per the relevant account statement, appeared to have received credits in the nature of advisory fees.

14. The SCN also observed that Mr. Mudassir had admitted in his statement recorded during the inspection that prior to obtaining registration from SEBI, he was operating his unregistered advisory business, accepted advisory fees to the tune of ₹6,71,650/- for offering tips, incurred an expenditure of ₹6,14,511/- in respect of certain investment advisory activities such as purchase of computers, payment to SMS gateway, etc., and paid salary to 15 employees. It was further observed in the SCN that Mr. Mudassir had admitted that the SEBI registration was obtained based on false declaration since it was not disclosed to SEBI while applying for registration that he was already acting as an investment advisor.

15. Accordingly, the SCN alleged that by providing advisory services to clients prior to getting registration from SEBI, Mr. Mudassir, as the proprietor of Alliance, violated the provisions of Regulation 3(1) of the IA Regulations read with Section 12(1) of SEBI Act.

16. It was also alleged in the SCN that although Mr. Mudassir in **Form A** of his application for registration as Investment Adviser had mentioned that *"Alliance Research is actively engaged in the field of advisory services"*, he later denied having provided any kind of investment advisory services in the past when details were sought from him by SEBI regarding the advisory services provided by him prior to applying for registration. Accordingly, the SCN alleged that by hiding the fact of providing investment advisory services prior to registration (as mentioned in the above paragraphs), Mr. Mudassir violated the provisions of Regulation 13 (b) and clause 1 of the Code of Conduct for Investment Advisers as specified in Schedule III read with Regulation 15(9) of the IA Regulations. The SCN also alleged that by providing a false declaration to SEBI while applying for registration and providing investment advisory services without SEBI registration, Mr. Mudassir violated the provisions of Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act, 1992.

17. In respect of the present allegation, the Noticee has submitted that he committed an unintentional mistake since he was under a misconception that similar to the case of a trademark registration, he could start his investment advisory practice immediately after applying for registration and that if he had any intention of carrying out unregistered advisory activities, he would not have applied for SEBI registration. The Noticee also contended that he had not even read his own statement recorded during the inspection since the same was taken under coercion/undue influence and therefore, must be disregarded.

18. At the outset, I note from a perusal of the reply of the Noticee that he has not controverted the allegation in the SCN that he received investment advisory fees between January 16, 2015 and the date of obtaining SEBI registration, i.e., April 16, 2015. Further, the Noticee has actually admitted to providing investment

advisory services prior to obtaining SEBI's registration, albeit under a misconception. Accordingly, it is established that the Noticee violated the provisions of Regulation 3(1) of the IA Regulations read with Section 12(1) of SEBI Act, 1992 which, *inter alia*, provide that no person shall act as an Investment Adviser unless he has obtained a certificate of registration from SEBI under the IA Regulations. As regards the Noticee's claim of being under a misconception, I note that it is a well settled legal principle that *ignorance of law is no excuse* and thus, any such claim does not detract from the aforementioned violation.

19. Once the fact of the Noticee having rendered unregistered investment advisory services stands independently established on the strength of uncontroverted evidence regarding receipt of advisory fees, coupled with the Noticee's own admission regarding providing unregistered investment advisory services in his reply to the SCN, the Noticee cannot seek to escape the consequences thereof by impugning the probative value of his statement recorded during inspection on the ground of coercion (as claimed).

20. I also find no merit in the Noticee's contention that if he had any intention of carrying out unregistered advisory activities, he would not have applied for SEBI registration. This is because a subsequent registration cannot cure the default committed during the material period. Once the factum of carrying on a regulated activity without the requisite registration is established, the statutory contravention is complete. The argument of absence of *mens rea* is misconceived because the present allegation turns on an objective fact of non-compliance and not on proof of a guilty mind.

21. Lastly, the Noticee has contended that he did not make any false declaration to SEBI as alleged in the SCN since he had not undertaken any activity prior to filing his registration application and only started his operations after filing such application. In my view, this contention is belied by the evidentiary record since the uncontroverted entries in his bank statements clearly show that he had been receiving credits pertaining to advisory fees at least since January 16, 2015, whereas as per his statement recorded during inspection, he filed his registration application before SEBI only on February 4, 2015. Accordingly, I find that the

Noticee, by making a false statement and not informing SEBI of its falsity at any stage, did not act honestly and fairly and thereby, violated the provisions of Regulation 13 (b) and clause 1 of the Code of Conduct for Investment Advisers as specified in Schedule III read with Regulation 15(9) of the IA Regulations.

Improper KYC, Risk Profiling, Product Suitability assessment

22. As per the mandate of Regulation 15(8) of the IA Regulations, an Investment Advisor is required to follow the Know Your Client ("KYC") procedure as specified by SEBI from time to time. Further, as per Regulation 16 of the IA Regulations dealing with risk profiling, an IA is required to ensure, *inter alia*, that it obtains such information from the client as is necessary for the purpose of giving investment advice (including investment objectives, income details, existing investments, risk appetite, liabilities, etc.), that it has a process for assessing the risk a client is willing and able to take, etc. Furthermore, in terms of Regulation 17 of the IA Regulations dealing with suitability, an IA has to, *inter alia*, ensure that the investments on which investment advice is provided are appropriate to the risk profile of the client, the IA has a documented process for selecting investments based on the client's investment objectives and financial situation, and the IA's recommendation is based upon a reasonable assessment that the structure and risk reward profile of financial product is consistent with the client's investment objective, risk appetite, etc.

23. In this regard, it was observed that the Noticee, while on-boarding his clients, instead of following the complete KYC process, only collected certain documents such as copies of PAN card, Aadhar card, ID proof, address proof, passport size photograph from the clients. In this regard, as per Regulation 15(8) of IA Regulations, an IA has to follow the KYC procedure as specified by SEBI from time to time and the clause 2 (vii) of *SEBI Circular No. MIRSD/Cir-26/2011 dated December 23, 2011*, *inter alia*, states that "*A client can start trading/ investing/ dealing with intermediary and its group/ subsidiary/ holding company as soon as the initial KYC is done and the other necessary information is obtained while the remaining process of KRA is in progress*". However, it was observed during the

inspection that the Noticee had simply obtained certain basic details of clients in the format of KYC and started its services without registering fresh KYC of clients with a KYC Registration Agency (KRA), or fetching KYC details from the KRA for clients whose KYC was already done.

24. Certain details such as KYC, Risk Profiling Form, date of risk profiling, services given to clients, etc., were sought by the inspection team from the Noticee in respect of a sample of 46 clients selected on the basis of complaints received on SCORES, quantum of fees received and random sampling. However, the Noticee did not provide details such as KYC, Risk Profiling Form and Suitability Assessment in respect of 14 of these clients. Further, the Noticee in his statement recorded during inspection admitted that services were provided to these 14 clients without carrying out KYC procedure, Risk Profiling and Suitability Assessment.

25. Thus, it was alleged that by not carrying out KYC, risk profiling and suitability assessment for the 14 sample clients, the Noticee violated the provisions of Regulations 15(8), 16 and 17 of IA Regulations and clauses 1, 2, 6 and 8 of the 'Code of Conduct for Investment Adviser' as provided in Schedule III read with Regulation 15 (9) of IA Regulations.

26. In response to this allegation, the Noticee has contended that he had duly carried out KYC, risk profiling and suitability assessment of every client before selling his services but could not produce the records for a few clients at the time of inspection due to the 'stress atmosphere' allegedly created during the inspection. This contention of the Noticee fails to inspire any confidence since he has not submitted any proof, at any stage, that he had actually conducted KYC, risk profiling and suitability assessment for the 14 clients in question. His bare assertion, unsupported by any documentary evidence, is liable to be rejected. I also observe that any prudent person who seeks to rebut an allegation on the ground that he was prevented from producing certain documents at an earlier stage would ordinarily adduce such documents at the earliest available next opportunity. The Noticee's failure to do so, despite having been afforded ample opportunity to file his reply and supporting materials, leads to the inference that no such records were

ever maintained since KYC, risk profiling and suitability assessment was not carried out for these 14 clients. I also note that the Noticee's claim of stressful atmosphere appears to be nothing more than an afterthought devised to exculpate himself from the allegations.

27. The Noticee has also argued that the allegation of not having product suitability is baseless since he had a document titled product suitability where the products offered by him were categorised as Medium and High risk, and the same was also accepted by SEBI in its SCN while alleging that the Noticee had sold High risk products to Medium risk clients.

28. I note that the present argument is clearly a mischaracterisation of the SCN since the SCN, at para 24 thereof, clearly mentioned that the allegation regarding High risk products being sold to Medium and Low risk clients pertained only to the 32 clients (out of the sample 46 clients) for whom the Noticee had provided the requisite documentation to the inspection team, rather than the remaining 14 clients to whom the present allegation of not carrying out product suitability persists. Thus, the fact that the Noticee did a product suitability assessment for 32 out of the sample 46 clients (albeit inappropriately, as is discussed in the ensuing sections) does not detract from the allegation that such assessment was not done for the remaining 14 clients.

29. Noticee has also argued in his defence that no client had ever raised a dispute that his KYC or risk profiling was not done by the Noticee. I find this contention to be wholly untenable since lack of a specific complaint from a client does not efface a statutory violation and non-compliance with a statutory requirement is actionable *per se*, regardless of a formal complaint being filed.

30. Further, in respect of the charge of not following the KYC procedure specified by SEBI in its Circular, the Noticee submitted sample copies of emails sent to purported clients advising them to fill up a form and submit certain KYC documents. However, I note that this reply of the Noticee, by impliedly admitting that he had no communication with the KRA regarding KYC of clients, further corroborates the

allegation levelled against him, viz., that the Noticee simply obtained certain basic details of clients in the format of KYC and started its services without registering fresh KYC of clients with a KYC Registration Agency (KRA), or fetching KYC details from the KRA for clients whose KYC was already done.

31. In light of the aforesaid discussion, I am of the view that the Noticee violated the provisions of Regulations 15(8), 16 and 17 of IA Regulations (dealing with KYC, Risk profiling and suitability requirements), and also clauses 1, 2 and 8 of the ‘Code of Conduct for Investment Adviser’ (dealing with honesty, diligence and compliance by an Investment Adviser) as provided in Schedule III read with Regulation 15 (9) of IA Regulations as alleged in the SCN.

32. I also note that the SCN had alleged a violation of clause 6 of the ‘Code of Conduct for Investment Adviser’. However, the said clause 6 deals with charging of fair and reasonable fees by an IA and is thus, not attracted in respect of the present allegation.

Products meant for High Risk bearing clients sold to Medium Risk bearing clients

33. The SCN alleged that 21 out of 32 sample clients (in respect of which the Noticee provided required documents to the inspection team) were sold products/services meant for clients categorized as ‘High’ Risk even though these 21 clients were categorized as having ‘Low’ and ‘Medium’ risk appetites. Accordingly, it was alleged that the Noticee violated the provisions of Regulations 17(a), (c), (d) and (e) of the IA Regulations.

34. It is noted that these Regulations, *inter alia*, cast an obligation on the IA to ensure that all investments in respect of which investment advice is provided are appropriate to the risk profile of the client, that the IA has a reasonable basis for believing that a recommendation meets the client’s investment objectives and the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance, and that a recommendation is given based on a

reasonable assessment that the risk reward profile of the financial product is consistent with client's risk appetite and capacity for absorbing loss.

35. In respect of this allegation, the Noticee *firstly* contended that his clients were active, experienced traders who regularly operated in the securities market, and some specifically requested recommendations in particular segments. I, however, note that once the Noticee has himself categorized his clients based on their risk profiles, it was incumbent upon him to ensure that his recommendations were appropriate to the clients' risk profiles and financial capacities and therefore, client experience or segment preference is immaterial and does not override his obligation to ensure suitability with the risk profiles.

36. The Noticee also claimed that prior to providing the recommendations to clients in variance with their risk profiling, he informed them regarding the risks involved. Such an argument cannot be accepted since a mere disclosure of risks to the clients is not sufficient to cure a breach of the obligation on an IA is to ensure suitability.

37. Another argument of the Noticee is that the clients only allocated a portion of their entire investment in line with his recommendations and thus, the low and medium risk appetite clients were ready to trade in commodity and derivative segments. This argument is also untenable since the statutory requirement is that each of the IA's recommendations has to be appropriate to the risk profile of the client and thus, claims such as *clients allocated only a portion of their investment as per the IA's recommendations* are not relevant for determination of the present allegation regarding product suitability.

38. The Noticee has also made an argument that it is the IA who decides what constitutes high and low risk and there is no documented rule in this regard and also claimed that as an IA, he decided what product was in the best interest of clients. He also contended that high risk products were sold to medium risk bearing clients for a shorter period and medium risk products were sold for longer duration to manage the risk capacity of a client.

39. With regard to the above, I find that this line of arguments is directly contrary to the regulatory scheme which requires a documented process for risk profiling and deciding suitability rather than an *ad-hoc* approach as sought to be contended by the Noticee. An IA does not have the absolute freedom to ignore the documented risk profiling or investment objectives of the client in the garb of acting in the 'best interests' of the clients. Further, a short tenure of exposure does not make a high-risk product suitable for a low/medium risk appetite client. I also note that these kind of arguments are rendered wholly untenable in the present case since the Noticee had documented in place his own suitability framework which categorised certain clients as low/medium risk, and in utter disregard of such categorisation, he sold high risk products to such clients, thereby acting in contravention of the suitability obligations.

40. In view of the aforesaid discussion, I hold that the Noticee, by selling High risk products to clients having low/medium risk appetites violated the provisions of Regulation 17(a), (c), (d) and (e) of the IA Regulations.

Non availability of supporting documents for risk profiling

41. It was observed during inspection that the Noticee had a risk profiling questionnaire of 21 questions (along with possible answers) for measuring risk appetite / tolerance of the clients, with each answer being assigned a particular score and the cumulative score being used to categorise clients into Low, Medium or High risk categories. In this regard, supporting documents (obtained by the Noticee to carry out the risk profiling of its clients) were sought during the inspection. However, it was observed from the response of the Noticee that no supporting documents/evidence were actually being obtained from clients for the purpose of risk profiling, and risk profiling was completed either by seeking response from clients telephonically by representatives of the Noticee or by requiring a client to fill details on a format made available on the website of the Noticee. Accordingly, it was alleged that Mr. Mudassir, by not obtaining any documents for risk profiling, risk assessment and suitability assessment, violated the provisions of Regulations 19(1) and (2) of IA Regulations, which, *inter alia*, mandate an IA to maintain records

relating to risk profiling and risk assessment of client and suitability assessment of the investment advice provided for a minimum period of 5 years.

42. In this regard, the Noticee argued that there was no requirement under the IA Regulations to obtain supporting documents from clients in support of their answers to the risk profiling questionnaire and the information, which was required for risk profiling such as age, investment objectives, income details, risk appetite, etc. was duly obtained from clients.

43. I have gone through the framework of the IA Regulations and note that Regulation 19 is actually concerned with maintenance and retention of data rather than dealing with the kind of documents required for a genuine risk assessment of a client. Therefore, even though the questionnaire developed by the Noticee merely captured scores based on self-declaration by the clients without any corroboration whatsoever, the same cannot be held to be strictly in violation of Regulation 19(1) and 19(2) of the IA Regulations, as long as the Noticee maintained the copies of responses of the clients to the said questionnaire.

44. In this regard, I hasten to add that SEBI has introduced a Circular SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020 (hereinafter referred to as the "**IA Guidelines Circular**") laying down the 'Guidelines for Investment Advisers' which clarifies in respect of Regulation 19(1) of IA Regulations that an IA shall maintain records of interactions with all clients where any conversation relating to advice has taken place, *inter alia*, in the form of physical records, telephone recordings, emails, SMS messages, or any other legally verifiable record. Thus, post introduction of this Circular, it is now incumbent upon any Investment Adviser to maintain records with respect to his activities in legally verifiable forms.

45. However, as noted above, this Circular was issued on September 23, 2020 and further, compliance with the particular provision of maintenance of records was to be ensured latest by January 1, 2021, i.e., after the period of inspection in the

present case and thus, the provisions of this Circular cannot be invoked in the present case.

46. Having said that, I find it pertinent to refer to **paras 28 to 31** of this Order wherein it has already been established that the Noticee did not undertake KYC, risk profiling and suitability assessment for 14 clients out of a sample of 46 clients. Thus, it is undisputed that he could not have maintained and preserved the records of KYC, risk profiling and suitability assessment of the advice provided to these 14 clients. Accordingly, I am of the view that the Noticee, by not undertaking the KYC, risk profiling and suitability assessment for the 14 sample clients and merely maintaining a risk profiling questionnaire in respect of clients for whom risk profiling was done, is liable for violation of Regulations 19(1) and 19(2) of the IA Regulations.

Non-communication of risk profile to clients

47. The SCN alleged that after completion of the supposed risk assessment of the 32 sample clients, the IA did not send the Risk Profiles and Risk Assessment Forms (which is a mandatory requirement under Regulation 16(e) of IA Regulations) to any of the 32 sample clients, since there was no email/ dispatch proof available with the IA. It was also observed that since the Risk Profile statement was not sent to the clients, the clients had no means to know whether their information had been correctly included in the Risk Profile statement and whether the Risk Assessment Forms reflected their correct risk assessment and thus, the clients would not have been in a position to raise any possible objections on their risk profiling. Further, none of the Risk Profile forms were signed by clients and the IA had a practice of cropping an image of the client’s signature from his identity proof and placing it electronically on the Risk Assessment Form. Accordingly, it was alleged that the Noticee violated the provisions of Regulation 16(e) of IA Regulations and clauses 1 and 5 of the Code of Conduct (dealing with honesty, fairness and adequate disclosures of relevant material information to the clients) as specified in Schedule III read with Regulation 15 (9) of IA Regulations, in addition to Regulation 3(a), (b), (c) and (d) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act.

48. In respect of this allegation, the Noticee has asserted that after receiving the data submitted by his clients on the risk profiling section of his website, he used to analyze their risk profiles and used to communicate to every client, his or her risk score and category via SMS of the clients. I note that this is entirely an unsubstantiated argument as the Noticee has not submitted any proof whatsoever of the purported SMSes that he used to send to his clients post their risk assessment and as noted above, no email/ dispatch proof of such risk profiles was available with the IA at the time of the inspection. Therefore, I am not inclined to accept this bald assertion made by the Noticee and hold that the Noticee violated the provisions of Regulation 16(e) of IA Regulations and clauses 1 and 5 of the Code of Conduct as specified in Schedule III read with Regulation 15 (9) of IA Regulations.

Advisory Services sold prior to Risk Profiling

49. It was observed that advisory fee(s) was received by the IA prior to assessing and communicating the risk profile for 31 out of the 46 sample clients which meant that the IA sold the advisory products and collected fees from the clients, even before carrying out their risk profile and thus, the advisory products sold would not have been appropriate to the risk profile of the clients. Accordingly, the SCN alleged that the Noticee violated Regulation 17 of the IA Regulations which mandate that an IA has to ensure that all investments on which investment advice is provided are appropriate to the risk profile of the client. It was also alleged that the IA did not act honestly and deceived the clients into buying different products without understanding the clients' needs and with the sole aim of earning profits without caring for the needs of the clients and thus, violated the provisions of clauses 1, 2 and 4 of the Code of Conduct as specified in Schedule III read with Regulation 15 (9) of IA Regulations, and Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.

50. In this regard, the Noticee contended that he had carried out risk profiling of every client to whom he has provided the advice, however, the risk profiling was done after taking the first subscription charge from the clients to ensure that the risk

profiling of the clients was not done for free. He also argued that it was nowhere stated in the IA Regulations that payment could not be charged prior to risk profiling. It was also submitted that taking subscription charge prior to risk profiling was not a fraudulent activity so as to attract the PFUTP Regulations.

51. From a perusal of the reply of the Noticee on this aspect, I note that his argument turns out to be a self-defeating one since his submission that clients were made to pay a 'subscription charge' before proceeding with their risk profiling amounts to an admission that even before conducting the risk profiling, the clients were subscribed to a program whose fees, or a part thereof, was to be paid by them prior to the said risk profiling. Thus, at the time the clients were made to subscribe to one of the advisory programs of the IA, the Noticee had no way of knowing whether the investment advice which was to be provided to these clients as part of the concerned advisory programs would be appropriate to the risk profile of the clients. Thus, risk profiling, which is a mandatory prerequisite before a client can subscribe to the services of an IA, was made an empty formality by the Noticee. This issue is particularly striking when it is observed that for a few of the sample clients, risk profiling was completed months after receiving the subscription charges from them. Therefore, I hold that the Noticee violated the provisions of Regulation 17 of the IA Regulations and also the provisions of clauses 1, 2 and 4 of the Code of Conduct (dealing with honesty and fairness, diligence, and seeking information of clients about their financial situation, investment objectives, etc.) as specified in Schedule III read with Regulation 15 (9) of IA Regulations.

Unfair Amount of Fees Charged from Clients

52. It was observed that out of the 32 sample clients whose details were provided by the IA to the inspection team, the fees received by the IA was more than the clients' annual income for 19 clients, and was more than the proposed investment disclosed by the clients in their risk profiling form for 17 clients. Thus, it was alleged that by charging exorbitant fees from its clients which were, in some cases, multiple times of the clients' proposed investment amounts and annual incomes, the IA prioritised its own interests and had no regard for clients' risk profiles and suitability, thereby violating the provisions of clauses 1, 2 and 6 of the Code of Conduct as

specified in Schedule III read with Regulation 15 (9) of IA Regulations; and Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.

53. In this regard, the Noticee contended that SEBI had no jurisdiction in respect of the fee which could be charged from clients since the Circular prescribing such fee limits was brought only in September 2020. He also submitted that the clients used to take subscription for multiple services and used to renew the services prior to expiry, as a result of which the total fee seemed immense. The clients always paid the fee out of their own consent and were not forced in any manner. He also argued that the fact that the clients could pay such high fees validated that their annual incomes and proposed investment amounts were much higher than were mentioned in their risk profiling forms and that no investor would pay a higher amount of fees than their income or proposed investment. Further, he did not charge fees from clients upfront but only in instalments, which the clients used to pay from the profits they earned.

54. I note that even though the Noticee is correct in contending that precise limits on the fees which can be charged by an IA were specified only in September 2020 by way of the aforesaid IA Guidelines Circular (dated September 23, 2020), the same does not mean that prior to this Circular, an IA had an unbridled power to charge any arbitrary amount of fee since the clauses 1, 2 and 6 of the 'Code of Conduct for Investment Adviser' as laid down in the Third Schedule to the IA Regulations read with regulation 15(9) of IA Regulations impose a fiduciary duty on the IA and make it incumbent upon him to act honestly, fairly, with due skill, care and diligence in the best interests of the clients, and to charge fees from clients that is fair and reasonable.

55. In this regard, I note that risk profile of a client depends, *inter alia*, on his capacity to absorb loss which may be determined by the income earned by him and his proposed investment amount. Accordingly, receiving advisory fees in excess of the income or proposed investment amount is self-evident of the fact that the fees charged by the IA from the clients (and resultantly, the products sold to them) was

in complete disregard to their risk profiles. Therefore, even though there is no set numerical limit on what could be termed as a 'fair and reasonable' fees, receiving fees from clients which bears no rational nexus to their financial capacity and ability to bear loss is inherently unfair, especially in a scenario where the IA is bestowed with a fiduciary duty to act in the best interests of the clients.

56. In the same vein, I note that the contention of the Noticee that the clients paid the fees out of their consent also points towards the breach of the fiduciary duty imposed upon the IA by the IA Regulations since a fiduciary duty is one-sided requiring an IA to act in the best interests of the clients and consent of a client in this regard does not discharge an IA's duty to act diligently, fairly and in the best interests of the clients.

57. I also note that the Noticee has argued that the fees taken from clients pertained to multiple services and thus, was not exorbitant. At the outset, I note that the present argument is merely a bald assertion since no supporting details of these purported "multiple services" have been submitted by the Noticee. Thus, any meaningful examination of this argument is precluded. Be that as it may, I note that this argument is inherently without merit since the Noticee had a duty to, *inter alia*, charge such fees that is fair and reasonable and once he has charged such fees from clients which was multiple times of the proposed investment amounts and annual incomes of the clients, it is immaterial that the fees was received for a single service or for multiple services, or was received at once or in instalments.

58. Further, the Noticee's argument that the fact that the clients could pay such high fees proved that their annual incomes and proposed investment amounts were much higher than were mentioned in their risk profiling forms amounts to hypothesizing and is also a tacit admission that the risk profiling conducted by the Noticee was improper. This reinforces the allegations of improper risk profiling and of not acting diligently and honestly rather than countering them.

59. In light of the aforesaid discussion, I hold that the Noticee violated the provisions of clauses 1, 2 and 6 of the Code of Conduct as specified in Schedule III read with Regulation 15 (9) of IA Regulations.

Products Sold for Future Period and clients charged arbitrarily

60. It was observed that for a few of the sample 46 clients, the IA while selling a particular service for a particular period to a client, also sold the same service for a future period, and received the fees for the future period before expiry of the tenure of the service for the first / current period. Thus, even if the client did not want to continue the service beyond the current period, he did not have any option to discontinue since the payment for the service for future period had been made in advance. It was also observed that the same clients were arbitrarily charged varying fees for the same service to be provided at different dates in the future. Accordingly, it was alleged that the Noticee violated the provisions of Regulation 15(1) of IA Regulations (dealing with acting in a fiduciary capacity towards clients); clauses 1 and 2 of the Code of Conduct (dealing with acting honestly, fairly and with diligence in the best interests of the clients) as specified in Schedule III read with Regulation 15 (9) of IA Regulations; and Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.

61. In respect of this allegation, the Noticee argued that there was nothing wrong in charging advance fee as the clients used to get discounts if they opted for advance payments. Further, the limitation on charging advance fees was introduced only in September 2020 (i.e., after the completion of the inspection period) by means of the IA Guidelines Circular dated September 23, 2020 and thus, no such limitations on charging advance fee existed at the time of inspection. The Noticee also contended that charging of advance fee and even arbitrary fees from different clients is a common practice across the service industry and is fair and reasonable.

62. Upon a perusal of the Noticee's reply and the material available on record in respect of the present allegation, I note that the argument raised by the Noticee has some force since the provision containing a limitation on collecting fee in advance by Investment Advisers was not in effect at the time of inspection and there was no provision requiring uniformity of fees to be charged from the clients across different periods. I also note that merely by charging of advance fee or not

charging uniform fee from clients across different periods cannot inherently be said to be charging of unfair and unreasonable fees. Accordingly, I hold that the present allegation levelled against the Noticee is not established.

63. Be that as it may, I note at this juncture that it has already been held in this Order that the fees charged by the Noticee in respect of certain clients was not fair and reasonable since the same was higher than even those clients' annual incomes/ proposed investments.

Alliance Research promised assured/guaranteed returns to its clients

64. The SCN recorded that a client of the Noticee, Mr. Ramesh Rathod filed a SCORES complaint dated September 23, 2019 against the Noticee and also submitted call recordings between himself and one of the purported representatives of the Noticee. As per the call recordings submitted by the complainant, it was observed that despite the client informing the said representative of the Noticee that he had nil knowledge about the share market and showed interest in long term products, the said representative of the Noticee misguided the client by saying that long term investments were risky and promised the client assured returns based on the advice/ tips/ calls to be given by the Noticee. Thus, the SCN alleged that by promising unrealistic assured returns to clients, the IA deceived his clients and failed in his responsibility to act in a fiduciary capacity towards his clients and thereby, violated the provisions of Regulation 15 (1) of IA Regulations; clause 1 and 2 of the Code of Conduct for Investment Advisers as specified in Schedule III read with Regulation 15(9) of the IA Regulations; and Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.

65. In response to the allegation, the Noticee in his reply to the SCN submitted that he never assured any returns to the clients and rather, disclosed to the clients the risks associated with the securities market through his website and emails sent to clients and also provided sample disclosures given to the clients. The Noticee also contended that the transcript of the telephonic conversation as reproduced in the SCN did not pertain to any of his employees and in the absence of a forensic

verification of the said call recording, the same could not be attributed to the Noticee. In this regard, the Noticee relied upon SEBI's Order dated January 31, 2023 in the matter of *Star World Research* wherein the call recordings were not relied upon since the same was not supported by further examination.

66. I have gone through the transcript of the communication between the complainant and one of the purported employees of the Noticee. The Noticee specifically challenged that the call recording does not pertain to any of his employees. Further, I note from the material on record that there was no forensic verification of the call recording. In addition, there is no other independent corroboration of the call recording, or the contents thereof, such as identification of the employee of the Noticee who communicated with the client, usage of the Noticee's official landline number / mobile number or email ID in the matter, cross-referencing of the call recording with the call logs (which SEBI-registered Investment Advisers under the present law are required to maintain). Thus, a bare transcript of a call recording between the client and another person, in the absence of any independent corroboration whatsoever, cannot be automatically attributed to the Noticee.

67. Accordingly, I am of the view that the charge against the Noticee of guaranteeing assured returns to investors is not established.

Alliance Research, its Representatives/Employees did not meet requisite eligibility criteria

68. As per Regulation 7(1) of the IA Regulations (as existing during the time of inspection), the minimum qualification for a registered investment adviser, and the partners and representatives of a registered investment adviser offering investment advice, was either a professional qualification or post-graduate degree or post graduate diploma (in certain financial service disciplines) or graduate in any discipline with an experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management. Further, Regulation 7(2) of the IA Regulations (as existing during the time of inspection), *inter alia*, required that a registered investment adviser, and the partners and representatives of an investment adviser registered under the IA 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 from NISM or from any other organization or institution including Financial Planning Standards Board of India or any recognized stock exchange in India provided such certification was accredited by NISM. In this regard, Regulations 15(13) of IA Regulations (as existing during the time of inspection) cast a responsibility on the Investment Adviser to ensure that its representatives and partners comply with the certification and qualification requirements under Regulation 7 of IA Regulations at all times.

69. In this regard, it was submitted by the Noticee that out of the 228 employees he had employed till the date of inspection, only 37 were post-graduates, whereas 185 of the remaining employees were only graduates and the rest 6 employees were not even graduates and were pursuing graduation. Further, no experience certificate as mentioned under Regulation 7(1) of the IA Regulations could be furnished by the Noticee for its 185 graduate employees. Furthermore, it was observed that only Mr. Mudassir and two employees of the Noticee's research team held the requisite certifications as per Regulation 7(2) of the IA Regulations and the remaining 225 employees did not have such requisite certifications.

70. It was noted during the inspection that the Noticee had a mechanism whereby the tele-sales team solicited clients by pitching the products of the Noticee by making calls through 9 Primary Rate Interface (PRI) lines registered in the name of Alliance. Further, it was submitted by the Noticee that every individual executive approached a potential client telephonically, carried out investment assessment and risk assessment of the client, and thereafter, provided the service details to the client.

71. Accordingly, it was alleged that by employing persons who did not have the requisite qualification/ advisory experience as required under Regulation 7(1) of the IA Regulations and persons who did not have the requisite certifications under Regulation 7(2) of the IA Regulations, the Noticee violated the provisions of Regulation 15(13) read with Regulation 7 of the IA Regulations, and clauses 1, 2,

3 and 8 of the 'Code of Conduct for Investment Adviser' as provided in Schedule III read with Regulation 15 (9) of IA Regulations.

72. In response to this allegation, the Noticee has contended that he did not have any partner or representative who was appointed to act on his behalf and merely had employees in the research department, customer relationship department, etc. and the then existing IA Regulations did not require these persons to have any certification since these employees did not have any role in rendering investment advice. Further, the term 'persons associated with investment advice' was introduced only by means of the IA Guidelines Circular dated September 23, 2020, i.e., after the inspection period, and thus, the requirements of mandatory qualification and certification in respect of 'persons associated with investment advice' could not be imposed upon the employees of the Noticee.

73. I note that it is undisputed that out of 228 employees of the Noticee, only 37 employees met the qualification requirements set out in the Regulation 7(1) of the IA Regulations (as existing during the time of inspection) and only 3 employees met the certification requirements set out in the Regulation 7(2) of the IA Regulations (as existing during the time of inspection). However, it is relevant to note that both Regulations 7(1) and 7(2) of the IA Regulations, *inter alia*, contain the words "*partners and representatives of investment advisers registered under these regulations <u>offering investment advice</u>*". It is Noticee's case that only he was providing investment advice through SMSes. I find that there is nothing in the material on record, which suggests otherwise. Even though the employees of the Noticee were his representatives while soliciting clients and carrying out their investment assessment and risk assessment, one cannot say that merely by carrying out these activities, they can be deemed to have offered investment advice to the clients as these activities are merely a precursor and prerequisite to providing investment advice. In this regard, I note that there were no qualification requirements in the then existing IA Regulations for employees of an Investment Adviser who were not offering investment advice.

74. Further, the SCN has not brought out any other evidence to establish that the aforesaid employees were carrying out any kind of investment advisory activity. Therefore, I am of the view that the qualification and certification requirements contained in Regulations 7(1) and 7(2) of the IA Regulations (as existing during the time of inspection) are not attracted in respect of these employees of the Noticee. Accordingly, the allegation levelled against the Noticee in this respect are not established.

Research Team of Alliance Research did not have requisite NISM certification

75. On similar lines as the previous allegation, the SCN also observed that two employees of the Noticee, viz., Shri Akhil Kumar Rai and Shri Aditya Singh Thakur who were carrying out research activity were appointed much prior to obtaining their NISM certifications as Research Analysts. As per Regulation 7(2) of SEBI (Research Analysts) Regulations, 2014 (hereinafter referred to as the "**RA Regulations**"), individuals employed as research analysts, shall have, at all times, a NISM certification for research analysts as specified by the Board or other certification recognized by the Board from time to time and Regulation 13(a) requires that an IA shall abide by the provisions of SEBI Act and the IA Regulations. Accordingly, it was alleged that by employing persons as Research Analysts prior to them having the requisite NISM certifications, the Noticee violated the provisions of Regulation 13(a) of the IA Regulations read with Regulation 7(2) of RA Regulations.

76. In respect of this allegation, the Noticee submitted that he was the only person involved in rendering investment advice and Shri Akhil Kumar Rai and Shri Aditya Singh Thakur were merely assisting him in research activity rather than being involved in full-fledged research work. He argued that there was no certification requirement for persons employed in the research department.

77. I have perused the scheme of the RA Regulations as they existed during the time of inspection of the Noticee. I note that Regulation 7(2) of the RA Regulations (as existing during the time of inspection), *inter alia*, required that an individual

registered as research analyst, individuals employed as research analyst and partners of a research analyst, if any, shall have, at all times, an NISM certification for research analysts as specified by SEBI or any other certification as recognised by SEBI. In this regard, the Regulation 2(u) of the RA Regulations (as existing during the time of inspection), *inter alia*, provided that a "research analyst" means a person who is primarily responsible for preparation or publication of the content of the research report, providing research report, making 'buy/sell/hold' recommendation, giving price target, or offering an opinion concerning public offer, in respect of listed or to be listed securities.

78. In light of the aforesaid language of Regulation 2(u) of the RA Regulations, I note that the material on record does not reveal that either Shri Akhil Kumar Rai or Shri Aditya Singh Thakur were *primarily responsible* for any of the activities mentioned in Regulation 2(u). Thus, neither of these 2 employees can be deemed to fall within the definition of "research analyst" under Regulation 2(u) of the RA Regulations (as existing during the time of inspection). Resultantly, the certification requirements for research analysts as mentioned in Regulation 7(2) of the RA Regulations also would not apply in respect of these 2 employees. In this view of the matter, I hold that the present allegation against the Noticee has not been established.

Non-disclosure of material change in Information by Alliance Research

79. It was observed that the operations of the Noticee were carried out from the following addresses:

Sr. No.	Address	Date of operation
1.	1837-38, Silver Oak Compound, Russel Chowk, Napier Town, Jabalpur, Madhya Pradesh – 482002 (hereinafter referred to as the "**first address**")	October 31, 2014 – June, 2015
2.	Chandrika Tower, 3rd Floor, Jabalpur (hereinafter referred to as the "**second address**")	From July, 2015 (continuing on date of inspection, i.e., February 15, 2020)
3.	Opposite TBZ Jewellers, Near Dutta Mandir, Gol Bazar, Behind National Hospital, Jabalpur (hereinafter referred to as the "**third address**")	From 2019 (continuing on date of inspection, i.e., February 15, 2020)

80. The Noticee did not update or furnish any documents to SEBI pertaining to the change in its address. In his statement recorded during inspection, he, *inter alia*, stated that he had visited SEBI's Indore Local Office to furnish the documents regarding change of address from the first address to the third address but the same were returned due to deficiency. He admitted that he did not apply for change of address in the SEBI Intermediaries Portal.

81. Accordingly, it was alleged in the SCN that by not forthwith informing SEBI of the change in its address, the Noticee violated the Regulation 13(b) of the IA Regulations.

82. In response to this allegation, the Noticee stated that he had duly informed SEBI regarding the change in office address by sending a letter by post to SEBI's Indore Local Office in and around January 2016 since the SEBI Intermediary Portal was not in operation at that time. However, SEBI neither acknowledged the letter, nor acted upon it. The Noticee also submitted that when he changed his office again around January 2020 and went in person to Indore Local Office to submit his documents, the documents were not accepted and the application was returned on the ground that the rent agreement was not registered. Thereafter, SEBI conducted the inspection and later, lockdown was imposed in the entire nation. He also argued that for the purpose of inspection, SEBI officers had directly come to the second address of the Noticee for which an intimation was sent by him in January 2016 and even the Interim Order passed against the Noticee mentioned the second address as the registered address of the Noticee, thereby implying that the intimation was taken on record by SEBI.

83. At the outset, I note that the address from which an Investment Adviser operates his business is indeed a material change since it impacts service of processes, communication with clients and regulatory oversight procedures such as inspections. In light of the same, I note from the SCN that as per the information gathered during the inspection, the Noticee started operating from the second address from July 2015 and from the third address in the year 2019. However, the Noticee, in his reply to the SCN, has submitted that he informed SEBI of the change

in address, by way of writing letter/ submission of documents in January 2016 and January 2020. This clearly reflects a delay by the Noticee in informing SEBI of the change in address and thus, even by his own admission, he has violated Regulation 13(b) of the IA Regulations by not informing SEBI forthwith of the change in his address. Furthermore, the Noticee's contention that he intimated SEBI of the change in address in January 2016 by means of a letter sent to SEBI's Indore Local Office is merely an unsubstantiated assertion since he has not submitted any proof (such as a copy of the said letter) in support of his contention. Accordingly, I hold that by not intimating SEBI forthwith of the change in his office address, the Noticee violated Regulation 13(b) of the IA Regulations.

Compliance Audit of investment advisory activities of Alliance Research

84. The SCN noted that the Noticee (Mr. Mudassir), in his statement recorded during inspection, admitted that no internal compliance audit was carried out by him during the period from April 1, 2018 to February 15, 2020. Accordingly, it was alleged that the Noticee violated the provisions of Regulation 19 (3) of the IA Regulations (as existing during the time of inspection) which mandated an IA to get an yearly audit done in respect of compliance with IA Regulations from a member of ICSI or ICAI.

85. In respect of this allegation, the Noticee has argued that the erstwhile IA Regulations did not specify the time period in which the compliance audit was to be carried out. He also argued that the current mandate to carry out the audit within six months of the end of the Financial Year was introduced only by the IA Guidelines Circular dated September 23, 2020, i.e., after the period of inspection. Thus, in absence of specification of any time period in the IA Regulations, the Noticee was of the view that audit report was to be submitted at the time of renewal of the registration certificate.

86. I note from a perusal of the IA Regulations (as existing during the time of inspection) that the Regulation 19(3) unambiguously mandated that an IA has to conduct an yearly audit and thus, the present contention of the Noticee (that audit report was to be submitted at the time of renewal of the registration certificate) is without merit.

Further, even the IA Guidelines Circular dated September 23, 2020 which provided an outer limit of six months from the end of the financial year to complete the audit also clearly mentioned that the audit has to be conducted on an annual basis. Therefore, I am of the view that the Noticee has violated the provisions of Regulation 19 (3) of the IA Regulations.

Receipt of Fees by IA through payment gateway

87. The SCN alleged that by accepting advisory fees of ₹77,360/- after December 31, 2019 through CC Avenue (a payment gateway) the Noticee violated the provisions of clause 1(iii) of SEBI Circular SEBI/HO/IMD/DF/1/CIR/P/2019/169 dated December 27, 2019 which came into effect from January 1, 2020 and, *inter alia*, prohibited Investment Advisers from receiving advisory fees through payment gateways.

88. In respect of this allegation, the Noticee has contended that he had discontinued the practice of receiving fees through payment gateways in compliance of the said Circular and the payment of ₹77,360/- was actually made prior to implementation of the Circular and January 1, 2020 was merely the date of settlement of the said transaction.

89. I have gone through the screenshot of the transaction statement evidencing the receipt the said advisory fees of ₹77,360/- and it appears that the transaction statement indicates the dates when funds were debited from the payment gateway account and payout was initiated to the bank account of the beneficiary, i.e., Alliance Research, rather than the dates when clients had done fee payment transactions through the payment gateway. This is because the particular entry of ₹77,360/- mentions *Merchant ID* as “ALLIANRES”, the *UTR number* starting with “NEFT OUT”, Debit Date as January 1, 2020 and *Payment Details* as “OPCIT**191231**”, which indicates that the date of payment made by a client through the payment gateway was 191231, i.e., December 31, 2019 and that the payment gateway initiated a NEFT transaction, i.e., the settlement of client payment, to Alliance on January 1, 2020. Therefore, I am inclined to afford the benefit of doubt

to the Noticee that the Debit date was indeed the settlement date rather than the date of payment by the client. Accordingly, the present allegation does not stand established.

Alliance Research employed Mr. Ravi Chouksey against whom an Order of SEBI was in force

90. During the inspection, the Noticee had furnished a list of employees who joined between October 31, 2014 and March 31, 2018. In reference to the said list, the SCN observed that the list contained the name of one Mr. Ravi Chouksey, who, from his communication address, appeared to be the same person who was prohibited by SEBI vide Order dated June 04, 2015 from buying, selling or otherwise dealing in the securities market, either directly or indirectly, in any manner whatsoever, for a period of 4 years, and prohibited to undertake, either directly or indirectly, any activity in the securities market without obtaining registration from SEBI. Further, from other documents submitted by the Noticee, it was observed that Mr. Ravi Chouksey was appointed as the CEO of the Noticee with effect from June 1, 2019 and was working as the CEO at the time of inspection. Therefore, it was alleged that by employing Mr. Ravi Chouksey while he was prohibited in terms of the aforesaid SEBI Order, Mr. Mudassir violated the provisions of clauses 8 and 9 of the Code of Conduct for Investment Advisers as specified in Schedule III (which deal with compliance of regulatory requirements by an IA, and the responsibilities of the senior management of an IA for maintenance of appropriate standards of conduct and adherence to proper procedures) read with Regulation 15(9) of the IA Regulations.

91. In his defence, the Noticee claimed that he was not aware of any regulatory action against Mr. Ravi Chouksey and the latter had also not informed the Noticee regarding it. He further argued that Mr. Ravi Chouksey was prohibited vide an Order passed on June 4, 2015 and that he appointed Mr. Ravi only from June 1, 2019, i.e., after completion of the period of four years of prohibition. Accordingly, he contended that he did not violate any of the provisions of the code of conduct.

92. I note at the outset that the argument of the Noticee is factually erroneous since the four-year prohibition period imposed by the SEBI Order on Mr.Ravi Chouksey was to come to an end on June 3, 2019 and not on June 1, 2019. Be that as it may, it is further noted that the list of employees furnished by the Noticee (where the name of Mr. Ravi Chouksey was featuring) pertained to those employees who had joined Alliance between October 31, 2014 and March 31, 2018, which implies that Mr. Ravi Chouksey was employed by the Noticee at least on or before March 31, 2018, and June 1, 2019 was only the date when he was appointed as the CEO of the Noticee. Since Mr. Ravi Chouksey was prohibited in terms of the aforesaid Final Order till June 3, 2019 to undertake, either directly or indirectly, any activity in the securities market without obtaining registration from SEBI, he also could not be employed by any entity conducting its business as a registered Investment Adviser. Accordingly, by employing Mr. Ravi Chouksey before completion of the prohibition period imposed by the Final Order, the Noticee violated the provisions of clauses 8 and 9 of the Code of Conduct for Investment Advisers as specified in Schedule III read with Regulation 15(9) of the IA Regulations.

Non-maintenance of complaint register by Alliance Research and not displaying the details of Compliance Officer

93. The SCN alleged that during the inspection, the IA was found to not have maintained any complaint register for handling investor complaints and even though an email ID: complaints@allianceresearch.in was mentioned on the IA's website for lodging complaints, the IA did not display the name and contact details of his compliance officer. Accordingly, it was alleged that the Noticee violated the provisions of clause 3 of the Code of Conduct for Investment Advisers as specified in Schedule III (which deals with obligation of an IA to employ effectively appropriate resources and procedures which are needed for the efficient performance of its business activities) read with Regulation 15(9) of the IA Regulations.

94. In respect of this allegation, the Noticee has contended that the IA Regulations do not mandate maintenance of a complaint register and that he had duly displayed

the name and contact details of the Compliance Officer upon the website through which the clients were onboarded. In support of his contention, the Noticee also provided a screenshot of the website of Alliance mentioning the name of one Mr. Praveen Soni at the path HOME/COMPLIANCE, who was purportedly the Compliance Officer of Alliance. In light of the same, the Noticee argued that he did not violate any of the alleged provisions.

95. I find that the Noticee is correct in his submission that clause 3 of the Code of Conduct for Investment Advisers as specified in Schedule III of the IA Regulations does not mandate maintenance of a complaint register and while mentioning that *"An investment adviser shall have and employ effectively appropriate resources and procedures which are needed for the efficient performance of its business activities"*, the said clause does not impose any specific obligation. Accordingly, in the absence of any specific mandate in clause 3 of Schedule III of the IA Regulations such as maintenance of complaint register or displaying the name of compliance officer on the website, I am of the view that this clause cannot be invoked in the present manner and thus, the allegation cannot be sustained. Once the said allegation does not survive, the issue as to whether the said Mr. Praveen Soni was the compliance officer of the Noticee or not, does not merit further consideration.

Non-redressal of investor grievances

96. The SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014 ("**SCORES Circular**"), *inter alia*, requires SEBI registered intermediaries, to whom complaints are forwarded through SCORES, to take immediate efforts for resolution of complaints within thirty days of receipt. Further, the said circular provides that failure by SEBI registered intermediaries to file an Action Taken Report in SCORES within thirty days of receipt of a complaint shall be treated as failure to furnish information to SEBI and be deemed to constitute non-redressal of investor grievance.

97. In this regard, the SCN observed that the ATR in respect of a SCORES complaint filed by one Mr. Shivlal Dhakad on January 7, 2021 (and forwarded by SEBI to the Noticee on February 22, 2021) was filed only on May 6, 2022. Therefore, it was alleged that by failing to file the ATR within the stipulated time limit specified in the SCORES Circular, the Noticee violated the provisions of Regulation 21(1) read with Regulation 28(f) of the IA Regulations read with the provisions of the SCORES Circular.

98. In respect of this allegation, the Noticee submitted that he had always resolved all the clients' grievances in a timely manner and provided the best resolution possible. In respect of the subject complaint by Mr. Shivlal Dhakad, the Noticee contended that there was a delay in filing the ATR since the complaint was a repetitive one, being filed on the same date and on the same grounds as another complaint for which the ATR was filed in a timely manner. He also argued that the final resolution of the complaint was also provided to the complainant, and the same was updated on the SCORES Portal, however, SEBI had not closed the complaint.

99. I note from the material on record that Mr. Shivlal Dhakad had indeed filed two SCORES complaints against the Noticee on January 7, 2021 which were almost identically worded and pertained to refund of advisory fees and thus, were duplicate in nature. In this regard, it is also noted that the ATR in respect of one of those complaints, which was forwarded to the Noticee on February 9, 2021, was filed on March 2, 2021, i.e., within one month of the receipt of the complaint. Therefore, in light of the fact that one of the complaints stood resolved within one month of receipt, I am of the view that it is a mere administrative lapse, if any, on the part of the Noticee in not marking the second complaint as resolved within one month of receipt, rather than being a statutory violation as alleged in the SCN. Accordingly, the present allegation is not established.

Displaying expired Brickwork rating on IA's website

100. The Noticee was awarded BWR Credit and Performance Rating of SME-4 indicating moderate degree of creditworthiness in relation to other SMEs by Brickwork Ratings India Pvt. Ltd. ("**Brickwork**") on January 19, 2018 which expired on January 18, 2019. However, it was observed that he continued to disclose this rating on his website even after the expiry of the rating and atleast till the date of inspection. Further, the Noticee, in his statement dated February 13, 2020, also admitted that he was advertising about certification by Brickwork even though the same had expired. Thus, the SCN alleged that by making a false disclosure on the website, the Noticee violated the provisions of clauses 1, 2 and 5 of the Code of Conduct for Investment Advisers as specified in Schedule III (which deal with honesty, fairness, diligence and adequate disclosures of relevant material information to the clients) read with Regulation 15(9) of the IA Regulations, and Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.

101. In respect of this allegation, the Noticee contended that displaying an expired rating was not a non-compliance and this rating was not marketed but displayed at the foot end of the website. He also argued that none of his clients were affected or attracted by the said rating and he did not make any undue gain from the said rating and thus, the same was not a fraudulent act.

102. In this regard, I note that an IA is obligated to make adequate disclosures of relevant material and to act fairly and honestly with the clients. In light of the same, the action of the Noticee of not taking down an expired rating for atleast more than one year after its expiry is not merely a trivial mistake as sought to be contended. I note that once the Noticee had voluntarily advertised the said rating on his website apparently to establish his credentials, it was incumbent upon him to keep the information on the website updated since the IA Regulations require that an Investment Adviser has to act with honesty, fairness, diligence and provide adequate disclosures of relevant material information to the clients. Therefore, I hold that by displaying the Brickwork rating on the website well beyond the date of

expiry, the Noticee violated provisions of clauses 1, 2 and 5 of the Code of Conduct for Investment Advisers as specified in Schedule III of the IA Regulations, read with Regulation 15(9) of the IA Regulations.

103. However, I am of the considered view that displaying of expired rating cannot be held to amount to a fraudulent act within the meaning of PFUTP Regulations since the material on record has neither established that such act of the Noticee resulted in any injury to a client, nor the fact that the Noticee had any deceitful intention to defraud and manipulate the securities market. Accordingly, the alleged violations of the PFUTP Regulations are not established in respect of the present allegation.

104. At this stage, it is pertinent to examine whether, in addition to the violations of the IA Regulations discussed hereinabove, the conduct of the Noticee also falls within the purview of Regulations 3(a), (b), (c) and (d) of the PFUTP Regulations read with Section 12A(a), (b) and (c) of the SEBI Act.

105. In this regard, the SCN has, *inter alia*, alleged that the Noticee failed to carry out risk profiling and suitability assessment of clients prior to rendering investment advice; offered and sold advisory services without first ascertaining and communicating the risk profile of clients; charged fees which were disproportionately high vis-à-vis the clients' financial profile, including instances where such fees exceeded the clients' annual income and/or proposed investment amount; and made false disclosures at the time of seeking registration by concealing the fact that advisory activities were being carried out prior to obtaining registration.

106. In my view, the aforesaid acts go to the root of the fiduciary obligation owed by an Investment Adviser to his clients. The failure to undertake risk profiling and suitability assessment and selling advisory services to clients prior to complying with the requirements of risk profiling, coupled with the collection of advisory fees in a manner disconnected from the clients' financial capacity, indicates a deliberate course of conduct designed to induce clients to avail services without a genuine

assessment of suitability, thereby exposing them to advice which may not be aligned with their risk appetite.

107. Further, the suppression of material facts before SEBI at the time of registration, evidences a conscious and wilful disregard of regulatory requirements. Such conduct cannot be viewed in isolation, but constitutes a continuing scheme aimed merely at onboarding clients and deriving pecuniary gains, with absolute disregard for the clients' best interests.

108. Accordingly, I find that the Noticee, by employing such course of conduct, has acted in a manner which operates as a fraud and deceit upon its clients and also constitutes inducement within the meaning of the PFUTP Regulations. Consequently, the said conduct is in contravention of Regulations 3(a), (b), (c) and (d) of the PFUTP Regulations, read with Section 12A(a), (b) and (c) of the SEBI Act.

Conclusion and directions against the Noticee

109. To recap, I note that the Noticee is found liable for violating the provisions of the IA Regulations, PFUTP Regulations, and the SEBI Act in respect of majority of the allegations levelled against him in the SCN, viz., carrying on unregistered investment advisory prior to obtaining registration from SEBI; Improper KYC, Risk Profiling and Product Suitability assessment; Non-availability of supporting documents for risk profiling; selling products meant for high-risk bearing clients to medium-risk bearing clients; selling advisory services prior to Risk Profiling; Non-communication of risk profile to clients; charging unfair amount of fees from Clients; Non-disclosure of material change of information; not conducting internal audit and statutory audit of investment advisory activities; and employing Mr. Ravi Chouksey against whom a SEBI direction of prohibition from undertaking, either directly or indirectly, any activity in the securities market without obtaining registration was in force.

110. Having examined the allegations against the Noticee as set out in the SCN, I now proceed to deal with the Issue B. framed at para 10 above, viz., the directions and/or penalty, if any, that needs to be levied on the Noticee.

111. I note from the preceding discussion, that barring a few, the majority of the allegations of violation of various provisions of the IA Regulations and PFUTP Regulations by the Noticee stand established. In this regard, I note that the Show Cause Notice dated December 3, 2025 issued against the Noticee in the present proceedings called upon him to show cause as to why suitable directions under Sections 11(1), 11(4) and 11B(1) of the SEBI Act should not be issued against him, and why an inquiry should not be held against him and penalty should not be imposed under Sections 11(4A) and 11B(2) read with Sections 15EB and 15HA of the SEBI Act for the alleged violations.

112. In respect of the issue of the quantum of penalty that needs to be imposed on the Noticee, I note that Section 15J of the SEBI Act entails guidance regarding the factors to be considered while deciding such quantum and the said section is reproduced hereunder:

> ***"Factors to be taken into account while adjudging quantum of penalty.***
>
> ***15J.*** *While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —*
>
> *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
>
> *(b) the amount of loss caused to an investor or group of investors as a result of the default;*
>
> *(c) the repetitive nature of the default.*
>
> *Explanation. — For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section."*

113. In light of the foregoing provision, I note that the material on record has not quantified the gain, if any, made by the Noticee or the loss caused to investors or group of investors, if any, as a result of the defaults by the Noticee and there is no allegation to the effect that the Noticee has indulged in repetitive defaults. In this view of the matter, it is also relevant to note the dictum laid down by the Hon'ble Supreme Court in the matter of *Adjudicating Officer, SEBI vs. Bhavesh Pabari*, viz., that the factors enumerated in Section 15J of the SEBI Act are merely illustrative in nature and are not the only factors which can be taken into consideration while determining the quantum of penalty.

114. In this regard, I note that by virtue of the Interim Order passed in this matter, the Noticee has been debarred from accessing the securities market and buying, selling or otherwise dealing in securities or associate himself with the securities market, and to cease and desist from acting as investment advisers since January 2021. Further, as already noted at paras 3, 4 and 6 above, as a result of initiation of separate Enquiry and Adjudication proceedings against the Noticee for many of the alleged violations as are the subject matter of the present proceedings, and also the initiation of Summary proceedings for non-payment of renewal fees, the certificate of registration of the Noticee as an Investment Adviser has been cancelled and a penalty of ₹6 lakh has been imposed upon him. It is reiterated that that imposition of penalty is envisaged in the present 11B proceedings only in respect of those alleged violations which were not the subject matter of the Adjudication proceedings.

115. I note the following important facts, viz., the Noticee has undergone a substantial period of debarment by virtue of the Interim Order, his certificate of registration as an Investment Adviser has been cancelled pursuant to the Summary Proceedings, and monetary penalty has been imposed upon him in the Adjudication proceedings. These are relevant considerations in deciding the nature of directions to be imposed upon him in the present proceedings. Accordingly, in light of the principle of proportionality, I find that the ends of justice would be met if only the minimum monetary penalty as provided under Sections 15EB and 15HA of the SEBI Act is imposed and no directions under Sections 11(1), 11(4) and 11B(1) of the SEBI Act

are issued in the present proceedings. I am of the considered view that the cumulative regulatory action already taken against the Noticee, along with the penalty sought to be imposed by this Order, sufficiently address the misconduct brought forth in the various proceedings initiated against him.

ORDER

116. In view of the above findings and having regard to the peculiar facts and circumstances of the matter, I, in exercise of the powers conferred upon me under Sections 11(4A) and 11B(2) of SEBI Act, read with Rule 5 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Section 19 of the SEBI Act, hereby impose the following penalty upon the Noticee:

Name of Noticee	**Penalty imposed under Section of SEBI Act, 1992**	**Amount of penalty**
Mr. Mudassir Hasan	Section 15EB	₹1,00,000/-
	Section 15HA	₹5,00,000/-

117. The Noticee shall pay the penalty within a period of forty-five (45) days from the date of receipt of this Order.

118. The Noticee shall pay the monetary penalty by online payment through the designated payment link provided on the SEBI website at the path: www.sebi.gov.in/ENFORCEMENT→ Orders → Orders of Chairperson / Members → Click on PAY NOW. In case of any difficulties in payment of penalty, the Noticee may contact the support at portalhelp@sebi.gov.in.

119. The Noticee shall forward details of the online payment made in compliance with the directions contained in this Order to the "Division Chief, MIRSD-SEC-1, SEBI Bhavan II, Plot No. C-7, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051” and also to e-mail id: tad@sebi.gov.in in the format as given in following table:

Case Name	
Name of the Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Bank details in which payment is made	
Payment is made for:	

120. The directions issued against the Noticee vide the Interim Order are hereby vacated and consequently, the restrains imposed upon the Noticee pursuant to the Interim Order shall cease to operate forthwith. However, it is clarified that the directions, if any, issued against the Noticee in the Enquiry, Adjudication and Summary proceedings as mentioned at paras 3, 4 and 6 above shall remain unaffected and continue to remain in force.

121. The Order shall come into force with immediate effect.

122. A copy of this order shall be forwarded to Mr. Mudassir Hasan, Stock Exchanges, Registrar and Transfer Agents, Depositories, and BSE Administration and Supervision Limited (BASL) for necessary action and compliance with the above directions.

AMARJEET SINGH

Digitally signed by AMARJEET SINGH
Date: 2026.08.18 17:13:51 +05'30'

DATE: AUGUST 18, 2026
PLACE: MUMBAI

AMARJEET SINGH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA