

WTM/AB/WRO/WRO/21418/2022-23

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**FINAL ORDER**

**Under Sections 11(4) and 11B of the Securities and Exchange Board of India Act, 1992**

**In respect of:**

<b>Sr. No.</b>	<b>Noticee</b>	<b>PAN</b>
1.	<b>Shri Ayush Jhawar Proprietor: Knowledge Research Institute</b>	<b>AQGPJ5154Q</b>

**In the matter of Unregistered Investment Adviser**

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1. The present proceedings emanate from a show cause notice dated July 31, 2021 (hereinafter referred to as “**SCN**”) issued by Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) against Shri Ayush Jhawar, in his capacity as the sole proprietor of ‘Knowledge Research Institute’ (Shri Ayush Jhawar and Knowledge Research Institute are hereinafter collectively referred to as “**the Noticees**”) wherein it was *prima facie* found that the Noticees were engaged in investment advisory services without obtaining a certificate of registration from SEBI in violation of the provisions of Section 12(1) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”) and Regulation 3(1) of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as “**IA Regulations, 2013**”). The SCN called upon the Noticees to show cause as to why suitable directions including refund of fees collected, debarment, non-association with listed entities, intermediaries, etc. should not be issued against the Noticees under Sections 11(4) and 11B (1) of the SEBI Act, 1992.

2. The SCN provided that SEBI received a complaint against M/s Knowledge Research Institute alleging that that M/s Knowledge Research Institute refused to provide SEBI registration number to the complainant saying that it is in process with SEBI. Further, M/s Knowledge Research Institute refused to refund the advisory fee and additional funds which were collected from the complainant. As per the intermediary database on SEBI website, M/s Knowledge Research Institute was not registered with SEBI as an investment advisor.
3. The SCN was served upon the Noticees through Registered Post. Shri Ayush Jhawar vide reply dated September 02, 2021 submitted his reply to the SCN. The matter was placed before me for granting personal hearing on February 21, 2022. An opportunity of personal hearing was granted to the Noticees on May 26, 2022. On the scheduled date of hearing, the Auhtorised Representative of the Noticees appeared in person and made his submissions in the case, through CISCO WebEx platform. Hearing qua the Noticees was concluded on May 26, 2022.
4. The Noticee vide his reply dated September 02, 2022, has submitted *inter alia* the following:
  - i. In the Show Cause Notice, you have mentioned a complaint against me regarding one Mr. Sudhir Tiwari. A copy of his email is also attached along with the SCN received by me.
  - ii. At the outset I would like to clarify that I had no prior knowledge about Mr. Sudhir Tiwari's complaint or his payment in my account relating to advisory services.
  - iii. I was not running the operations of the alleged unregistered Investment Advisory.
  - iv. I have been in my hometown since last two years.

- v. Few people who were in my contact asked me to help setup an online training institute to train and educate investors who are willing to invest in securities market. List Enclosed as Annexure 1
- vi. Since the idea looked interesting, I provided them with my KYC, Bank Details and Domain to setup an online training institute. I also provided them with a rental premises to function as an office for the training institute.
- vii. I was already working for a registered Investment Advisory and having cleared both NISM Level X-A and X-B, I was not available to run any advisory business.
- viii. However, due to occupancy in my existing Job, I was not aware of what kind of operations were run using my name and accounts.
- ix. The team assured me that, they will design a program to train and educate investors who are willing to invest in securities market.
- x. The operations in my name and account as an online training institute continued till December 2018. And all monies received in the account was transferred to the people who were running the operations.
- xi. I would like to inform you that, I did not benefit financially or otherwise from the operations and therefore, I asked them to close the institute.
- xii. I would like to appraise you that I have taken immediate cognizance of the aforesaid complaint and expeditiously resolved his issue by making refund of full amount from my own pockets; of funds so collected by him by the members who were running the entire operation in my name. Proof of Compliant Resolution attached herewith as Annexure-2

- xiii. I have no mala fide intention, what so ever to defraud any person in name of advisory services or in other matter.
- xiv. I am currently unemployed and hardly meeting my ends.
- xv. I do not intent to participate in any securities market related business activity in foreseeable future as well.
- xvi. I humbly request you to kindly consider my submissions and assume a lenient approach towards me considering my bona fide.”

5. The SCN alleged that the Noticees were carrying out unregistered investment advisory activities through the website [www.knowledgeresearch.in](http://www.knowledgeresearch.in). I note that the website was not active as on the day of SCN, but from the archive of the webpages, as available on '[web.archive.org](http://web.archive.org)', as available on record, I note that the following was disclosed on the website:

*Knowledge Research is a investment advisory firm. We basically provide recommendation in stock Cash, stock future, stock option, Nifty future, Nifty option, commodities including Bullions, Base metals, Energy and agri commodities.*

*We are recommending Intraday / BTST/ STBT /Positional tips in various Product (Packages). Our Stock Cash, Derivatives (FnO) MCX/NCDEX Product are designed ideally to suit investor's needs. Investors are advised to trade in multiple lots as per their trading capacity, investment amount as well as exposure suggested by your desired broker.*

6. From the copy of archived webpages as available on record, I note that Various packages (Monthly/Quarterly/Half-yearly/Yearly) are being offered for subscription at specified rates and for specific products. The following products were offered through the said website:

<b>Sr.</b>	<b>Name of Service</b>
1.	Stock Cash Tips
2.	Stock Future (Basic)
3.	Stock Option Tips
4.	Premium Option Tips
5.	MCX Tips
6.	2-3 HNI Commodity calls daily
7.	MCX Premium Tips

7. Further, as per the payment tab of archive webpages of the website [www.knowledgeresearch.in](http://www.knowledgeresearch.in), I note that in order to make payments for availing the services of the Noticee, the following bank account details were provided at the website:

*Account Name: Knowledge Research Institute*  
*Account No. 37596274004*  
*NEFT / IFSC Code: SBIN0030360*  
*Branch: Shri Vaishnav polytechnic college, Indore*

8. During the examination, SEBI procured bank statements, KYC and Account Opening Forms of A/c no. 37596274004 from SBI Account. From the analysis of these documents, SEBI found that M/s Knowledge Research Institute is a proprietorship firm and Shri Ayush Jhawar is its proprietor. It was also found that multiple credit transactions were done through the Easebuzz payment gateway in the SBI A/c 37596274004 of M/s Knowledge Research Institute. Easebuzz vide email dated February 10, 2020, provided statement of transactions to SEBI. The statement of transactions received from SBI Bank, Easebuzz and KYC documents received from SBI Bank and Easebuzz were enclosed as Annexures to the SCN. From the analysis of these documents, it was observed that the SBI Bank A/c no. 37596274004 was opened on March 16, 2018 and the total amount credited in the said bank account from March 16, 2018 to February 1, 2020 is Rs. 27,57,553/-. Out of the total credits in the said SBI Bank account, credits of Rs. 4,26,984/- were received through Easebuzz payment gateway. From the transaction statement received from Easebuzz, it is also observed that amount of Rs. 62,099.04/- paid by the complainant to M/s Knowledge Research Institute has also been traced in the

said Easebuzz Account statement.

9. Shri Ayush Jhawar has contended that he has provided his KYC, Bank details, domain name and a rental space to 7 individuals, namely Vikas, Abhinandan, Varun, Pawan, Ashwin, Vijay and Vishnu for setting up an online training institute for investors who are willing to invest in securities market and he was not aware of the nature of operations were run using his name and account details. Shri Ayush Jhawar also submitted that he was working for a registered Investment Advisory and having cleared both NISM Level X-A and X-B he was not available for running any advisory business. The operations in his account as an online training institute continued till December 2018 and all monies received in the account was transferred to the people who were running the operations. Further, Shri Ayush Jhawar took immediate cognizance of the complaint filed against him and expeditiously resolved his issue by making refund of full amount.
  
10. From the above, I note that Mr. Ayush Jhawar, proprietor of M/s Knowledge Research Institute has submitted that he provided his documents, domain name and rental space to few individuals for running an online training institute for investors. However, his documents, domain name and rental space were misutilised by these individuals and that he was not aware what kind of operations were run using his name and accounts and that all the funds received in his account were transferred to the people who were running the operations. Further, Mr. Ayush Jhawar has claimed to have provided full refund to the Complainant from his own funds. I note that none of these claims by Mr. Ayush Jhawar are supported by any evidence. No single shred of document evidencing these claims has been produced before me. Mr. Ayush Jhawar has baldly stated that the operations of M/s Knowledge Research Institute were carried out by 7 individuals named in his reply. Firstly, there is no proof of this claim. Even if it were presumed that the website and operations of M/s Knowledge Research Institute were managed by the individuals named by Mr. Ayush Jhawar, I do not find any evidence of any action being taken by Mr. Ayush Jhawar against these individuals after discovery of such alleged

malpractices by him. Though Mr. Ayush Jhawar has claimed misuse of his documents, he has not submitted any documentary evidence in support of his submission such as copy of FIR against people who misused his KYC and bank details for running unregistered investment advisory services without his knowledge. Further, Mr. Ayush Jhawar has not produced any document before me displaying that the funds received in the bank account of his firm M/s Knowledge Research Institute were transferred to individuals named in his reply who according to him were carrying out unregistered investment advisory activities without his knowledge. I note that in the absence of any evidence, none of the claims of Mr. Ayush Jhawar can be verified. If the individuals which are named by Mr. Ayush Jhawar were carrying out unregistered investment advisory activities without any collusion with him then it does not appeal to logic as to why they chose to receive the funds in the bank account of Mr. Jhawar's sole proprietorship firm and not in their own bank account. Therefore, I find that Mr. Ayush Jhawar has made such bald claims about the operations of M/s Knowledge Research Institute being run by some other individuals named in his reply only to escape from the consequences of any liability arising out of these proceedings.

11. I note from the contents of the website '[www.knowledgeresearch.in](http://www.knowledgeresearch.in)', it is abundantly clear that M/s Knowledge Research Institute was engaged in offering investment advisory services. Further, from the bank statements, KYC and Account Opening Forms of the bank account mentioned under the 'Payments' tab of the website, it is evident that the said bank account belonged to M/s Knowledge Research Institute and its sole proprietor is Shri Ayush Jhawar. Further, from the various credit entries in the aforesaid bank account of M/s Knowledge Research Institute, it is observed that there are large number of credit entries from several individuals. In view of the above, I find that the Noticees were engaged in offering investment advisory services to clients/ investors for a consideration, without obtaining registration from SEBI. I also note that Noticees have not submitted that credit entries in the bank account of M/s Knowledge Research Institute were not pertaining to funds received by the Noticees from clients / investors while offering unregistered investment

advisory services. Instead Shri Ayush Jhawar has submitted that he was not aware of the nature of operations of M/s Knowledge Research Institute and that he did not benefit financially from the operations of the firm and provided refund to the Complainant from his own funds. However, Shri Ayush Jhawar has failed to substantiate the said claims through sufficient documentary evidences and explanations of credit entries in the bank account of M/s Knowledge Research Institute. Thus, I am inclined to hold that the credit entries in the SBI bank account of M/s Knowledge Research Institute aggregating to an amount of Rs. 27,57,553/- are pertaining to funds received by the Noticees from clients/ investors while offering the unregistered investment advisory services.

12. I note that if an entity is engaged in providing advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client *in lieu* of consideration, including entities which are holding themselves out as investment advisers, will be covered by the definition of "Investment Adviser" as given in Regulation 2(1)(m) of the IA Regulations, 2013. I therefore find that Noticees were acting as investment adviser, as defined under Regulation 2(1)(m) of the IA Regulations, 2013.
13. I also note that, it is imperative that any person carrying out investment advisory activities has to necessarily obtain registration from SEBI and conduct its activities in accordance with the provisions of SEBI Act, 1992 and Regulations framed thereunder. Section 12(1) of SEBI Act, 1992 reads as under:

*"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:"*



14. It is relevant to note that in order to protect the interest of investors and to preserve the integrity of the securities market, IA Regulations, 2013 has been framed by SEBI which provide various safeguards to ensure that the interest of the investors who receive investment advice are protected. One such safeguard provided under the said Regulations is that any person carrying out investment advisory activities has to first obtain a certificate of registration from SEBI as mandated under Regulation 3(1) of the IA Regulations, 2013, which, *inter alia*, provides that, 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 SEBI and it has to conduct its activities in accordance with the provisions of IA Regulations, 2013. Further safeguards provided under IA Regulations, 2013 include continued minimum professional qualification and compliance with net-worth requirement for acting as an investment adviser, prior disclosure of all conflicts of interest, prohibition on entering into transactions which are contrary to advice given to the clients at least for 15 days from the date of giving advice to the clients, mandatory risk profiling of investors, maintaining documented process for selecting investment products for clients based on client's investment objective and risk profile and understanding of the nature and risks of products or assets selected for such client, etc.
15. I note that for seeking a certificate of registration for acting as an investment adviser, an entity is required to satisfy *inter alia* the following requirements, as provided under IA Regulations, 2013:
- (i) An application for seeking certificate of registration to be made to Local Office, Regional Office or Head Office, of SEBI, as the case may be, in Form A as specified in the First Schedule to IA Regulations, 2013 along with requisite non-refundable application fee;
  - (ii) The applicant, in case of an individual investment adviser or its principal officer in case of a non-individual investment adviser shall be appropriately qualified and certified as under:

- a) A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognized by the Central Government or any State Government or a recognised foreign university or institution or association or a professional qualification by completing a Post Graduate Program in the Securities Market (Investment Advisory) from NISM of a duration not less than one year or a professional qualification by obtaining a CFA Charter from the CFA Institute;
  - b) An experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management;
  - c) Applicant in case of individual investment adviser or its principal officer in case of a non-individual investment adviser, and persons associated with investment advice shall have, at all times a certification on financial planning or fund or asset or portfolio management or investment advisory services, from (a) NISM; or (b) any other organization or institution including Financial Planning Standards Board of India or any recognized stock exchange in India provided such certification is accredited by NISM.
- (iii) Individual applicant must have net worth of not less than 5 lakh rupees and non-individual applicant must have net worth of not less than 50 lakh rupees.

16. The activities engaged in by the Noticees, as brought out from the various materials described above, seen in the backdrop of the aforesaid regulatory provisions show that the Noticees were holding himself out and was acting as an IA, although the Noticees were not registered with SEBI in the capacity of IA. Hence, I find that these

activities/ representations as were being made by the Noticees without holding the mandatory certificate of registration as investment adviser, are in violation of Section 12(1) of SEBI Act, 1992 read with Regulation 3(1) of the IA Regulations, 2013.

17. I note that in the case of Shri C. Paranitharan and Others and TrendMarket Advisory Services, SEBI had passed orders dated July 05, 2022 and July 07, 2022, respectively, *inter alia* directing the Noticees therein to refund the fees or consideration received from investors in respect of their unregistered investment advisory activities. In the respective appeals filed against these orders by the respective Noticees, Hon'ble SAT vide common order dated September 21, 2022 *inter alia* directed the appellants there into deposit the balance amount after making refunds to investors, with SEBI. It was also directed that the balance amount deposited with SEBI shall be kept in escrow account for a period of one year and be distributed to any claimants and thereafter, the remaining amount, if any, will be deposited in the Investor Protection and Education Fund.
18. The Noticees in their bank accounts, as mentioned in paragraph 8 above, had received a total amount of Rs. 27,57,553 /-. during the period from March 16, 2018 to February 1, 2020 through unregistered investment advisory activities, as observed above. I note that the Noticee, Mr. Ayush Jhawar has claimed that he has refunded Rs. 1,38,200 Lakh to the complainant. The Noticee is given liberty to produce the proof of said payment to the Chartered Accountant, a report from whom is being directed to be submitted for certifying the refunds to be made by the Noticee.

**Directions:**

19. In view of the foregoing, I, in exercise of the powers conferred upon me in terms Sections 11(1), 11(4) and 11B(1) read with of Section 19 of the SEBI Act, 1992 hereby direct that:

- (a) The Noticees (M/s. Knowledge Research Institute, proprietor Ayush Jhawar) shall within a period of three (3) months from the date of this Order, refund the money received from any investors/clients, as fees or consideration or in any other form, in respect of his unregistered investment advisory activities.
- (b) The Noticees shall, within 15 days from the date of this Order, issue public notice in all editions of two National Dailies (one English and one Hindi) and in one local daily with wide circulation, detailing the modalities for refund, including the details of contact person such as names, addresses and contact details. A period of two (2) months from the date of the publication of the public notice shall be provided to the investors/clients for submitting their claims.
- (c) The repayments to the investors/clients shall be effected only through Bank Demand Draft or Pay Order or electronic fund transfer or through any other appropriate banking channels, which ensures audit trails to identify the beneficiaries of repayments.
- (d) Within a period of 15 days after completing the refund as directed in para 19(a) above, the Noticee shall file a report with SEBI detailing the amount refunded to investors / clients, which should be addressed to the “Division Chief, Division of Post-Inspection Enforcement Action, Market Intermediaries Regulation and Supervision Department, SEBI Bhavan II, Plot No. C7, G Block, Bandra Kurla Complex, Bandra (East) Mumbai –400051”. The above mentioned report should be duly certified by an independent Chartered Accountant and should indicate the amount of refund, mode of payment by bank transactions, name of the parties, communication address, mobile / telephone numbers, etc.
- (e) The remaining balance amount shall be deposited with SEBI which shall be kept in an escrow account for a period of one year for distribution to clients / investors who were availing the investment advisory services from the Noticee. Thereafter, the remaining amount, if any, shall be deposited in the Investors Protection and Education Fund, maintained by SEBI.

- (f) The Noticees are restrained from selling his assets, properties and holding of mutual funds/shares/securities held by him in demat and physical form except for the sole purpose of making the refund / depositing balance amount with SEBI, as directed above. Further, banks are directed to allow debit from the bank accounts of the Noticees, only for the purpose of making refund to the clients/ investors who were availing the investment advisory services from the Noticees and for depositing balance amount with SEBI, as directed in this Order.
  - (g) The Noticees are debarred from accessing the securities market, directly or indirectly and is prohibited from buying, selling or otherwise dealing in securities, directly or indirectly in any manner whatsoever, for a period of 6 (six) months from the date of this Order or till the expiry of 6 (six) months from the date of completion of refund to clients / investors along with depositing of balance amount, if any, with SEBI, as directed in paragraph 19(a) and 19(e) above, whichever is later.
  - (h) Upon submission of report on completion of refund to clients / investors to SEBI and deposit of the balance amount, if any, with SEBI, the direction at paragraph 19(f) above shall cease to operate within 15 days thereafter.
  - (i) The Noticees shall not undertake, either during or after the expiry of the period of debarment /restraint as mentioned in paragraph 19(g), either directly or indirectly, investment advisory services or any activity in the securities market without obtaining a Certificate of Registration from SEBI, as required under the securities laws.
20. The direction for refund to clients / investors and depositing the balance amount with SEBI, as given in paragraph 19(a) and 19(e) above, shall not preclude the clients / investors to pursue any other legal remedy available to them under any other law, against the Noticees for refund of money or deficiency in service, before any appropriate forum of competent jurisdiction.

21. The above directions shall come into force with immediate effect.
  
22. A copy of this Order shall be served upon the Noticee, recognized Stock Exchanges, Depositories, Banks and Registrar and Transfer Agents to ensure that the directions given above are strictly complied with.

**Date: November 24 , 2022**

**Place: Mumbai**

Sd-

**ANANTA BARUA**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**