

WTM/AB/IMD /DoF - 1/14435/2021-22

**SECURITIES AND EXCHANGE BOARD OF INDIA
MISCELLANEOUS ORDER**

In respect of:

S. No.	Name of Entity	PAN
1.	Anirudh Sethi	ANBPS5743A

Pursuant to order dated July 29, 2021 passed by Hon'ble Securities Appellate Tribunal, Mumbai

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) vide an order dated March 16, 2018 (hereinafter referred to as “**Final Order**”) passed against Mr. Anirudh Sethi (hereinafter referred to as “**the Applicant**”) for acting as an unregistered investment advisor and unregistered research analyst in violation of Section 12(1) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”), Regulation 3(1) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (hereinafter referred to as “**IA Regulations**”) and Regulation 3(1) of Securities and Exchange Board of India (Research Analyst) Regulations, 2014 (hereinafter referred to as “**RA Regulations**”), issued certain directions against the Applicant as mentioned in the order. Vide the said Final Order following directions were issued:

- “a. Mr. Anirudh Sethi shall forthwith refund the money received from its clients as fees/profit sharing/compensation in any other form, in respect of its unregistered investment advisory activities and unregistered research analyst services.
- b. Mr. Anirudh Sethi shall 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 persons such as names, addresses and contact details, within 15 days of this Order coming into effect.
- c. The repayments to the clients shall be effected only through Bank Demand Draft or Pay Order both of which should be crossed as "Non-Transferable" or through any other appropriate banking channels with clearly identified beneficiaries.
 - d. Mr. Anirudh Sethi is directed not to divert any funds raised from investors, kept in bank account(s) and/or in his custody, except for the purpose of refunds to the clients. The Banks and Depositories are directed that no debit shall be made, without permission of SEBI, in respect of the bank accounts and demat accounts, held jointly or severally, by Mr. Anirudh Sethi.
 - e. After completing the aforesaid repayments, Mr. Anirudh Sethi shall submit a certificate from a peer reviewed Chartered Accountant who is in the panel of any public authority or public institution, within a period of 3 months from the date of service of this order. For the purpose of this Order, a peer reviewed Chartered Accountant shall mean a Chartered Accountant, who has been categorized so by the Institute of Chartered Accountants of India ("ICAI") holding such certificate.
 - f. In case of failure of Mr. Anirudh Sethi to comply with the aforesaid directions, SEBI, on the expiry of three months period from the date of this Order may recover such amounts, from Mr. Anirudh Sethi as specified in paragraph 48(a) of this Order, in accordance with section 28A of the SEBI Act including such other provisions contained in securities laws.
 - g. Mr. Anirudh Sethi is directed not to, directly or indirectly, access the securities market, and is prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in whatsoever manner, till the expiry of 4 years from the date of refund. Mr. Anirudh Sethi is also restrained from associating with any listed public company and any public company which intends to raise money from the public, or any intermediary registered with SEBI till the expiry of 4 years from the date of refund.
 - h. Mr. Anirudh Sethi shall not undertake, either directly or indirectly, investment advisory services, research analyst services or any activity in the securities market without obtaining a certificate of registration from SEBI as required under the securities laws after the expiry of period of debarment as mentioned in paragraph 48(g)."

2. Aggrieved from the aforesaid Final Order passed by SEBI, Mr. Anirudh Sethi filed an appeal (Appeal No. 390 of 2018) before the Hon'ble Securities Appellate Tribunal, Mumbai (hereinafter referred to as "**Hon'ble SAT**") challenging the Final Order. Hon'ble SAT vide its order dated July 29, 2021 *inter-alia* set aside the direction to refund Rs. 7,35,06,557/- to the clients and remitted the matter back to SEBI for arriving at a specific amount to be credited by the Applicant to the Investors Protection and Education fund established by SEBI. Hon'ble SAT while passing the aforesaid directions made the following observations relating to the directions to refund the subscription amount to investors:

"12. We further find that the amount collected by the appellant is of the period from 2013 to 2016 from various clients in the nature of subscription, towards seminar etc. The amount is retail amount, collected from numerous investors and that now it would not be practical to trace these subscribers/ clients and to refund the amount to them."

3. In compliance with the direction given in the order dated July 29, 2021 passed by Hon'ble SAT, the Applicant had deposited Rs. 12 lakhs on August 20, 2021 in the Investor Protection and Education Fund established by SEBI and Rs. 20 Lakhs on September 14, 2021 in an interest bearing account. The Applicant furnished the material for arriving the figure of the subscription amount collected by him by providing 'investment advisory services', on November 22, 2021.
4. Vide application dated November 22, 2021, the Applicant has submitted *inter-alia* as under:

".....

- i. During the period October 22, 2013, till April 2016, the total of credit entries in my bank account was Rs.7,41,03,012 The said credit entries in my bank account do not pertain only to fee amounts received from the subscribers, but various credit entries which are

other than the fee amounts received from the subscribers viz. housing loans raised, interest amounts received etc.

- ii. As per the credit entries of Rs 36,000/- in my bank account (allegedly collected from various clients under the scheme called "Fatal Attraction" without obtaining registration) during the period October 22, 2013 till April 20, 2016, the total subscription amount allegedly collected by me works out as follows:

Period	Amount (in Rs)
22.10.13 to 31.3.14	9,72,000/- (Nine Lakh Seventy-Two Thousand Only)
14.14 to 31.3.15	72,000/- (Seventy-Two Thousand Only)
14.15 to 20.4.16	1,08,000/- (One Lakh Eight Thousand Only)
Total Refund Amt	11,52,000/- (Eleven Lakh Fifty-Two Thousand Only)

- iii. The said calculation of refund amount (based on the analysis of bank statements) by the amounts entities and other entities has been duly certified by M/s. MJM Patel & Co Chartered Accountant ("Chartered Accountant") vide its Certificate dated July 17, 2019. In the said certificate, the Chartered Accountant has inter alia stated that during the relevant period, a total amount of Rs.741,03,012/- was received in my bank account and out of the said amount only an amount of Rs. 11,52,000/- was towards "Subscription Amount" and Rs. 7,29,51,012/- was towards Other Amounts. The copy of the Certificate dated July 17, 2019 along with Ledger Statements and supporting Bank Statements, is enclosed as **Annexure "F"**.
- iv. Pertinently, it may be noted that the said calculations regarding the refund of subscription amount, were also set out in the Appeal (AppealNo.390of2018) and in response to the same SEBI in its Affidavit in Reply had inter alia stated that it has no comments to offer regarding the same and defers to the judgment of the Hon'ble SAT. Thus, even SEBI has not disputed the calculation of the refund amount i.e. Rs 11,25,000/-, received as fees from the subscribers during the relevant period as duly certified by Chartered Accountant vide its Certificate dated July 16, 2019.

In so far as my Income Tax Returns (which have been referred to in the SEBI Order) are concerned following be noted :

- (i) "The term 'Investment Adviser Services' as used in Income Tax Return is a nomenclature given by the Chartered Accountant and the same is not decisive cannot mean 'Investment Adviser' in terms of SEBI Regulations.
- (ii) I am involved in the business relating to philately and numismatics since last two decades. I have a collection of rare stamps which are highly valuable and meticulously collected from various Philatelists around the world. I am actively involved in trading rare stamps and coins, paper currencies, medals, old and unique post cards, rare original photos, autographs, historical evidence, maps, handwritten religious books/articles and important newspapers covering historical events. There exists active community world over in the trade of these items and I have earned significant revenue from pursuing trade in these rare artefacts. I have an incorporated company by the name of Alexander Stamps and Coin Limited to take care of my business interests in philately and trading of rare artefacts. The Company has a website name www.indianstampghar.com which seeks to promote digitization and e-commerce the philately and numismatics area.
- (iii) Further pursuing my interests in this area, I have also written a book titled- **'Philately A hobby, collection and investment'** which is an introduction to investing in postage stamps and talks about how philately apart from being hobby can also be diversification of one's investment profile. The book which is my experience of many years in the collection and trade of stamps, was published and launched on 5 June 2016 and is also available on Amazon for purchase. The copy of the covering page of the book is enclosed as **Annexure "G"**. I would also like to bring on record that currently, I am in the process of opening a public museum to display my rare collection of stamps, coins and other valuable artefacts.
- (iv) I submit that the income from Investment Advisory services as shown in my Income Tax Returns is inclusive of my profits and revenue from my business and trade in stamps, coins, paper currencies and other artefacts as listed above. The general nomenclature of 'Investment Advisory Services' used by the Chartered Accountant is inclusive of my revenue from my business in Philately, Numismatics and trade in artefacts and is not used in the limited context of Investment Advisory Services as

defined by SEBI and covers a wide array of business which is outside the ambit and scope of SEBI's definition of Investment Advisory Services.

- (v) Under the circumstances, I respectfully submit that in the SEBI Order, SEBI has erroneously interpreted my Income Tax Returns to allege that as per the "Computation of Total Income I was rendering Investment Adviser services and had earned Rs. 2,15,63,800/- as net income from Investment Adviser Services during financial year 2014-2015, Rs. 27,91,180 during financial year 2015-2016 and Rs. 13,43,349/- during financial year 2016-2017.

.....”

5. I have considered the Final Order and order dated July 29, 2021 passed by Hon'ble SAT in Appeal no. 390 of 2018 and the submissions made by the Applicant in its application dated November 22, 2021. I note that the scope of present proceedings is limited to arriving at an amount which Applicant is liable to refund in the light of observations made in the SAT order dated July 29, 2021 and the materials submitted by the Applicant in its application.
6. I note that in the Final Order directions were issued against Mr. Anirudh Sethi for acting as unregistered Investment Advisor and Research Analyst and collecting subscription fees from his clients for providing such services. It is noted that while passing the Final Order, the income tax returns of the Applicant were also considered for the FY 2014-15, 2015-16 and 2016-17, which indicated that the Applicant had earned a total amount of Rs. 25,698,329/- as net income from 'Investment Advisory Services' i.e. Rs. 2,15,63,800 during FY 2014-15, Rs. 27,91,180 during FY 2015-16 and Rs. 13,43,349 during FY 2016-17. Further, on perusal of the bank account statements of the Applicant, it was found that there were multiple transactions where amount equivalent to Rs. 36,000/- had been credited to his bank account and as per the fees schedule posted on the website of the Applicant, as on January 2, 2016, the Applicant was charging Rs. 25,000/- and Rs. 36,000/- for its various schemes. In relation to these credit transactions, during the

proceedings before SEBI, the Applicant *inter-alia* submitted that he had taken the amount of “Rs. 36000 from traders/Investors or participants who want Financial Advice on Global Market (of every segment) in general on various facets of internal economic updation on commodity, currency market and security market etc. and we are organizing Seminars on Technical Analysis and Trading Psychology ... and hence on account of the cost of holding the seminars, lecture meetings, interactive deliberations and mutual consultations, the charges are collected for Seminars and Books and Education Material we give to participant”. SEBI before passing the directions against the Applicant for refund of subscription amounts to his clients provided the Applicant an opportunity to submit a segregation of his earnings from the ‘Investment Advisory Services’ and conduct of seminars/workshops. However, the Applicant failed to provide any such segregation. Accordingly, while passing the Final Order in the matter, all the funds credited in the bank account of the Applicant i.e. an amount of Rs. 7,35,06,557/- in the account no. 624501031844 from October 22, 2013 to April 20, 2016, were directed to be refunded.

7. In his application dated November 22, 2021, the Applicant has firstly, submitted that calculation of income from ‘Investment Advisory Services’ made in paragraph 37 of Final Order is not correct because he was giving investment advice in non-traditional items such as stamps, coins and artefacts etc. and his advisory services were not limited to securities which are dealt in by IA Regulations and RA Regulations.
8. In this regard, I note that in paragraph 37 of the Final Order an amount of 25,698,329/- is shown as earnings from investment advisory services in the income tax returns of the Applicant during FY 2014-15, 2015-16 and 2016-17. However, this observation above was not the basis of giving directions of refunding Rs. 7,35,06,557/- which was on the basis of credits in the bank account of the Applicant.

9. In order to demonstrate as to how much amount which was credited in his bank account no. 624501031844 for the period October 22, 2013 to April 20, 2016 was result of investment advisory fees and how much amount was the result of his other activities, the Applicant has produced bank statements of account no. 624501031844 and a certificate issued by Chartered Accountant MJM Patel & Company (FRN: 112246W), Address: 112, 1st Floor, Spentha Complex, Opposite Vanijya Bhavan , Race Course, Vadodara – 390007 certifying as under:

“4. Based on our examination of the Bank Statement and Books of Account of Anirudh Sethi we hereby certify that during the period under consideration total credit in the Bank at No 624501031844 with ICICI Bank Ltd, Land Mark Building Branch, Vadodara, it of 834103,012/ which includes, apart from the amount received as fees of ies36.000/ Fan the subscribers, the entries of Other Income / Other Receipts from various parties The detailed breakup of the Subscription amount & Other Amount received during the period from October 22, 2013 to April 20, 2016 is as follows:

Period	Subscription Amount (n Rs)	Other Amount (in Rs)	Total
22.10.13 to 31.3.14	9,72,000/-	1,66,04,695/-	1,75,76,695/-
1.4.14 to 31.3.15	72,000/-	4,19,52,946/-	4,20,24,946/-
1.4.15 to 20.4.16	1,08,000/-	1,43,93,371/-	1,45,01,371/-
Total	11,52,000/-	7,29,51,012/-	7,41,03,012/-

5. The particulars of source of "Other Amounts" (for the period 22.10.2013 to 11.03.2014 41.6604,695/, for the period 01 04.2014 to 31.03.2015 Rs.4,19,52 546/- for the period 01.04.2015 to 20.04.2016 Rs. 1,43,93,371/-) credited in the Bank Account of Mr. Anirudh Sethi are set out in detail in the enclosed Annexure, it is certified that none of the amounts forming part of "Other Amounts" pertains to subscription amount.”

10. I note that the same certificate was also annexed by the Applicant as an Annexure to his Appeal No. 390 of 2018 filed before Hon’ble SAT. Hon’ble SAT also took note of the said certificate issued by the Chartered Accountant and considering *inter-alia* the

said certificate vide its order dated July 29, 2021, Hon'ble SAT partly modified the Final Order & remitted the matter to SEBI for fresh determination of refund amount. While remitting back the matter to SEBI, Hon'ble SAT observed that it would not be practical to trace the subscribers/ clients of the Applicant to refund the amount to them.

11. As mentioned above, certificate issued by Chartered Accountant states that amount of Rs.11,52,000/- was the 'subscription amount' and Rs.7,29,51,012/- is Other income/ Other Receipts from various parties. Therefore, on the basis of this certificate, the liability of the Applicant is Rs. 11,52,000/-.
12. As per the directions of Hon'be SAT, the Applicant was directed to deposit an amount of Rs.12 lakhs in the Investor Protection and Education Fund established by SEBI and Rs. 20 Lakhs with an interest bearing account. Hon'ble SAT further directed that these amounts shall be adjusted towards further appropriation of the amount, if any, to be arrived at by SEBI and any excess amount shall be refunded.
13. I note that in line with the directions of Hon'ble SAT, the Applicant has already complied with the direction of depositing 12 lakhs and 20 lakhs with the Investor Protection and Education Fund and an interest bearing account, respectively. Further, in view of the fact that the Applicant has deposited Rs. 12 lakhs on August 20, 2021 and Rs. 20 Lakhs on September 14, 2021, as directed in the order of Hon'ble SAT and in view of the submissions of the Applicant and the certificate issued by Chartered Accountant brought on record, I find that the exact figure of the 'subscription amount' collected by the Applicant during October 22, 2013 to April 20, 2016 is Rs.11,52,000/. I also note that the said "subscription amount" collected by the Applicant during October 22, 2013 to April 20, 2016 i.e. Rs. 11,52,000/- is less than the amount of Rs 32,00,000/- deposited by the Applicant. In view of the same, I dispose of the

Application made by the Applicant, and direct that the excess amount of Rs. 20,48,000/- be refunded to the Applicant.

14. This order does not preclude the clients/investors to pursue the other legal remedies available to them under any other law, against the Applicant for refund of money or deficiency in service before any appropriate forum of competent jurisdiction.
15. This order shall come into force with immediate effect.

Place: Mumbai

Date: December 07, 2021

**ANANTA BARUA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**