

PRESS RELEASE

TO INVESTORS OF SHARES BAZAAR AIF

Date: February 5, 2024
Ref. No.: BTL/AIF/23-24/46351

Sub.: Interim Ex Parte Order issued by Securities And Exchange Board Of India (SEBI) to 'Shares Bazaar AIF'.

We are acting as the Trustee for Shares Bazaar AIF, a SEBI registered Category III AIF ("AIF").

SEBI has issued an Interim Ex Parte Order under sections 11(1), 11(4) and 11B(1) of The Securities And Exchange Board Of India Act, 1992, dated February 1, 2024, bearing Ref. No. WTM/AN/AFD/AFD-RAC-2/30016/2023-24 ("**Order**"). The Order has been passed in respect of 'Shares Bazaar AIF' and 'Shares Bazaar Private Limited'. The Order is attached herewith for your reference.

This Press Release is pursuant to clause 20.3 of the Order wherein the AIF has been directed to, immediately on receipt of the Order, inform its existing / prospective investors, if any, about the directions in this Order.

Thanks & Regards,
For Beacon Trusteeship Limited
in its capacity as the Trustee to the AIF



Name: Mr. Kaustubh Kulkarni
Designation: Director | Compliance Officer

BEACON TRUSTEESHIP LIMITED

Registered Office & Corporate Office : 7A & B, Siddhivinayak Chambers, Gandhi Nagar, Opp. MIG Cricket Club, Bandra (E), Mumbai - 400 051
Phone : +91 95554 49955 Email : contact@beacontrustee.co.in

Website : www.beacontrustee.co.in CIN : U74999MH2015PLC271288

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20. The MMFF Program of the Trading Member evidentially referred to providing minimum assured returns p.a. between 18% and 48%, which is grossly in noncompliance with the Exchange's Notice dated March 25, 2022. Furthermore, the service agreement provides for assured returns 48% per annum on investment with capital secure irrespective of profits or losses. Additionally, it also prescribes for dividend withdrawals on monthly basis i.e., 4% on Rs. 5 lakhs irrespective of profits or losses. These promises of assured returns on investment and dividend withdrawals are violative of the provisions of the Exchange's notice dated March 25, 2022 read with Rules, Bye-Laws and Regulations of the Exchange. Thus, the Trading Member has violated the provisions of the Exchange's notice dated March 25, 2022.

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28. While the Trading Member had undertaken to delete webpages containing schemes and remove all the advertisements / materials relating to Portfolio Management Services / Investment Advisory / Research Analyst Services, it has failed to substantiate the same. It is pertinent to state that a trading member is required to obtain the Exchange's approval for disseminating advertisement which the Trading Member has failed to do.

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32. The Committee observes that the responsibility of a Market Infrastructure Institution like the Exchange vis-à-vis securities market is of the higher degree as compared to other intermediaries. It is further observed that investors' confidence in the securities market reflects the effectiveness of the regulatory mechanism in force. Therefore, penalty for violation of the Exchange's Rules, Bye Laws and Regulations, notices/circulars/directions shall not be limited to monetary terms rather all such measures including disciplinary actions such as declaration of defaulter/expulsion/suspension/withdrawal of membership should be taken to preempt and check all kinds of impermissible conduct in order to boost the investors' confidence in the capital market.



34. Further, the Committee observed that the Trading Member has shown utter disregard and disobedience to the requirements prescribed by the Exchange and directions issued by the Exchange.

35. Taking into consideration the aforesaid and the powers granted under the Rules, Bye-Laws and Regulations of the Exchange, the Committee is of the view that the Trading Member is guilty of serious misconduct and severe violation(s) as observed above and therefore the Trading Member shall be expelled in terms of the Rules, Bye-Laws and Regulations of the Exchange.”

E. FALSE INFORMATION SUBMITTED ALONG WITH APPLICATION FOR REGISTRATION AS AIF

12. SBPL, as Manager cum Sponsor of Shares Bazaar AIF (Trust), had filed an application for registration of Shares Bazaar AIF as an AIF online on October 12, 2022 through SEBI Intermediary (“SI”) Portal. *Vide* email dated December 22, SBPL was advised by SEBI to ensure that the updated disciplinary history (for the Applicant, Manager and Sponsor as required under AIF Regulations) is disclosed in the Private Placement Memorandum (“PPM”). Further, SBPL was advised to intimate any change in disciplinary history disclosed in the PPM to SEBI immediately. SBPL (Manager cum Sponsor of Shares Bazaar AIF) did not, in the application for registration, make any reference to the press release/ legal notice issued by NSE against it. Also while, BSE *vide* its order dated December 30, 2022 expelled SBPL as a member of the exchange, SBPL failed to disclose the said information in the declarations dated January 10, 2023 and the final PPM filed with SEBI on March 29, 2023. Further, the Trustee of the AIF, Beacon Trusteeship Limited and the Merchant Banker of the AIF, SKI Capital Services Limited, also confirmed that the AIF and its Manager cum Sponsor are fit and proper persons based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, in their undertaking dated March 15, 2023 and due diligence certificate dated March 27, 2023, respectively. These submissions and undertakings made by SBPL, Trustee and the Merchant Banker



which also led to the grant of AIF registration to Shares Bazaar AIF on April 27, 2023, were clearly incomplete and did not disclose crucial, material information.

F. ALLEGED VIOLATIONS OF SEBI ACT, AIF REGULATIONS AND INTERMEDIARIES REGULATIONS

13. *Prima facie*, provisions of law attracted in the facts of the present case are Regulation 3(5) read with Form A, Regulation 11(2) and Regulation 4 (f) and 20 (1) read with clause 1 (e) of Fourth schedule of the SEBI (Alternative Investment Funds) Regulations, 2012 ("**AIF Regulations**") and Clauses 2, 3 (a) and 7 of Schedule II of SEBI (Intermediaries) Regulations, 2008 ("**Intermediaries Regulations**").

The text of the said provisions is reproduced below for reference:

AIF Regulations

Registration of Alternative Investment Funds.

3.

(5) An application for grant of certificate shall be made for any of the categories as specified in sub-regulation (4) in Form A as specified in the First Schedule to these regulations and shall be accompanied by a non-refundable application fee as specified in Part A of the Second Schedule to these regulations to be paid in the manner specified in Part B thereof.

Eligibility Criteria

4. For the purpose of the grant of certificate to an applicant, the Board shall consider the following conditions for eligibility, namely, -

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(f) the applicant, Sponsor and Manager are fit and proper persons based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;

Placement Memorandum



11. (1) *Alternative Investment Fund shall raise funds through private placement by issue of information memorandum or placement memorandum, by whatever name called.*

(2) *Such information or placement memorandum as specified in sub-regulation (1) shall contain all material information about the Alternative Investment Fund and the Manager, background of key investment team of the Manager, targeted investors, fees and all other expenses proposed to be charged, tenure of the Alternative Investment Fund or scheme, conditions or limits on redemption, investment strategy, risk management tools and parameters employed, key service providers, terms of reference of the committee constituted for approving the decisions of the Alternative Investment Fund, conflict of interest and procedures to identify and address them, disciplinary history, the terms and conditions on which the Manager offers investment services, its affiliations with other intermediaries, manner of winding up of the Alternative Investment Fund or the scheme and such other information as may be necessary for the investor to take an informed decision on whether to invest in the Alternative Investment Fund.*

Chapter IV

General obligations and responsibilities and transparency

20 (1) *Alternative Investment Fund, key management personnel of the Alternative Investment Fund, trustee, trustee company, directors of the trustee company, designated partners or directors of the Alternative Investment Fund, as the case maybe, managers and key management personnel of managers shall abide by the Code of Conduct as specified in the Fourth Schedule.*


Explanation. –For the purpose of this sub-regulation, ‘key management personnel’ shall have the meaning as specified by the Board from time to time.

FIRST SCHEDULE-FORM

FORM A

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DECLARATION STATEMENT

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true. 

AND we further agree that, we shall notify the Securities and Exchange Board of India immediately any change in the information provided in the application.

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Fourth Schedule

1. Code of conduct for Alternative Investment Funds

An Alternative Investment Fund shall:

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(c) ensure the dissemination of adequate, accurate, explicit and timely information in accordance with these Regulations to all investors.

Intermediaries Regulations

Schedule II

(2) The 'fit and proper person' criteria shall apply to the following persons: (a) the applicant or the intermediary; (b) the principal officer, the directors or managing partners, the compliance officer and the key management persons by whatever name called; and (c) the promoters or persons holding controlling interest or persons exercising control over the applicant or intermediary, directly or indirectly: Provided that in case of an unlisted applicant or intermediary, any person holding twenty percent or more voting rights, irrespective of whether they hold controlling interest or exercise control, shall be required to fulfill the 'fit and proper person' criteria.

Explanation—For the purpose of this sub-clause, the expressions "controlling interest" and "control" in case of an applicant or intermediary, shall be construed with reference to the respective regulations applicable to the applicant or intermediary.

(3) For the purpose of determining as to whether any person is a 'fit and proper person', the Board may take into account any criteria as it deems fit, including but not limited to the following:

(a) integrity, honesty, ethical behaviour, reputation, fairness and character of the person;

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(7) The 'fit and proper person' criteria shall be applicable at the time of application of registration and during the continuity of registration and the intermediary shall ensure that the persons as referred in sub-clauses (b) and (c) of clause (2) comply with the 'fit and proper person' criteria.

14. An applicant seeking registration as an AIF needs to submit its application in Form A as specified in Regulation 3(5) of the AIF Regulations. As per the declaration statement in Form A, the applicant is required to ensure that information submitted in its application is true and complete and further, the applicant is required to notify SEBI immediately in case of any change in information provided in the application. SBPL, on behalf of Shares Bazaar AIF, submitted the application for registration as an AIF online on October 12, 2022 through SI Portal. In compliance with the requirements for application, SBPL submitted declarations dated January 10, 2023 stating that there were no supervisory or regulatory actions against it in the previous 5 years and that no order was passed against it for violation of securities laws. Although the Manager cum Sponsor of Shares Bazaar AIF – SBPL was expelled as a trading member of BSE on December 30, 2022, this material fact was not intimated to SEBI by SBPL/ Shares Bazaar AIF. The aforesaid declaration submitted to SEBI is patently erroneous.

15. As reproduced in the previous paragraphs of this Order, BSE, *vide* its order dated December 30, 2022, *inter alia* held that SBPL was offering an assured returns scheme (MMFF program) with minimum assured returns between 18% and 48% p.a. and dividend withdrawals on monthly basis of 4% on INR 5 lakhs irrespective of profits or losses. It was also held that the trading member (SBPL) is responsible for the actions of its officials. Further, no credible action was taken against its CEO, who SBPL had claimed was responsible for releasing MMFF program. Although SBPL had claimed that it had stopped the assured returns activity in the month of February 2022, BSE observed that SBPL continued to offer the assured returns scheme even after that. On account of such serious and repetitive misconduct, BSE expelled SBPL as a trading member. This disciplinary action taken by an exchange against SBPL was not disclosed under the "Disciplinary action taken by



other Regulatory Authority against the Sponsor/ Investment Manager” section in the final version of PPM filed with SEBI on March 29, 2023.

16. Stock Exchanges are empowered by the Securities Contracts (Regulation) Act, 1956 to regulate trading members/brokers. Membership of an exchange is a pre-requisite for registration as a stock broker under SEBI (Stock Brokers) Regulations, 1992. Stock Exchanges can impose fees, fines and penalties and also suspend or expel members from membership of the exchanges for contravention of the exchange’s bye-laws, regulations etc. Considering the pivotal role of stock exchanges in the securities market ecosystem, the significance of BSE’s observations in its order dated December 30, 2022 regarding the conduct of SBPL, cannot be overstated.

17. Regulation 11(2) deals with information required to be provided by an AIF in the PPM and ‘disciplinary history’ of the Sponsor/ Investment Manager is one of the information to be disclosed for the investors to take an informed decision on whether to invest in the AIF. Further, in terms of Regulation 20(1) of the AIF Regulations, a registered AIF is required to abide by the Code of Conduct specified in Schedule IV of the AIF Regulations. As per Clause 1(c) of the Code of the Conduct, an AIF is obligated to disseminate adequate, accurate and timely information to all the investors. SBPL, which submitted the application on behalf of Shares Bazaar AIF, failed to disclose the expulsion of Manager cum Sponsor of Shares Bazaar AIF i.e., SBPL as a trading member from BSE under disciplinary history in the PPM. This action *prima facie* leads to the conclusion that Shares Bazaar AIF/ SBPL have violated Regulation 11(2) and Clause 1 (c) of the Code of Conduct of the AIF Regulations.

18. Regulation 4(f) of the AIF Regulations provides that for the purpose of grant of Certificate of Registration, the applicant, Sponsor and the Manager of the AIF have to be ‘fit and proper’ persons in terms of Schedule II of the Intermediaries Regulations. The Manger cum Sponsor of Shares Bazaar AIF i.e., SBPL has been observed to have engaged in illegal money mobilisation activity even after submission of the undertaking dated September 26, 2022. It is pursuant to the said



examination that a reference was made by SEBI to EOW in September 2023. Further, by submitting false declarations dated January 10, 2023 that there are no “supervisory or regulatory action against it in the previous 5 years” and that “no order was passed against it for violation of securities laws”, SBPL has been dishonest and unethical. A registered stock broker is expected to maintain high standards of integrity, honesty and must demonstrate its propensity to always be in compliance with the law. The aforesaid actions and omissions as brought in the paragraphs above seriously brings to question the character and integrity of SBPL. In view of the above, Manager cum Sponsor of Shares Bazaar AIF i.e., SBPL is *prima facie* not a “fit and proper person” due to disqualification under Clause 3(a) of the Schedule II of the Intermediaries Regulations and the conditions for registration as an intermediary under Regulation 4(f) of the AIF Regulations, *prima facie* do not appear to have been satisfied.

G. NEED FOR INTERIM DIRECTIONS

19. As the securities market regulator, it is SEBI’s bounden duty to safe guard the interests of investors and protect the integrity of the securities market. In the instant case, Shares Bazaar AIF has obtained an AIF registration by failing to disclose that it’s manager-cum-sponsor SBPL had been expelled by BSE. In fact, it also submitted a false declaration dated January 10, 2023 that there are no “supervisory or regulatory action against it in the previous 5 years” and that “no order was passed against it for violation of securities laws”. SBPL has also been observed to have engaged in illegal money mobilisation activity even after submission of an undertaking to SEBI that it had stopped such activities. Recently, SEBI has received intimation of Shares Bazaar AIF’s First closing as on November 30, 2023 with a total capital commitment of INR 21 crore. Considering that the registration was itself obtained through misrepresentation and concealment of material information, permitting Shares Bazaar AIF to continue to raise money from investors would be detrimental to the interest of investors and to the integrity of the securities market. The credibility attached to the status as registered intermediaries cannot be used to conceal illegal activity. It is necessary, therefore,



to take urgent action in the matter to prevent Shares Bazaar AIF from mobilizing funds from investors, pending detailed enquiry or investigation.

H. ORDER

20. In view of the above, pending enquiry/ investigation, in order to protect the interests of investors and the integrity of the securities market, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4) and 11B (1) read with Section 19 of the SEBI Act hereby issue by way of this interim ex-parte order, the following directions, which shall be in force until further orders: -

- 20.1. Shares Bazaar AIF is restrained from taking new commitments/ investments from any investors;
- 20.2. Shares Bazaar AIF is restrained from drawing down funds from the investors for the commitments already received;
- 20.3. Shares Bazaar AIF shall, after receipt of this order, immediately inform its existing/ prospective investors, if any, about the directions in this Order.

21. The Custodian of Shares Bazaar AIF, Orbis Financial Corporation Limited, shall not permit any debit/ credit transactions in the trading/ demat and bank account of Shares Bazaar AIF, managed by the Custodian.

22. The *prima facie* observations contained in this Order are made on the basis of the material available on record. Shares Bazaar AIF and its Manager cum Sponsor i.e., SBPL may, within 21 days from the date of receipt of this Order, file their reply/ objections, if any, to this Order and may also indicate whether they desire to avail an opportunity of personal hearing on a date and time to be fixed on a specific request to be made in this regard.

23. This Order is without prejudice to the right of SEBI to take any other action against Shares Bazaar AIF and/ or its Manager cum Sponsor i.e., SBPL in accordance with law.



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

25. Responsibility for compliance with the directions passed in this Order against Shares Bazaar AIF shall rest with the Manager cum Sponsor of Shares Bazaar AIF i.e., SBPL.

26. A copy of this Order shall be served upon Shares Bazaar AIF, Shares Bazaar Private Ltd., Custodian of Shares Bazaar AIF – Orbis Financial Corporation Ltd., all the recognised Stock Exchanges and Depositories for necessary compliance with the directions in this Order.



ANANTH NARAYAN G.

DATE: FEBRUARY 01, 2024

WHOLE TIME MEMBER

PLACE: MUMBAI

SECURITIES AND EXCHANGE BOARD OF INDIA