

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER No. Order/MS/SM/2026-27/32789**

**UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA
ACT, 1992 READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING
INQUIRY AND IMPOSING PENALTIES) RULES, 1995**

**In respect of:
Rishabh Tanwar**

(PAN: APWPT2161E / SEBI Registration Number: INH100009293)

In the matter of Rishabh Tanwar– Registered Research Analyst.

A. BACKGROUND

1. Rishabh Chawla (hereinafter referred to as '**Noticee**') is registered with Securities and Exchange Board of India (hereinafter also referred to as '**SEBI**') as a Research Analyst. The registration No. of the Noticee is INH100009293.
2. SEBI had received an inter-governmental reference which alleged that an entity named Mr. Govind Mohanrao Surnar associated with SEBI Research Analyst Rishabh Tanwar is running a share trading call center possibly violating SEBI RA Regulations.
3. The inspection of the entity was carried out based on the aforesaid reference. During the SEBI inspection, certain violations were observed. The inspection period was from 1.4.2023 to 31.10.2024. Thereafter SEBI communicated the findings of the said inspection to the Noticee vide email and letter dated June 17, 2025. In response, the Noticee submitted replies vide email dated. June 22, 2025.
4. After analysing the findings of the inspection vis-à-vis the response of the notice, a final inspection report (hereinafter referred to as "IR" was prepared wherein, interalia, violations of the following provisions of SEBI (Research Analysts) Regulation, 2014 (hereinafter referred to as "**RA Regulations/ SEBI RA Regulations**"), and applicable SEBI Circulars which are tabulated below

Noticee Name	Alleged Violations
Rishabh Tanwar	(i) Regulations 13(i), 24(2) read with Clauses 1, 2, and 7 of the Code of Conduct as specified in Third Schedule of RA Regulations (ii) Clause 5.3 and 10.5 of Master Circular No. SEBI/HO/MIRSD-PoD-1/P/CIR/2024/49 dated May 21, 2024 (hereinafter referred to as Master Circular No. 2024/49 dated May 21, 2024); (iii) Paras 1, 2, 4, 5 and 6 of Annexure E (Principles for Outsourcing for Intermediaries) as outlined under clause 10.4 of Master circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/49 dated May 21, 2024 for Research Analyst

5. SEBI initiated adjudication proceedings against the Noticee under Section 15 EB of SEBI Act for the alleged violations of the relevant provisions stated above.

B. APPOINTMENT OF ADJUDICATING OFFICER

6. SEBI assigned the case to this office as Adjudicating Officer (“AO”) vide order dated July 10, 2026 to adjudicate under Section 19 read with Section 15-I (1) of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter also referred as “**SEBI Rules**”), to inquire and adjudge under Section 15 EB of the SEBI Act, 1992, for the alleged violations by the Noticee.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

7. A Show Cause Notice No. No. SEBI/HO/EAD-3/MS/SM/DIS/23205/2026 dated September 04, 2026 (hereinafter referred to as “**SCN-I**”) was issued to the Noticee in terms of Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 to show cause as to why an inquiry should not be held and why penalty be not imposed under Section 15EB of the SEBI Act, 1992 against the Noticee for the aforesaid alleged violations. The SCN was delivered by SPAD to Noticee.

8. The SEBI Observations, response of the Notice and the allegations in respect of the Noticee in the SCN dated September 04, 2026 are summarised below:

Violation 1-Outsourcing of business activities without valid agreement

- (i) The RA outsourced business activities to a third-party service provider, Govind Mohanrao Surnar, without a duly executed agreement being in place. Although the agreement specified a period from December 21, 2023 to June 26, 2024, the final draft was shared by the legal advisor on June 08, 2024, forwarded to the service provider for signing on June 27, 2024, and notarized by both parties only on July 06, 2024, subsequent to the FIU Crime Branch, Mumbai visit on June 15, 2024.
- (ii) **Noticee response:-** The RA admitted that he had commenced operations prematurely without completing the necessary documentation. He explained that delays arose due to negotiations with his auditor and subsequent legal vetting of the agreement. He acknowledged the lapses, expressed regret, and sought leniency, assuring that such non-compliance would not recur.
- (iii) *In view of the above, it is alleged that the Noticee has violated Regulations 13(i), 24(2) read with Clauses 1, 2, and 7 of the Code of Conduct as specified in Third Schedule of RA Regulations, Para 5 of Annexure E (Principles for Outsourcing for Intermediaries) as outlined under clause 10.4 of Master Circular no. 2024/49 dated May 21, 2024.*

Violation 2-No policy in place for outsourcing of activities:

- (i) The RA had neither a comprehensive outsourcing policy to assess the appropriateness of outsourcing activities nor an outsourcing risk management programme to address risks arising from outsourced activities and the relationship with the third party.

- (ii) **Noticee response:** The RA admitted that his limited expertise and overreliance on external service providers contributed to the lapses. He acknowledged that appropriate safeguards and oversight mechanisms should have been established before commencing operations. He stated that he had ceased all activities with the service provider and assured that future engagements would be undertaken with due diligence. Thus, SEBI observed that the RA has acknowledged the lapses on his part.
- (iii) *In view thereof, it is alleged that Noticee has violated Paras 1 and 2 of Annexure E (Principles for Outsourcing for Intermediaries) as outlined under clause 10.4 of Master circular no. 2024/49 dated May 21, 2024.*

Violation 3: No due diligence in selecting third party:

- (i) SEBI observed that the service provider first approached the RA by email on December 27, 2023, whereas the agreement specified a commencement date of December 21, 2023 till June 26, 2024, indicating that the RA had not conducted adequate due diligence before outsourcing its activities.
- (ii) **Noticee response:** The RA submitted that he had personally visited the service provider's office at Millennium Business Park, Navi Mumbai, collected copies of its PAN and Aadhaar documents. The service provider appeared to be operating a sizable and well-established setup and were reportedly associated with other SEBI-registered Research Analysts. They gave him a sense of legitimacy and confidence to move forward with them.
- (iii) He acknowledged the lapse in commencing operations without comprehensive documentation and clarified the discrepancy in the agreement dates.
- (iv) SEBI observed that the RA had not specified the date of his visit to the service provider, and merely visiting the premises and collecting PAN and Aadhaar documents, without maintaining appropriate supporting documentation, did not constitute adequate due diligence.

- (v) *In view thereof, it is alleged that Noticee has violated Para 4 of Annexure E (Principles For Outsourcing For Intermediaries) as outlined under Clause 10.4 of Master Circular no. 2024/49 dated May 21, 2024.*

Violation 4: Non-maintenance of contingency plans including a plan for disaster recovery

- (i) The RA failed to provide KYC records, including PAN and Aadhaar documents, for 471 out of 509 clients. The RA submitted that the data had been deleted from its systems, indicating a failure to maintain adequate contingency and disaster recovery plans.
- (ii) ***Noticee response:*** The RA acknowledged the lapse, attributing it to a lack of understanding of regulatory requirements, and accepted responsibility for the failure.
- (iii) SEBI observed that RA has acknowledged the failure to have a contingency plan which resulted in loss of KYC records.
- (iv) *In view thereof, it is alleged that Noticee has violated para 6 of Annexure E (Principles For Outsourcing For Intermediaries) read with Clause 10.4 of Master Circular No 2024/49 dated May 21, 2024.*

Violation 5 :- Outsourcing of core business activities by the RA

- (i) The RA outsourced core business activities relating to KYC and client grievances to the service provider under Clauses 4.5 and 4.6 of the agreement dated December 26, 2023. The RA paid the service provider 88% of the invoice amount as commission for introducing new clients; however, in most cases, approximately 90% of the fees were transferred to the service provider.
- (ii) ***Noticee response:*** The RA acknowledged his lack of understanding regarding the outsourcing of KYC activities and admitted that he had paid 90% of the revenue to the service provider, exceeding the agreed rate by 2%. He explained that the revised payment arrangement was accepted due to the service provider's experience and representations that such

arrangements reflected prevailing market practice. He also stated that he bore the associated risks despite being the minority beneficiary and accepted responsibility for the lapses. His intention was to consult appropriate professionals and establish a formal agreement before initiating any operations. He planned to formalize the arrangement with 4 individuals, however, he subsequently proceeded with executing the agreement with single individual to simplify potential enforcement in the event of future legal complications.

- (iii) SEBI observed that RA has outsourced its core business activity of KYC, investor grievance to the service provider.
- (iv) *In view thereof it is alleged that Noticee has violated Clause 10.5 of Master Circular No. 2024/49 dated May 21, 2024, Regulations 24(2) read with Clauses 1, 2, and 7 and 8 of the Code of Conduct as specified in Third Schedule of RA Regulations.*

Violation 6 - Non display of complaints status on monthly basis:

- (i) *RA has not displayed the complaint status on the website by 7th of the succeeding month in the prescribed format.*
- (ii) ***Noticee response:*** *Since he has not been actively giving any service as RA since Sep 2024, there are no changes in total complaints and resolutions.*
- (iii) In this regard, SEBI observed that the RA needs to update the current status of complaints on monthly basis as long as RA is holding a valid certificate from SEBI. The RA has failed in this regard.
- (iv) *In view thereof it is alleged that Noticee has violated Clause 5.3 of Master Circular No 2024/49 dated May 21, 2024.*

9. Sequence of events in chronological order with respect to current proceedings with respect to Noticee -: Rishabh Tanwar.

Sr. No.	Date (DD-MM-YYYY)	Remarks
1	04-09-2026	SCN issued against Noticee (Rishabh Tanwar)
2	19-09-2026	Noticee acknowledged the receipt of the SCN
5	19-09-2026	Receipt of Noticee's reply to the SCN
6	22-09-2026	Noticee was provided opportunity of hearing vide Hearing Notice dated September 22, 2026.
7	23-09-2026	Receipt of Noticee's additional submissions to the SCN
8	24-08-2026	Noticee appeared for hearing in-person and reiterated the submissions made vide letter dated 19-09-2026 and 23-09-2026

10. Summary of noticee's reply received on September 19, 2026 and additional submissions dated September 23, 2026 are furnished below:-

Preliminary submissions

11. The Noticee admitted to the lapses set out in paragraphs 5.1 to 5.6 of the SCN. Noticee submitted that he is not filing this reply to contest the alleged violations, but to complete factual, chronological and financial position to consider the question of quantum under Section 15J of the SEBI Act, 1992.
12. Noticee submitted that he had cooperated fully at every stage of this matter, furnishing responses, voluntarily produced documents, the chronology and the financial particulars on which several of the findings in the SCN rest. He had withheld nothing, and everything stated in this reply is consistent with what he had already placed on record.

The nature and character of defaults

13. Every allegation in the SCN arises from one commercial arrangement, with one service provider, over a limited period of approximately six months. Noticee's defaults are failures of documentation, policy and oversight. They are not, and have not been alleged to be, acts of dishonesty.

14. His defaults arose from inexperience. He operated as a sole registered Research Analyst without a compliance officer, without legal or support staff, and relied on a service provider who was represented to him as being experienced in working with several other SEBI-registered Research Analysts. He said this only as context and not as a defence. He accepted that the obligations under the Research Analysts Regulations, 2014 and the Master Circular were his own, that they were not capable of being delegated, and that he ought to have discharged them himself.

15. Replies to each of the allegations have been dealt in the consideration of issues and findings

Remedial and corrective measures

16. The Noticee highlighted the following voluntary measures: Discontinuing the outsourcing arrangement upon recognising the compliance deficiencies, without waiting for regulatory directions, Formulating an outsourcing policy in July 2025.

17. He has applied for surrender of his Research Analyst registration on September 15, 2025.

Submissions on quantum of penalty under Section 15J of SEBI Act, 1992

18. The Noticee submitted that the quantum of client receipts should not be treated as his disproportionate gain or unfair advantage as approximately 90% of the collections, aggregating to ₹98,29,709, was paid to the service provider, while a substantial portion of the balance was absorbed by income tax and direct costs associated with the arrangement. The regulatory responsibility remained his own.

19. He requested that the actual financial benefit accruing to him, the absence of investor loss, the non-repetitive nature of the defaults, and the corrective measures undertaken be considered while determining the quantum of penalty under Section 15J.

20. The reconciliation of total revenue from this third-party to net retention as per the agreement and confirmed from bank statement in the earlier investigation:

Sr.	Particulars	Amount (Rs.)
1	Aggregate amount received from clients on-boarded by this service provider during the period of the arrangement	109,86,597
2	Less: Amounts transferred to the service provider and his team, as disclosed by him during the inspection	98,29,709
3	Less: Professional fees incurred on this arrangement (auditor; lawyer Rs. 15,000), payment gateway charges and other direct costs Less: Website creation and maintenance Less: Annual Compliance Audit Fees	40,000 5,000 20,000
4	Net amount, if any, retained by him	10,91,889
5	Net retention as a percentage of aggregate receipts	~ 9.9%

21. He characterised the violations as documentary and procedural in nature, without demonstrable investor harm.

22. Since being registered as a Research Analyst since March 31, 2022, the present proceedings were the first initiated against him. He stated that the defaults related to a single outsourcing arrangement with one service provider, which was discontinued in July 2024 and never resumed.

23. **Single course of conduct:** The Noticee argued that the defaults concerning the agreement, outsourcing policy, due diligence, contingency planning and outsourcing of core activities arose from a common failure to establish an appropriate compliance framework before entering into the outsourcing arrangement. He further submitted that the loss of KYC records resulted from the outsourcing arrangement, while the failure to disclose monthly complaint status was a separate but technical lapse. Accordingly, he sought a consolidated and moderate penalty rather than cumulative penalties for each default.

24. **Mitigating circumstances:** The Noticee highlighted that he had admitted the lapses at the first available opportunity, voluntarily discontinued the arrangement, operated as an individual proprietor with limited resources and no dedicated compliance staff, and incurred professional expenses to

formalise the arrangement. He also submitted that there were no allegations of fraud, assured returns, mis-selling or unregistered activities, and that he had ceased Research Analyst activities and had earned no income from the registration since October 2024.

25. Prayer: Considering the absence of disproportionate gains and demonstrable investor losses, the non-repetitive nature of the defaults, his admissions and the corrective measures undertaken, the Noticee requested that the minimum penalty contemplated under Section 15EB of the SEBI Act, 1992, be imposed.

D. CONSIDERATION OF ISSUES AND FINDINGS

26. The issues that arise for consideration in the instant case are:

Issue No. I: Whether Noticee had violated SEBI (Research Analysts) Regulations, 2014, Master Circular No. 2024/49 dated May 21, 2024?

Issue No. II: Do the violations, if any, on part of Noticee attract monetary penalty under section 15EB of SEBI Act, 1992, respectively?

Issue No. III: If yes, then what should be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?

27. The issues raised in this matter are dealt in the following paragraphs.

Issue No. I: Whether Noticee had violated SEBI (Research Analysts) Regulations, 2014, SEBI Master Circular dated May 21, 2024?

28. Before proceeding further, it is pertinent to refer to the relevant provisions of SEBI (Research Analysts) Regulations, 2014, relevant clauses of the Master Circular dated May 21, 2024 which are alleged to have been violated by the Noticee, as under:

**SECURITIES AND EXCHANGE BOARD OF INDIA (RESEARCH ANALYSTS)
REGULATIONS, 2014**

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

(i) the research analyst shall abide by the provisions of the Act and these regulations;

General responsibility.

24. (1)...

(2) Research analyst or research entity shall abide by Code of Conduct as specified in Third Schedule.

THIRD SCHEDULE

[See sub-regulation (2) of regulation 24]

CODE OF CONDUCT FOR RESEARCH ANALYST

“ ...

1. Honesty and Good Faith

Research analyst or research entity shall act honestly and in good faith.

2. Diligence

Research analyst or research entity shall act with due skill, care and diligence and shall ensure that the research report is prepared after thorough analysis.

...

7. Compliance

Research analyst or research entity shall comply with all regulatory requirements applicable to the conduct of its business activities.

...”

SEBI Master Circular No SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/49 dated May 21, 2024

5. Publishing of Investor Charter and disclosure of Investor Complaints by Research Analysts on their websites/mobile applications

5.3. Additionally, in order to enhance transparency in grievance redressal, Research Analyst (RA) shall disclose on their websites/mobile applications, all complaints including SCORES complaints received by them in the format mentioned in Annexure B on a monthly basis. The information shall be made available by 07th of the succeeding month. Research Analysts not having websites/mobile applications shall send status of Investor Complaints to the investors on their registered email on a monthly basis

10. Guidelines on Outsourcing of Activities by Intermediaries

10.4. Principles for Outsourcing

i. The risks associated with outsourcing may be operational risk, reputational risk, legal risk, country risk, strategic risk, exit-strategy risk, counter party risk, concentration and systemic risk. The principles for outsourcing are given below in Annexure E.

10.5. Activities that shall not be Outsourced:

i. The intermediaries desirous of outsourcing their activities shall not, however, outsource their core business activities and compliance functions. An example of core business activity may be – execution of orders and monitoring of trading activities of clients in case of stock brokers. Regarding Know Your Client (KYC) requirements, the intermediaries shall comply with the provisions of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and Guidelines issued thereunder from time to time.

ANNEXURE E
PRINCIPLES FOR OUTSOURCING FOR INTERMEDIARIES

1. *An intermediary seeking to outsource activities shall have in place a comprehensive policy to guide the assessment of whether and how those activities can be appropriately outsourced. The Board / partners (as the case may be) {hereinafter referred to as the “the Board”} of the intermediary shall have the responsibility for the outsourcing policy and related overall responsibility for activities undertaken under that policy.*
 - 1.1. *The policy shall cover activities or the nature of activities that can be outsourced, the authorities who can approve outsourcing of such activities, and the selection of third party to whom it can be outsourced. For example, an activity shall not be outsourced if it would impair the supervisory authority's right to assess, or its ability to supervise the business of the intermediary. The policy shall be based on an evaluation of risk concentrations, limits on the acceptable overall level of outsourced activities, risks arising from outsourcing multiple activities to the same entity, etc.*
 - 1.2. *The Board shall mandate a regular review of outsourcing policy for such activities in the wake of changing business environment. It shall also have overall responsibility for ensuring that all ongoing outsourcing decisions taken by the intermediary and the activities undertaken by the third-party, are in keeping with its outsourcing policy.*
2. *The intermediary shall establish a comprehensive outsourcing risk management programme to address the outsourced activities and the relationship with the third party.*
 - 2.1. *An intermediary shall make an assessment of outsourcing risk which depends on several factors, including the scope and materiality of the outsourced activity, etc. The factors that could help in considering materiality in a risk management programme include-*
 - 2.1.1. *The impact of failure of a third party to adequately perform the activity on the financial, reputational and operational performance of the intermediary and on the investors / clients;*
 - 2.1.2. *Ability of the intermediary to cope up with the work, in case of non performance or failure by a third party by having suitable back-up arrangements;*
 - 2.1.3. *Regulatory status of the third party, including its fitness and probity status;*
 - 2.1.4. *Situations involving conflict of interest between the intermediary and the third party and the measures put in place by the intermediary to address such potential conflicts, etc.*
 - 2.2. *While there shall not be any prohibition on a group entity / associate of the intermediary to act as the third party, systems shall be put in place to have an arm's length distance between the intermediary and the third party in terms of infrastructure, manpower, decision-making, record keeping, etc. for avoidance of potential conflict of interests. Necessary disclosures in this regard shall be made as part of the contractual agreement. It shall be kept in mind that the risk management practices expected to be adopted by an intermediary while outsourcing to a related party or an associate would be identical to those followed while outsourcing to an unrelated party.*
 - 2.3. *The records relating to all activities outsourced shall be preserved centrally so that the same is readily accessible for review by the Board of the intermediary and / or its senior management, as and when needed. Such records shall be regularly updated and may also form part of the corporate governance review by the management of the intermediary.*
 - 2.4. *Regular reviews by internal or external auditors of the outsourcing policies, risk management system and requirements of the regulator shall be mandated by the Board wherever felt necessary. The intermediary shall review the financial and operational capabilities of the third party in order to assess its ability to continue to meet its outsourcing obligations.*
4. *The intermediary shall conduct appropriate due diligence in selecting the third party and in monitoring of its performance.*

- 4.1. *It is important that the intermediary exercises due care, skill, and diligence in the selection of the third party to ensure that the third party has the ability and capacity to undertake the provision of the service effectively.*
 - 4.2. *The due diligence undertaken by an intermediary shall include assessment of:*
 - 4.2.1. *third party's resources and capabilities, including financial soundness, to perform the outsourcing work within the timelines fixed;*
 - 4.2.2. *compatibility of the practices and systems of the third party with the intermediary's requirements and objectives;*
 - 4.2.3. *market feedback of the prospective third party's business reputation and track record of their services rendered in the past;*
 - 4.2.4. *level of concentration of the outsourced arrangements with a single third party; and*
 - 4.2.5. *the environment of the foreign country where the third party is located.*
5. *Outsourcing relationships shall be governed by written contracts / agreements / terms and conditions (as deemed appropriate) {hereinafter referred to as "contract"} that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc.*
- 5.1. *Outsourcing arrangements shall be governed by a clearly defined and legally binding written contract between the intermediary and each of the third parties, the nature and detail of which shall be appropriate to the materiality of the outsourced activity in relation to the ongoing business of the intermediary.*
 - 5.2. *Care shall be taken to ensure that the outsourcing contract:*
 - 5.2.1. *clearly defines what activities are going to be outsourced, including appropriate service and performance levels;*
 - 5.2.2. *provides for mutual rights, obligations and responsibilities of the intermediary and the third party, including indemnity by the parties;*
 - 5.2.3. *provides for the liability of the third party to the intermediary for unsatisfactory performance/other breach of the contract*
 - 5.2.4. *provides for the continuous monitoring and assessment by the intermediary of the third party so that any necessary corrective measures can be taken up immediately, i.e., the contract shall enable the intermediary to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations;*
 - 5.2.5. *includes, where necessary, conditions of sub-contracting by the third-party, i.e. the contract shall enable intermediary to maintain a similar control over the risks when a third party outsources to further third parties as in the original direct outsourcing;*
 - 5.2.6. *has unambiguous confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract;*
 - 5.2.7. *specifies the responsibilities of the third party with respect to the IT security and contingency plans, insurance cover, business continuity and disaster recovery plans, force majeure clause, etc.;*
 - 5.2.8. *provides for preservation of the documents and data by third party;* 5.2.9. *provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract;*
 - 5.2.10. *provides for termination of the contract, termination rights, transfer of information and exit strategies;*
 - 5.2.11. *addresses additional issues arising from country risks and potential obstacles in exercising oversight and management of the arrangements when intermediary outsources its activities to foreign third party. For example, the contract shall include choice-of-law provisions and agreement covenants and jurisdictional covenants that provide for adjudication of disputes between the parties under the laws of a specific jurisdiction;*
 - 5.2.12. *neither prevents nor impedes the intermediary from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and*

- 5.2.13. provides for the intermediary and /or the regulator or the persons authorized by it to have the ability to inspect, access all books, records and information relevant to the outsourced activity with the third party.
6. The intermediary and its third parties shall establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities.
- 6.1. Specific contingency plans shall be separately developed for each outsourcing arrangement, as is done in individual business lines.
- 6.2. An intermediary shall take appropriate steps to assess and address the potential consequence of a business disruption or other problems at the third party level. Notably, it shall consider contingency plans at the third party; co-ordination of contingency plans at both the intermediary and the third party; and contingency plans of the intermediary in the event of non-performance by the third party.
- 6.3. To ensure business continuity, robust information technology security is a necessity. A breakdown in the IT capacity may impair the ability of the intermediary to fulfill its obligations to other market participants/clients/regulators and could undermine the privacy interests of its customers, harm the intermediary's reputation, and may ultimately impact on its overall operational risk profile. Intermediaries shall, therefore, seek to ensure that third party maintains appropriate IT security and robust disaster recovery capabilities.
- 6.4. Periodic tests of the critical security procedures and systems and review of the backup facilities shall be undertaken by the intermediary to confirm the adequacy of the third party's systems.

...”

29. It is noted that the noticee has admitted to all the 6 violations alleged in the SCN.

Violation 1- Outsourcing of business activities without a valid agreement

30. SEBI observed that RA had outsourced its business activities to a third-party service provider (Govind Mohanrao Surnar) without having a valid agreement in place at the time of commencement. Although an agreement was drafted with a stated duration from 21 December 2023 to 26 June 2024, the final draft was only shared with the RA by its legal advisor on 8 June 2024, forwarded to the service provider for signing on 27 June 2024, and finally notarized by both parties on 6 July 2024 after the FIU crime branch visit on 15 June 2024. Consequently, services were initiated prior to the execution of a legally binding agreement.

31. As per para 5 under clause 10.4 of annexure E of Master circular no. 2024/49 dated May 21, 2024 outsourcing relationships shall be governed by written contracts / agreements / terms and conditions (as deemed appropriate) {hereinafter referred to as 'contract'} that clearly describe all material aspects

of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc.

32. For determining compliance with Paragraph 5, the principal question is whether the RA had a written, legally binding outsourcing agreement that adequately documented the material terms of the arrangement.

18. Regulation 13 (i), 24 (2) of the RA Regulations mandate registered RA to abide by the provisions of the Act, Regulations, code of conduct and clause 1,2,7 of the code specifies that RA must act honestly, act in good faith, act with due diligence and care, comply with all regulatory requirements applicable to the conduct of its business operations.

19. Noticee has admitted that he commenced operations under this arrangement before the agreement was formally executed. Noticee submitted that steps towards formalising the agreement were initiated well before the FIU Crime Branch visit on June 15, 2024. These included obtaining an initial draft on December 26, 2023, consulting his auditor, purchasing stamp paper on May 22, 2024, engaging a lawyer on June 4, 2024, and receiving the final draft on June 8, 2024.

20. He clarified that the agreement was shared with the service provider on June 27, 2024, and notarised on July 6, 2024, due to delays in obtaining signatures and coordinating availability. He requested reconsideration of the observation that the agreement was an afterthought following the FIU visit, while accepting that operations had commenced without a concluded agreement.

21. Importantly, subsequent execution of an agreement does not automatically establish that the requirement was satisfied during the earlier period.

22. In view thereof, it is established that the Noticee has violated following provisions:

- (a) Regulations 13(i), 24(2) read with Clauses 1, 2, and 7 of the Code of Conduct as specified in Third Schedule of SEBI RA Regulations, 2014.

(b) Para 5 of Annexure E (Principles for Outsourcing for Intermediaries) as outlined under clause 10.4 of Master Circular no. 2024/49 dated May 21, 2024

Violation 2- No policy in place for outsourcing of activities

23. It was inter alia observed by SEBI that Noticee did not have any formal policy to guide the assessment of whether and how its activities could be outsourced, nor had it established an outsourcing risk-management programme to address the outsourced activities and the third-party relationship.

24. As per para 1 and 2 under clause 10.4 of annexure E of Master circular no. 2024/49 dated May 21, 2024 for RA:-

Provision	Requirement	Nature of compliance
Annexure E, Paragraph 1	The intermediary must have a comprehensive outsourcing policy, with responsibility resting with its Board or partners, as applicable.	Policy formulation, approval and oversight
Annexure E, Paragraph 2	The intermediary must establish a comprehensive programme for managing risks arising from outsourcing and its relationship with the third party.	Risk identification, assessment and management

25. The noticee admitted that he had not framed a comprehensive written outsourcing policy, or established an outsourcing risk management programme as per SEBI requirement. He submitted that the Indemnity Bond intended to define roles, responsibilities and liabilities was not a substitute for the prescribed policy and risk management framework.

26. He ceased all activities with the service provider on his own initiative, when he recognised the gaps in oversight, before any direction to that effect was issued to him formulating an outsourcing policy in July 2025. He applied for surrender of RA license on September 15, 2025 and no further outsourcing arrangements were entered into.

27. In view thereof, it is established that Noticee has violated Paras 1 and 2 of Annexure E (Principles for Outsourcing for Intermediaries) as outlined under clause 10.4 of Master circular no. 2024/49 dated May 21, 2024.

Violation 3- No due diligence in selecting the third party:

28. SEBI observed that RA did not carry out any due diligence before engaging the service provider. Although the RA claims to have visited the provider's office and collected PAN and Aadhaar documents, no details of the visit date were provided to SEBI during inspection, and mere collection of identity documents without accompanying documentation or risk assessment does not constitute due diligence.
29. As per para 4 under clause 10.4 of annexure E of Master Circular no. 2024/49 dated May 21, 2024, the intermediary must exercise due care, skill and diligence in selecting the third party to ensure that the third party has the ability and capacity to provide the outsourced service effectively.
30. Noticee in his submission reiterated that he visited the service provider's office at Millennium Business Park, Mahape, Navi Mumbai on 4th Jan, 2024 from Bengaluru via bus. During that visit he was shown their ongoing operations and he collected the personal documents of the people running the operation. However, he admitted that he did not record any assessment of what he saw, and that this is the deficiency. Regarding the discrepancy in the agreement dates, he submitted that January 1, 2024, was intended as the validity commencement date, while the date in the Duration and Termination clause had been carried over from the service provider's draft template. He admitted that he had failed to reconcile the dates.
31. In this regard in order to substantiate his submissions no documentation was furnished and without any documentary evidence, Noticee's submission is merely an assertion and hence cannot be accepted.
32. In view thereof it is established that Noticee has violated Para 4 of Annexure E (Principles for Outsourcing for Intermediaries) as outlined under clause 10.4 of Master Circular no. 2024/49 dated May 21, 2024.

Violation 4- Non-maintenance of contingency plans including a plan for disaster recovery:

33. It was inter alia observed by SEBI that the RA failed to provide KYC records for 471 out of 509 clients.
34. As per paragraph 6 of Annexure E — Principles for Outsourcing for Intermediaries, under Clause 10.4 of Master Circular No. 2024/49 dated May 21, 2024, provides that the intermediary and its third parties shall establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities. For determining compliance, the relevant questions include: Whether the RA and the service provider had appropriate contingency plans. Whether a specific contingency plan existed for the outsourcing arrangement. Whether arrangements were in place to address service-provider failure or business disruption. Whether appropriate disaster recovery and backup facilities were maintained and periodically tested.
35. The Noticee has admitted that he had no contingency plan, no disaster recovery plan in place. He accepted that as a registered intermediary he was under an obligation to preserve client records and to provide for their recovery, and that he did not discharge it. Consistent with what he had already stated on record, the KYC documents in respect of the affected clients were obtained through the onboarding process that was being run by the service provider, and those records were subsequently lost when the data was deleted from the systems. He had maintained no backup and no recovery arrangement of his own, and could not produce the documents when the inspection team called for them. However, no affected client had suffered any loss on account of the missing records and no complaints had been received from such clients
36. The absence of a documented contingency plan, disaster recovery plan etc establishes that the Noticee has violated para 6 of Annexure E (Principles for Outsourcing for Intermediaries) read with Cause 10.4 of Master Circular 2024/49 dated May 21, 2024.

Violation 5- Outsourcing of core business activities (KYC and client grievances)

37. It was inter alia observed by SEBI that the RA had outsourced its core business activities of KYC and investor grievances to the service provider.

38. Para 10.5 of SEBI master circular no. 2024/49 dated May 21, 2024 of research analysts establishes the following requirements:

- (i) Core business activities cannot be outsourced: An RA cannot outsource activities that constitute its core business functions.
- (ii) Compliance functions cannot be outsourced: Responsibility for regulatory compliance must remain with the intermediary.
- (iii) KYC requirements must be complied with: The RA must comply with the applicable SEBI requirements concerning KYC and KYC Registration Agencies.

39. 24 (2) of the RA Regulations mandate registered RA to abide by the code of conduct and clause 1,2,7 and 8 specifies that RA must act in good faith, act with due diligence and care, comply with regulatory requirements, maintain appropriate standards of conduct, operational integrity besides adhering to proper internal procedures and governance,

40. In this regard, Noticee admitted that that clauses 4.5 and 4.6 of the agreement had the effect of entrusting KYC and client grievance handling to the service provider. He accepted that these are core activities, that they were not capable of being outsourced, and failure to understand this at the time is no answer to the obligation.

41. He reiterated that approximately 90% of the collections, amounting to ₹98,29,709, was paid to the service provider, exceeding the 88% stipulated in the agreement. He attributed the revised arrangement to the service provider's greater experience and its representation that the arrangement reflected prevailing market practice. He clarified that Clause 4.6 concerned operational grievances relating to the service provider's activities, such as payment issues, non-receipt of educational content and delays in commencing services, rather than investment advisory grievances.

42. He stated that one investor grievance was lodged through SCORES and was personally handled by him. According to him, the complaint was administratively closed due to the complainant's continued failure to respond or provide supporting evidence. He further submitted that he had not received any fee or consideration in his capacity as a RA since October 2024 and had not on boarded any clients
43. In view thereof, the Noticee has violated Clause 10.5 of Master Circular No. 2024/49 dated May 21, 2024 and Regulations 24(2) read with Clauses 1, 2, and 7 and 8 of the Code of Conduct as specified in Third Schedule of SEBI RA Regulations.

Violation 6 - Non-display of complaint status on a monthly basis

44. It was inter alia observed by SEBI that the RA did not display the status of investor complaints on its website by the 7th day of the succeeding month in the prescribed format, as required.
45. As per para 5.3 of Master circular no. 2024/49 dated May 21, 2024, RA shall disclose on their websites/mobile applications:-
- Monthly disclosure: Research Analysts must disclose all complaints received against them, including complaints received through the SEBI SCORES platform.
 - Prescribed format: The complaints must be disclosed in the format specified in Annexure B of the Master Circular.
 - Deadline: The information must be made available by the 7th day of the succeeding month.
 - RAs without websites or mobile applications: They must send the status of investor complaints to investors through their registered email addresses every month.
46. Noticee admitted to the lapse and the default was subsequently rectified. The complaint status was updated monthly on his website until October 2025. Following the expiry of the original domain's premium plan, he provided an

alternative website link, stating that the website remained publicly accessible through the hosting provider's revised domain.

47. It is noted that Noticee's rectification of the default does not absolve him from the alleged violation committed during the relevant time, the said rectification may only be considered as mitigating factor.

48. In view thereof, the Noticee has violated Clause 5.3 of Master Circular No 2024/49 dated May 21, 2024.

Issue No. II: Do the violations, if any, on part of Noticee attract monetary penalty under section 15EB of SEBI Act, 1992, respectively?

49. In light of the findings and observations brought out against the Noticee in the foregoing paragraphs, the following violations against the Noticee stands established.

- a. Regulations 13(i), 24(2) read with Clauses 1, 2, and 7 of the Code of Conduct as specified in Third Schedule of SEBI (Research Analysts) Regulations, 2014 ("RA Regulations, 2014")
- b. Paras 1, 2, 4, 5 and 6 of Annexure E (Principles For Outsourcing For Intermediaries) as outlined under clause 10.4 of master circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/49 dated May 21, 2024 for Research Analyst.
- c. Clause 5.3 and 10.5 of Master Circular No. SEBI/HO/MIRSD-PoD-1/P/CIR/2024/49 dated May 21, 2024;

50. Reliance is also placed on the Judgement drawn to the judgment of Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) inter alia held that:

" ... In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established "

51. Therefore, for the above violation, as brought out in the foregoing paragraphs, I find that the Noticee is liable for monetary penalty under Section 15EB of the SEBI Act which provides as following:

Securities and Exchange Board of India Act, 1992

“ ...

Penalty for default in case of investment adviser and research analyst.

15EB. Where an investment adviser or a research analyst fails to comply with the regulations made by the Board or directions issued by the Board, such investment adviser or research analyst shall be liable to penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.]

...”

(Note: for detailed/ complete text of the provisions, relevant Acts etc., may please be referred.)

Issue No. III: If yes, then what should be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?

Securities and Exchange Board of India Act, 1992

“ ...

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.

...”

52. It is noted that Noticee as part of its reply to the SCN has inter alia submitted that *“the aggregate of client receipts is not the measure of any gain made by me. Of the collections, approximately 90% was paid away to the service provider - an aggregate of Rs. 98,29,709 which I myself disclosed during the inspection - and a substantial part of the balance was absorbed by income tax*

and by the direct costs of the arrangement. The commercial benefit of this arrangement accrued to the service provider.” In this regard it is noted that Noticees contention that 90% of the proceeds were remitted to the service provider does not absolve the Noticee of statutory liability specially when the arrangement with service provider themselves stem from non-compliance and improper delegation. A registered entity cannot plead its own regulatory non-compliance, namely entering into an unauthorised and unvetted outsourcing arrangement as a mitigating factor to lessen the penalty. It is noted that the material on record does not indicate the amount of loss caused to an investor or group of investors as a result of the aforesaid violations of Noticee, nor does it specifically indicate that the violations committed by the Noticee were repetitive in nature.

53. However, it needs to be kept in mind that penalty should serve as a deterrent for this Noticee as well as others who indulge in such activities. The activity of the Noticee is akin to lending his license to another unregistered entity for a fee who in this case was Govind Mohanrao Surnar who is running a trading call centre.

54. From, records, it is clear that only the proceedings against the Noticee is with this office. The illegal activities of Govind Mohan Surnar are not part of the proceedings before this office.

ORDER

55. Considering the facts and circumstances of the instant case, the material available on record, the factors mentioned in preceding paragraphs and in exercise of the powers conferred under section 15-I of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, the following penalty is being imposed upon the Noticee for the violations mentioned hereunder: -

Noticee No.	Noticee Name	PAN	Provisions Violated	Penalty
Noticee	Rishabh Tanwar	APWPT2161E	Section 15EB of SEBI Act, 1992	Rs. 6,00,000 /-(Six Lakhs Only)

56. The said penalty will be commensurate with the violation committed on the part of the Noticee.

57. The Noticee shall remit /pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

58. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

59. Copy of this Adjudication Order is being sent to the Noticee and also to SEBI in terms of Rule 6 of the Adjudication Rules.

Medha
Jeevan
Sonparote

Digitally signed
by Medha Jeevan
Sonparote
Date: 2026.10.22
12:16:43 +05'30'

DATE: October 22, 2026
PLACE: MUMBAI

MEDHA SONPAROTE
ADJUDICATING OFFICER