



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

MANAGER
WESTERN REGIONAL OFFICE
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WRO/IMD/INSP/TK/2018/29814/1
October 26, 2018

24 Carat Financial Services
604/5 Shekhar Central
Palasia Square
Indore
Madhya Pradesh - 452001

Dear Sir,

Sub: Deficiency Letter - Inspection of books and records of M/s 24 Carat Financial Services

- 1) SEBI had carried out inspection for the period April 01, 2016 to November 20, 2017 of your books and records w.r.t. your RA operations during November 21-22, 2017 and findings of the inspection were forwarded to you for your comments.
- 2) Subsequently, you have submitted reply/comments on the findings of the inspection, which were taken into consideration.
- 3) Upon analyzing your submissions, following deficiencies have been observed in the inspection w.r.t. compliance with the regulatory provisions:
 - a) As per Regulation 7(2) of RA Regulations 2014, individuals employed as research analyst shall have at all times, NISM certification for research analyst. It was found during the inspection that your two employees who were working as research analyst have not obtained the requisite certification. Without having requisite qualification, doing research analyst work can adversely affect clients. Though, you have later informed that corrective action has been taken, you are hereby cautioned to be careful in future and ensure to abide by the rules and regulations of SEBI all the time.
 - b) As per Regulation 13(iii) of RA Regulations 2014, research analyst shall use the term "research analyst" in all correspondences with its clients. During inspection it was found that you have not used the term "research analyst" in your reports, monthly journals, correspondences to clients etc. Hence, to correctly depict of your services to clients, you are advised to use the term "research analyst" in all your reports, journals and other correspondences with clients.
 - c) As per Regulation 25(2) of RA Regulations 2014, records being maintained in electronic form should be digitally signed. During inspection it was found that your records in electronic form have not been digitally signed. Further, it was

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अनुवर्ती:
Continuation :

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also found that you have not conducted annual audit by CA or CS. You are advised to digitally sign all the electronic records and maintain it properly. Further, you are advised to conduct the annual audit by CA or CS on regular basis.

- 4) During the inspection it was observed that you are using broker's software (Fyer Securities) for analysis. For providing research analysis to clients RA should rely on accurate and reliable information and not depend upon third party information/broker's software (FYERs) for research purpose. You are therefore advised to develop your own system and discontinue using broker's software within next 3 months from the date of this letter.
- 5) You are therefore advised to improve your compliance standards to avoid recurrence of such instances/deficiencies. You are further advised to ensure strict compliance of the provisions of SEBI Act, Rules and Regulations issued thereunder and Circulars issued by SEBI from time to time.
- 6) You are advised to take appropriate corrective steps to rectify the aforesaid deficiencies and send us the action taken report within 30 days of receipt of this letter.

Anand Tendolkar