

Internal Audit Report of Investment
Adviser

Finwizard Technology
Private Limited

For the period April 1, 2022 to March 31, 2023

To,

**The Board of Directors
Finwizard Technology Private Limited**

Dear Sir,

**Subject: Internal Audit Report of Investment Adviser for the period
April 2022 to March 2023.**

Pursuant to our appointment as internal auditors of **Finwizard Technology Private Limited** for carrying out internal audit of Investment Adviser activity, we have conducted the audit for the for the period April 1, 2022 to March 31, 2023 in terms of SEBI (Investment Adviser) Regulations, 2013, amendments, circulars and guidelines issued by SEBI from time to time.

Our report hereunder is based on audit carried out on a sample basis. The report incorporates our comment and recommendations along with the management comments received on email.

Thanking You,

**For Shah & Ramaiya
Chartered Accountants
FRN No.: 126489W**

**CA Shardul Shah
Partner
M No.: 118394
UDIN No.: 23118394BGWSCJ5452**

**Place : Mumbai
Date : September 29, 2023**

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1. Executive Summary:

Please find the below mentioned summary of observation observed while conducting Internal Audit as per SEBI (Investment Adviser) Regulations, 2013, circulars and guidelines issued by SEBI from time to time.

Sr. No	Clause No. as per Report	Discrepancies	Management Comment
1	4.7 (8)	Compliance with KYC requirements: Finwizard does not have the process of verifying the KYC information of clients on CKYC portal and updating the same in case of difference.	We do upload the CKYC details of the customers on the CKYC portal, however we are in the process of implementing the procedure where the information provided by the customer and the CKYC data will be verified and in case of mismatch, the recent data provided by the customer will be updated in the CKYC portal.
2	4.11(iv) & 7(b)	Display of information with regard to complaint status & Publishing Complaints on the website:	We have ensured that the data is published on our website before 7 th of every month, except

	<p>Finwizard has disclosed the data pertaining to all complaints including SCORES complaints received by them in the format on its website. However, for the month of April 2022 to Sept 2022 and Dec 2022 to Jan 2023 it could not be ascertained whether the same is disclosed by 7th of the succeeding month as no supporting documents/records was provided for verification.</p> <p>For the month of March 2023 delay was observed in the display of the status.</p>	<p>for the month of March, 2023. However, going forward we will ensure that we have evidences to showcase our compliance towards the same, by recording the update confirmations through email.</p>
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2. SCOPE:

We have conducted Internal Audit of **Finwizard Technology Private Limited** (hereinafter referred to as '**Finwizard**'), a SEBI registered Investment Adviser bearing Registration No. INA200005323 since August 11, 2016 which was valid upto August 10, 2021. The SEBI registration was renewed in 2022 and certificate is dated May 25, 2022.

In this report compliance with respect to following areas specified SEBI (Investment Adviser) Regulations, 2013 and amendments to the Regulations dated 23-Sept-2020 relating to Investment Advisory Services have been covered:

Sr. No.	Areas Covered	Regulation Reference
1.	SEBI Registration Certificate	Regulation 9 & 10
2.	Payment of SEBI Fees	Regulation 3 (Second Schedule)
3.	Capital Adequacy	Regulation 8
4.	Issue of Investment Advisory report by a person located outside India	Regulation 6(l)
5.	Whether the Foreign National has set up an office in India?	Regulation 6(m)
6.	Minimum Qualification requirement for Investment Adviser	Regulation 7(1)
7.	NISM Certification	Regulation 7(2)
8.	Whether the Investment Adviser who is not an individual, included the words 'investment adviser' in its name.	Regulation 13(c)
9.	Whether the Investment Adviser who is an Individual, uses the term	Regulation 13(d)

Sr. No.	Areas Covered	Regulation Reference
	"Investment Adviser" in all correspondences with its clients.	
10.	General responsibility of an Investment Adviser	Regulation 15
11.	Fees	Regulation 15(A)
12.	Code of Conduct to be followed by Investment Adviser	Regulation 15(9)
13.	Risk Profiling of the Clients	Regulation 16
14.	Compliance with SEBI Circulars	SEBI Cir dated 27-Dec-19
15.	Suitability	Regulation 17
16.	Risk profiting and suitability for non-individual clients	Regulation 16 and 17
17.	Disclosures to Clients	Regulation 18
18.	Maintenance of Records	Regulation 19
19.	Appointment of Compliance Officer	Regulation 20
20.	Redressal of Client Grievances	Regulation 21
21.	Adherence with PMLA guidelines	SEBI Cir dated 15-Oct-2019 Clause 1.3.1.1
22.	Adherence with SEBI Insider Trading guidelines	SEBI (Prohibition of Insider Trading) Regulations, 2015
23.	Compliances with SEBI Circular: Guidelines for Investment Advisers	SEBI Circular No: SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020
24.	Compliance for Advisory for Financial Sector Organisations regarding Software as a Service (SaaS) based solution	SEBI vide its Circular no SEBI/HO/MIRSD2/DOR/CIR/P/2020/221 dated November 03, 2020
25.	Advertisement code for Investment Advisers (IA)	SEBI circular ref no: SEBI/HO/MIRSD/MIRSD-PoD-2/P/CIR/2023/51 dated April 05, 2023

Sr. No.	Areas Covered	Regulation Reference
26.	Usage of brand name/trade name by Investment Advisers (IA)	SEBI circular ref no: SEBI/HO/MIRSD/MIRSD-PoD-2/P/CIR/2023/52 dated April 06, 2023

3. METHODOLOGY

Our opinion is based on our examination of the records maintained and presented for verification to the extent maintained by Company and the explanation offered by **Finwizard**.

Finwizard has provided advisory services to total **19** clients during the audit period. All **19** clients have been taken for verification. The details of the **19** clients are as under:

Sr. No.	Client Name	Client Type
1	H Manjunatha Prabhu	Individual
2	Sahil Singh	Individual
3	Radhakrishnan Lakshmanan	Individual
4	Sachin Tandon	Individual
5	Dhananjay Patankar	Individual
6	Advanced Systek Pvt Ltd	Corporate
7	Umesh Desai HUF	HUF
8	Priya Lalwani	Individual
9	Hitesh Lalwani	Individual
10	Asiatech Coatings Pvt Ltd	Corporate
11	Minol Acids and Chemicals Pvt Ltd	Corporate
12	Parulben Dhruva	Individual
13	Snehal Nagarsheth	Individual
14	Dilip G Shah	Individual
15	Bhavani Builders & Colonisers Pvt Ltd	Corporate
16	Arun Sankhwal HUF	HUF
17	Sandeep Anand	Individual
18	Anil Goel	Individual
19	Tanvi Nigam	Individual

During the audit period **3** clients closed its account with **Finwizard**. Below is the detail of the client:

Sr. No.	Client Name	Client Type
1	Shriyans Kumar Jain & Family	Individual
2	Bishwanath Agarwala & Family	Corporate
3	Trushaben Ketan Patel	Individual

4. REPORT

Auditor's comment regarding the aforesaid areas are as under:

4.1 SEBI Registration Certificate

Finwizard has registered itself as an Investment Adviser with SEBI with registration no. INA200005322 since August 11, 2016 which was valid up to August 10, 2021 and SEBI renewal fees was paid in August 2021 and renewed certificate issued by SEBI which is dated May 25, 2022.

4.2 BASL Registration:

In terms of SEBI Circular no. SEBI/HO/IMD/DF1/CIR/P/2021/579 dated June 18, 2021 and BASL circular no. 20210618-01 dated June 18, 2021, all Investment Advisors are required to be registered with BSE Administration & Supervision Ltd. (BASL).

Auditor's Comment:

Finwizard has complied with the requirement. **Finwizard** has registered itself as an Investment Adviser with BASL with membership ID **1366** and registration dated December 03, 2021.

4.2 Payment of SEBI Fees:

In terms of Regulation 3 of Second Schedule of SEBI (Investment Advisers) Regulations) 2013, an investment adviser who has been granted a certificate of registration, to keep its registration in force, shall pay fee of Rs. 5000/- (for Corporate) and Rs. 1000/- (for individual and partnership firm) **every five years**, from the date of grant of certificate of registration, within three months before expiry of the period for which fee has been paid.

Auditor's Comment:

As informed by **Finwizard**, the renewal fees was paid in August 2021 and the next fees are now due in 2026.

4.3 Capital Adequacy:

1. Investment advisers who are non-individuals shall have a net worth of not less than fifty lakh rupees.

Explanation — For the purposes of this regulation, "networth" means the aggregate value of paid-up share capital plus free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses, deferred expenditure not written off, including miscellaneous expenses not written off, and networth requirement for other services offered by the advisers in accordance with the applicable rules and regulations.

Auditor's Comment:

The net worth of **Finwizard** as on 31-March 2023 is Rs. **57,83,02,054/-** which fulfills the SEBI requirement.

2. Investment advisers who are individuals shall have net tangible assets of value not less than five lakh rupees:

Provided that existing investment advisers shall comply with the networth requirement within three years from the date of commencement of the SEBI (Investment Advisers) (Amendment) Regulations, 2020.]

Auditor's Comment:

Not Applicable as **Finwizard** is not an individual.

3. In terms of Regulation 6(l) of the SEBI (Investment Adviser) Regulations, 2013, in case an entity incorporated outside India undertakes to provide investment

advisory services under these regulations, whether, it has set up a subsidiary in India and whether such subsidiary has made the application for registration.

Auditor's Comment:

Not Applicable.

4. In terms of Regulation 6(l) of the SEBI (Investment Adviser) Regulations, 2013, in case a foreign citizen proposes to undertake investment advisory services, whether the applicant has set up an office in India and proposes to undertake investment advisory services through such office.

Auditor's Comment:

Not Applicable

4.4 Minimum Qualification Requirement for IA:

As per regulation 7 (1) of SEBI (Investment Adviser) Regulations 2013, an individual investment adviser or a principal officer of a non-individual investment adviser registered as an investment adviser under these regulations, shall have the following minimum qualification, at all times –

- (a) A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or State Government or a recognized foreign university or institution or association or actuarial science from a university or an institution recognized by the Central Government or any professional qualification by completing a Post Graduate Program in the Securities Market (Investment Advisory) from NISM of a duration not less than one year or a professional qualification by obtaining a CFA Charter from the CFA Institute;

- (b) An experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management;
- (c) Persons associated with investment advice shall meet the following minimum qualifications, at all times-
 - (i) a professional qualification as provided in clause (a) of sub-regulation (1) of regulation 7 and
 - (ii) an experience of atleast two years in activities relating to advice in financial products or securities or fund or asset or portfolio management:

Provided that investment advisers registered under these regulations as on the date of commencement of these regulations shall ensure that the individual investment adviser or principal officer of a non-individual investment adviser registered under these regulations and persons associated with investment advice comply with such qualification and experience requirements within three years:

Provided further that the requirements at clauses(a)and(b)shall not apply to such existing individual investment advisers as may be specified by the Board.

Auditor's Comment:

Finwizard has complied with the requirement. **Finwizard** has started its operations in December 2021.

Mr. Nirav Karkera was appointed as Investment Advisor w.e.f November 27, 2021 prior to commencement of business as an Investment Advisor. Mr. Nirav Karkera holds a Post Graduate Diploma in Financial Management and has relevant experience of more than 5 years. Mr. Anand Dalmia was appointed as the Principal Officer w.e.f. November 27, 2021 who has obtained MBA degree from IIM Lucknow and has relevant experience. However, during the audit period Mr. Karanjeet Singh Batra was appointed as the Principal Officer w.e.f.

April 27, 2022. Mr. Karanjeet has completed his MBA in Marketing and Finance and has 16 years of relevant experience.

4.5 NISM Certification for Investment Adviser:

As per regulation 7(2) of SEBI (Investment Adviser) Regulations, 2013 an individual investment adviser or principal officer of a non-individual investment adviser, registered under these regulations and persons associated with investment advice shall have, at all times a certification on financial planning or fund or asset or portfolio management or investment advisory services –

(a) from NISM; or

(b) from any other organization or institution including Financial Planning Standards Board of India or any recognized stock exchange in India provided such certification is accredited by NISM:

Provided that fresh certification must be obtained before expiry of the validity of the existing certification to ensure continuity in compliance with certification requirements:

Provided further that fresh certification before expiry of the validity of the existing certification shall not be obtained through a CPE program.

Further as per SEBI circular Ref No: SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020, in terms of second proviso of regulation 7(1), existing individual IAs above fifty years of age (as on September 30,2020) shall not be required to comply with the qualification and experience requirements specified under Regulation 7(1)(a) and 7(1)(b) of the amended IA Regulations.

However, such IAs shall hold NISM accredited certifications and comply with other conditions as specified under Regulation 7(2) of the amended IA Regulations at all times.

As per Regulation 15 (Chapter III) of SEBI (Investment Adviser) Regulations, 2013, it shall be the responsibility of the investment adviser to ensure compliance with the certification and qualification requirements as specified under Regulation 7 at all times.

Auditor’s Comment:

Finwizard has complied with this requirement. Mr. Nirav Karkera, the Investment Advisor and Mr. Karanjeet Singh Batra, the Principal Officer have obtained the NISM XA and NISM XB certifications. Details of the same are follows:

Name of the Officer	Designation	NISM Certificate	Date of Exam	Date of Validity of NISM Certificate
Mr. Nirav Karkera	Investment Advisor	NISM XA [Level 1]	April 8, 2022	April 7, 2025
Mr. Nirav Karkera	Investment Advisor	NISM XB [Level 2]	May 6, 2022	May 5, 2025
Mr. Karanjeet Singh Batra	Principal Officer	NISM XA [Level 1]	March 30, 2022	March 29, 2025
Mr. Karanjeet Singh Batra	Principal Officer	NISM XB [Level 2]	April 27, 2022	April 26, 2025

4.6 Conditions of Certificate –

- I. Use of the word “Investment Adviser” - Regulation 13(c) of SEBI (Investment Adviser) Regulations, 2013, lays down the conditions to be fulfilled by the Investment Adviser entity on which the certificate of registration is granted. This requires the IA entity to use the term the investment adviser, not being an individual, shall include the words ‘investment adviser’ in its name.

Auditor’s Comment:

Finwizard has complied with the requirement.

- II. The investment adviser shall inform the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted.

Auditor's Comment:

On verification of correspondence with SEBI it was observed that, there was an intimation on change in the shareholding pattern of the company which was communicated to SEBI by **Finwizard** during the audit period.

4.7 General Responsibilities of IA:

Regulation 15 (Chapter 3) of SEBI (Investment Adviser) Regulations, 2013, lays down the general responsibilities to be fulfilled by the Investment Adviser:

1. Whether the RIA has acted in a fiduciary capacity towards its clients and has disclosed all conflicts of interest to its clients as and when arises.

Auditor's Comment:

Finwizard has complied with the requirement. It has formulated 'Policy on Conflict of Interest'. It was also informed by **Finwizard** that, no conflict of interest arose during the audit period.

2. Whether it is ensured that the RIA has not received any consideration by way of remuneration or compensation or in any other form from any person other than a client being advised, in respect of the underlying products or securities for which advice is provided.

Auditor's Comment:

Finwizard has complied with the requirement.

3. Whether the RIA has maintained an arms-length relationship between its activities as an investment adviser and other activities.

Auditor's Comment:

After examining organization structure of **Finwizard**, it is observed that IA has complied with this requirement.

4. Whether the Investment Adviser's activities are segregated from all its other activities.

Auditor's Comment:

After examining organization structure of **Finwizard**, it is observed that IA has complied with this requirement.

5. Whether it is ensured that in case of any conflict of interest of the investment advisory activities with other activities, such conflict of interest has been disclosed to the client.

Auditor's Comment:

Finwizard has complied with the requirement. It has formulated 'Policy on Conflict of Interest'. It was also informed by **Finwizard** that, no conflict of interest arose during the audit period.

6. Whether it is ensured that the RIA has not divulged any confidential information about its clients without taking prior permission of its clients [Except where such disclosures were required to be made in compliance with any law for the time being in force.]

Auditor's Comment:

Finwizard has complied with the requirement.

7. Whether it is ensured that the investment adviser has not entered into transactions on its own account which is contrary to its advice given to clients for a period of fifteen days from the day of such advice. [Provided that during the period of such fifteen days, if the investment adviser is of the opinion that the situation has changed, then it may enter into such a transaction on its own account after giving such revised assessment to the client at least 24 hours in advance of entering into such transaction]

Auditor's Comment:

Finwizard has complied with the requirement. On verification of records, it was observed that, **Finwizard** has not entered into transaction on its own account which is contrary to its advice given to clients.

8. Whether the RIA has followed KYC procedures as specified by the Board (SEBI) from time to time.

Auditor's Comment:

Finwizard confirmed that they have complied with the KRA requirement. However, **Finwizard** does not have the process of verifying the KYC information of clients on CKYC portal and updating the same in case of difference.

9. Whether the RIA has abided by Code of Conduct as specified in Third Schedule.

Auditor's Comment:

Finwizard has formulated a 'Code of Conduct Policy' and as confirmed by **Finwizard** it has implemented the same.

10. Whether it is ensured that the RIA has not acted on its own account knowingly to sell securities or investment product to or purchase securities or investment product from a client.

Auditor's Comment:

Finwizard has complied with the requirement.

11. Whether in case of change in control of Investment Adviser, prior approval is taken from SEBI.

Auditor's Comment:

As confirmed by **Finwizard** there was no change in control during the audit period.

12. Whether the Investment adviser has furnished to the Board (SEBI) information and reports as may be specified by the Board from time to time.

Auditor's Comment:

It was confirmed by **Finwizard** that no information was sought by SEBI during the audit period.

13. Whether compliance with the certification and qualification requirements as specified under Regulation 7 was ensured at all times.

Auditor's Comment:

Finwizard has complied with the requirement.

4.8 Fees:

As per regulation 15 (A) of SEBI (Investment Adviser) Regulations, 2013 Investment Adviser shall be entitled to charge fees for providing investment advice from a client in the manner as specified by the Board.

Further as per SEBI circular Ref No: SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020, Regulation 15A of the amended IA Regulations provide that Investment Advisers shall be entitled to charge fees from a client in the manner as

specified by SEBI, accordingly Investment Advisers shall charge fees from the clients in either of the two modes:-

(A) Assets under Advice (AUA) mode

- a. The maximum fees that may be charged under this mode shall not exceed 2.5 percent of AUA per annum per client across all services offered by IA.
- b. IA shall be required to demonstrate AUA with supporting documents like demat statements, unit statements etc. of the client.
- c. Any portion of AUA held by the client under any pre-existing distribution arrangement with any entity shall be deducted from AUA for the purpose of charging fee by the IA.

(B) Fixed fee mode

The maximum fees that may be charged under this mode shall not exceed INR 1,25,000 per annum per client across all services offered by IA.

General conditions under both modes-

- a. *In case "family of client" is reckoned as a single client, the fee as referred above shall be charged per "family of client".*
- b. *IA shall charge fees from a client under any one mode i.e. (A) or (B) on an annual basis. The change of mode shall be effected only after 12 months of on boarding/last change of mode.*
- c. *If agreed by the client, IA may charge fees in advance. However, such advance shall not exceed fees for 2 quarters.*
- d. *In the event of pre-mature termination of the IA services in terms of agreement, the client shall be refunded the fees for unexpired period. However, IA may retain a maximum breakage fee of not greater than one quarter fee.*

Auditor's Comment:

Finwizard has complied with the requirement. It has collected fees from the clients as per the agreement executed between the clients and IA.

4.9 Code of Conduct to be followed by IA:

Regulation 15 (9) (Schedule 3) of SEBI (Investment Adviser) Regulations, 2013, lays down the code of conduct to be followed by the Investment Adviser:

1. Honesty and fairness:

An investment adviser shall act honestly, fairly and in the best interests of its clients and in the integrity of the market

2. Diligence:

An investment adviser shall act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives.

3. Capabilities:

An investment adviser shall have and employ effectively appropriate resources and procedures which are needed for the efficient performance of its business activities.

4. Information about clients:

An investment adviser shall seek from its clients, information about their financial situation, investment experience and investment objectives relevant to the services to be provided and maintain confidentiality of such information

5. Information to its clients:

An investment adviser shall make adequate disclosures of relevant material information while dealing with its clients

6. Fair and reasonable charges:

An investment adviser advising a client may charge fees, subject to any ceiling as may be specified by the Board. The investment adviser shall ensure that fees charged to the clients is fair and reasonable.

7. Conflicts of interest:

An investment adviser shall try to avoid conflicts of interest as far as possible and when they cannot be avoided, it shall ensure that appropriate disclosures are made to the clients and that the clients are fairly treated

8. Compliance:

An investment adviser including its partners, principal officer and persons associated with investment advice shall comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.

9. Responsibility of senior management:

The senior management of a body corporate which is registered as investment adviser shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the body corporate.

Auditor's Comment:

Finwizard has formulated a Code of Conduct Policy and it was also informed that the same has been implemented by them.

4.10 Risk Profiling of clients: -

Regulation 16(a) (Chapter III) and 17 of SEBI (Investment Adviser) Regulations, 2013, lays down the criteria for Risk Profiling of clients to be fulfilled by the Investment Adviser:

1. Investment adviser shall ensure that it obtains from the client, such information as is necessary for the purpose of giving investment advice, including the following: -
 - (i) age;
 - (ii) investment objectives including time for which they wish to stay invested, the purposes of the investment;
 - (iii) income details;
 - (iv) existing investments/ assets;
 - (v) risk appetite/ tolerance;
 - (vi) liability/ borrowing details.

Auditor's Comment:

Finwizard has complied with the requirement

2. In case of non-individual clients, IA shall use the investment policy as approved by board/management team of such non-individual clients for risk profiling and suitability analysis

The discretion to share the investment policy/relevant excerpts of the policy shall lie with the non-individual client. However, IA shall have discretion not to onboard non-individual clients if they are unable to do risk profiling of the non-individual client in the absence of investment policy.

Auditor's Comment:

Finwizard has complied with the requirement

3. It has a process for assessing the risk a client is willing and able to take, including:
 - i. Assessing a client's capacity for absorbing loss;

- ii. Identifying whether client is unwilling or unable to accept the risk of loss of capital;
- iii. Appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers.

Auditor's Comment:

Finwizard has complied with the requirement.

- 4. Where tools are used for risk profiling, it should be ensured that the tools are fit for the purpose and any limitations are identified and mitigated.

Auditor's Comment:

Finwizard has complied with the requirement.

- 5. Any questions or description in any questionnaires used to establish the risk a client is willing and able to take are fair, clear and not misleading, and should ensure that:
 - (i) questionnaire is not vague or use double negatives or in a complex language that the client may not understand;
 - (ii) questionnaire is not structured in a way that it contains leading questions.

Auditor's Comment:

Finwizard has complied with the requirement.

- 6. Risk profile of the client is communicated to the client after risk assessment is done.

Auditor's Comment:

Finwizard has complied with the requirement.

- 7. Information provided by clients and their risk assessment is updated

periodically.

Auditor's Comment:

Finwizard confirmed that risk assessment is updated periodically.

4.11 Compliances specified in SEBI Circulars

- i. As per Clause 1(i) of SEBI Circular dated 27-Dec-2019, the IA has to ensure that free trial facility is not provided for any products/services to prospective clients. Further, Investment Adviser has not accepted part payments (where some part of the fee is paid in advance) for any product/service without completing risk profiling of the client and ensuring suitability of the product.

Auditor's Comment:

Not Applicable. As confirmed by **Finwizard**, it does not provide free trial facility.

- ii. As per Clause 1(ii) of SEBI Circular dated 27-Dec-2019, the IA has to ensure that investment advice is provided only after completing the following steps:

1. Complete the risk profile of the client based on information provided by the client

Auditor's Comment:

Finwizard has complied with the requirement.

2. Obtain consent of the client on completed risk profile either through registered email or physical document.

Auditor's Comment:

Finwizard has complied with the requirement.

- iii. As per Clause 1(iii) of SEBI Circular dated 27-Dec-2019, the IA has to ensure that fees from clients are received strictly by way of account payee crossed cheques / demand draft or by way of direct credit into their bank account through NEFT/ RTGS/IMPS/UPI and not by way of cash deposits.

Auditor's Comment:

Finwizard has complied with this requirement. From the verification of the Bank statements, it is observed the fees from clients are received by way of direct credit into their bank account through NEFT/ RTGS/IMPS.

- iv. As per Clause 1(iv) of SEBI Circular dated 27-Dec-2019, whether it is ensured that information with regard to complaints status is displayed on the homepage (without scrolling) of their website/mobile app. and that the information is displayed properly using font size of 12 or above and made available on monthly basis (within 7 days of end of the previous month) in the format specified by SEBI from time to time.

Auditor's Comment:

On verification of records the following observations were made.

Month of Complaint status	Observations
April 2022 to September 2022 and December 2022 to January 2023	It could not be ascertained if the same was displayed on 7 th of the succeeding month as no supporting document/records was available for verification.
February 2023	Finwizard has not complied with the requirement. Delay is observed in the display. The status was displayed on March 17,2023.

4.12 Suitability

As per Regulation 17 (Chapter III) of SEBI (Investment Adviser) Regulations, 2013, lays down the criteria for suitability as under:

- I. Whether it is ensured that all investments on which investment advice is provided is appropriate to the risk profile of the client.

Auditor's Comment:

Finwizard has complied with the requirement.

- II. Whether the RIA has a documented process for selecting investments based on clients investment objective and financial situation

Auditor's Comment:

Finwizard has complied with the requirement.

- III. It understands the nature and risks of products or assets selected for clients;

Auditor's Comment:

Finwizard has complied with the requirement.

- IV. It has a reasonable basis for believing that a recommendation or transaction entered into:

- I. meets the client's investment objectives;
- II. is such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance;

- III. is such that the client has the necessary experience and knowledge to understand the risks involved in the transaction.

Auditor's Comment:

Finwizard has complied with the requirement.

- V. Whenever a recommendation is given to a client to purchase of a particular complex financial product, such recommendation or advice is based upon a reasonable assessment that the structure and risk reward profile of financial product is consistent with clients experience, knowledge, investment objectives, risk appetite and capacity for absorbing loss.

Auditor's Comment:

Finwizard has complied with the requirement.

4.13 Disclosures to Clients:-

As per Regulation 18 of SEBI (Investment Adviser) Regulations, 2013, IA has to make certain disclosures to clients:

- I. All material information about itself.
- II. Any consideration received by way of remuneration or compensation for the investment advice provided to the client.
- III. Before recommending the services of a stock broker or other intermediary to a client, disclosed any consideration received by way of remuneration or compensation from the stock broker or other intermediary to a client, if the client desires to avail the services of such intermediary.
- IV. Its holding or position in the financial products or securities which are subject matter of advice.

- V. Any actual or potential conflicts of interest arising from any connection to or association with any issuer of products/securities, including any material information or facts that might compromise its objectivity or independence in the carrying on of investment advisory services.
- VI. All material facts relating to the key features of the products or securities, particularly, performance track record.
- VII. Whether the investment adviser has drawn the client's attention to the warnings, disclaimers in documents, advertising materials relating to an investment product which it is recommending to the client

Auditor's Comment:

Finwizard has complied with this requirement.

4.15 Maintenance of Records: -

1. Regulation 19 (Chapter III) of SEBI (Investment Adviser) Regulations, 2013, lays down the details of records to be maintained by an IA:-
 - i. KYC records of the client;
 - ii. Risk Profiling and risk assessment of the client;
 - iii. Suitability assessment of the advice being provided;
 - iv. Copies of agreements with clients, incorporating the terms and conditions as may be specified by the Board;
 - v. Investment advice provided, whether written or oral;
 - vi. Rationale for arriving at investment advice, duly signed and dated;
 - vii. A register or record containing list of the clients, the date of advice, nature of advice, the product/securities in which advice was rendered and fee, if any charged for such advice.

Auditor's Comment:

Finwizard has complied with above requirements.

2. Whether it is ensured that all records are maintained either in physical or electronic form digitally signed and preserved for a minimum period of five years and that where records are required to be duly signed and are maintained in electronic form, such records are digitally signed

Auditor's Comment:

Finwizard has complied with the requirement. All the records are maintained since inception.

3. Investment Adviser shall conduct yearly audit in respect of compliance with the regulations from a member of Institute of Chartered Accountants of India or Institute of Company Secretaries of India and submit a report of the same as may be specified by the Board.

Auditor's Comment:

Finwizard has complied with the same. Audit for the period April 1, 2021 to March 31, 2022 was conducted.

4. As per regulation 19(3) of the amended IA Regulations, IA shall also maintain the following records.
 - a. Records of interactions, with all clients including prospective clients (prior to onboarding), where any conversation related to advice has taken place *interalia*, in the form of –
 - i. Physical record written & signed by client,
 - ii. Telephone recording,
 - iii. Email from registered email id,
 - iv. Record of SMS messages,

- v. Any other legally verifiable record.

Auditor's Comment:

Finwizard has complied with the requirement. **Finwizard** conducts advisory activities through online portal. **Finwizard** has provided copies of emails sent to client from its registered email id.

- b. Such records shall begin with first interaction with the client and shall continue till the completion of advisory services to the client.
- c. IAs shall be required to maintain these records for a period of five years. However, in case where dispute has been raised, such records shall be kept till resolution of the dispute or if SEBI desires that specific records be preserved, then such records shall be kept till further intimation from SEBI.

Auditor's Comment:

Finwizard has complied with the requirement with point b and c above.

- 5. As per regulation 19(3) of the amended IA Regulations, IA shall ensure that annual audit in respect of compliance of SEBI (Investment Advisers) Regulations, 2013 and circulars issued thereunder is conducted. The audit shall be completed within six months from the end of each financial year.

The adverse findings of the audit, if any, along with action taken thereof duly approved by the individual IA/management of the non-individual IA, shall be reported to respective SEBI office (based on the registered address of IA) within a period of one month from the date of the audit report but not **later than October 31st** of each year for the previous financial year starting with the financial year ending March 31,2021.

Auditor's Comment:

Finwizard has complied with the requirement. The Internal Audit was conducted for the period ended March 31, 2022 was conducted before September 30, 2022. The adverse findings of the audit along with Action Taken Report was submitted to SEBI on October 31, 2022.

4.16 Appointment of Compliance Officer:

As per Regulation 20 (Chapter III) of SEBI (Investment Adviser) Regulations, 2013, whether the Investment Adviser, which is a body corporate or a partnership firm, has appointed a Compliance Officer.

Auditor's Comment:

Finwizard has complied with the requirement. Mr. Balaji Rajendran was appointed as the Compliance Officer w.e.f. November 27, 2021.

4.17 Redressal of client grievances

As per Regulation 21 (Chapter III) of SEBI (Investment Adviser) Regulations, 2013

–

(a) whether the Investment Adviser has redressed client grievances promptly (b) whether the Investment Adviser has adequate procedure for expeditious grievance redressal.

Auditor's Comment:

Finwizard has a policy on Redressal of Investor Grievances. On verification of complaints data, it was observed that, no complaints were received during the audit period.

4.18 Adherence with PMLA guidelines:

- a) In terms of Clause 1.3.1.1 of SEBI Circular dated October 15, 2019, whether the IA has framed following policies and procedures to ensure compliance with PMLA guidelines specified by SEBI to prevent Money Laundering (ML) and Terror Financing (TF):
- i. Client Due Diligence Process which include -
 - a. Policy for acceptance of clients
 - b. Procedure for identifying the clients
 - i. Record Keeping
 - ii. Information to be maintained
 - iii. Retention of Records
 - iv. Maintaining and updating List of Designated Individuals/ Entities

Auditor's Comment:

Finwizard has formulated PMLA Policy to ensure compliance with PMLA guidelines specified by SEBI to prevent Money Laundering.

- b) In terms of Clause 2.11.1.1 of SEBI Circular dated October 15, 2019, the IA has appointed Principal Officer.

Auditor's Comment:

Finwizard has complied with the requirement. It has appointed Mr. Krishna Jakkula as Principal Officer and intimation of the same is sent to FIU.

- c) In terms of Clause 2.11.2.1 of SEBI Circular dated October 15, 2019, the IA has appointed Designated Director.

Auditor's Comment:

Finwizard has complied with the requirement. It has appointed Mr. Subramanya Venkat Sumukh as Designated Director and intimation of the same is sent to FIU.

- d) In terms of Clause 2.12.1.1 of SEBI Circular dated October 15, 2019, the IA has adequate screening procedures in place to ensure high standards when hiring employees.

Auditor's Comment:

Finwizard has complied with the requirement. PMLA policy describes employee training and hiring process.

- e) In terms of Clause 2.12.2.1 of SEBI Circular dated October 15, 2019, the IA provides ongoing training to employees so that the members of the staff are adequately trained in AML and CFT procedures.

Auditor's Comment:

Finwizard has complied with this requirement. Training for employees was conducted during the audit period.

- f) In terms of Clause 2.12.3.1 of SEBI Circular dated October 15, 2019, the IA has prepared specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT program.

Auditor's Comment:

Finwizard has complied with this requirement. Anti Money Laundering policy of available on the website which client can access.

4.19 Adherence with SEBI Insider Trading guidelines:

- a) In terms of Regulation 9(1)(2) of (Code of Conduct) of SEBI (Prohibition of Insider Trading) Regulations, 2015, whether the IA has formulated Code of Conduct, to regulate, monitor and report trading by their designated persons and immediate relative of designated persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule C to these regulations, without diluting the provisions of these regulations in any manner. The standards set out in there are addressed by such code of conduct

Auditor's Comment:

Finwizard has formulated Insider Trading Policy which contains provisions for Insider Trading in line with the requirements specified in SEBI (Prohibition of Insider Trading) Regulations, 2015. As per policy **Finwizard** has formulated a restriction on trading by employees in their personal account without prior approval from the relevant authorities. However, as confirmed by Finwizard, no personal trading was done by any of the employee during the audit period.

- b) In terms of Regulation 9(3) (Code of Conduct) of SEBI (Prohibition of Insider Trading) Regulations, 2015, whether the IA has identified and designated a Compliance Officer to administer the code of conduct and other requirements under these regulations.

Auditor's Comment:

Finwizard has complied with the requirement and Mr. Balaji Rajendran was appointed as the Compliance Officer w.e.f. November 27, 2021.

- c) In terms of Regulation 9A(1) (Code of Conduct) SEBI (Prohibition of Insider Trading) Regulations, 2015, the Chief Executive Officer, Managing

Director or such other analogous person of the entity has put in place adequate and effective system of internal controls to ensure compliance with the requirements given in these regulations to prevent insider trading.

Auditors Comment:

Finwizard has formulated Insider Trading Policy which contains provisions for Insider Trading in line with the requirements specified in SEBI (Prohibition of Insider Trading) Regulations, 2015. As per policy **Finwizard** has formulated a restriction on trading by employees in their personal account without prior approval from the relevant authorities. However, as confirmed by Finwizard, no personal trading was done by any of the employee during the audit period.

- d) In terms of Regulation 9A(4) (Code of Conduct) of SEBI (Prohibition of Insider Trading) Regulations, 2015, the RA has reviewed compliance with the provisions of these regulations at least once in a financial year and has verified that the systems for internal control are adequate and are operating effectively.

Auditor's Comment:

Finwizard has formulated Prevention of Insider Trading Policy and the same is reviewed periodically.

5. Compliance with SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020: Guidelines for Investment Advisers

1. Client Level Segregation of Advisory and Distribution Activities:

I. As per Regulation 22 of the IA Regulations, 2013 –

- (1) An individual investment adviser shall not provide distribution services.

(2) The family of an individual investment adviser shall not provide distribution services to the client advised by the individual investment adviser and no individual investment adviser shall provide advice to a client who is receiving distribution services from other family members.

(3) A non-individual investment adviser shall have client level segregation at group level for investment advisory and distribution services.

(4) Non-individual investment adviser shall maintain an arm's length relationship between its activities as investment adviser and distributor by providing advisory services through a separately identifiable department or division.

(5) Compliance and monitoring process for client segregation at group or family level shall be in accordance with the guidelines specified by the Board.]

Auditor's Comment:

Finwizard has complied with this requirement. **Finwizard** provides advisory as well as distribution activities. **Finwizard** has submitted the Client level segregation certificate from Statutory auditor and fulfilled the requirement.

II. To ensure client level segregation at Investment Adviser's group/family level:

As per Regulation 22(5) of amended IA Regulations, following compliance and monitoring process shall be adopted:

- a. Existing clients, who wish to take advisory services, will not be eligible for availing distribution services within the group/family of IA. Similarly, existing clients who wish to take distribution services will not be eligible for availing advisory services within the group/family of IA.
- b. A new client will be eligible to avail either advisory or distribution services within the group/family of IA. However, the option to avail either advisory

services or distribution services shall be made available to such client at the time of on boarding.

- c. Client under these guidelines shall include individual client or non-individual client.
- d. The client shall have discretion to continue holding assets prior to the applicability of this segregation under the existing advisory/distribution arrangement. However, the client shall not be forced to liquidate/switch such existing holdings.
- e. PAN of each client shall be the control record for identification and client level segregation.
- f. In case of an individual client, "family of client"² shall be reckoned as a single client and PAN of all members in "family of client" would jointly and severally be the control record. However, the same is not applicable for non-individual clients.
- g. The dependent family members shall be those members whose assets on which investment advisory is sought/provided, originate from income of a single entity i.e. earning individual client in the family. The client shall provide an annual declaration or periodic updation as the case maybe in respect of such dependent family members.
- h. IA shall, wherever available, advice direct plans (non-commission based) of products only.
- i. The investment adviser shall maintain on record an annual certificate from an auditor (in case of individual IA) and its statutory auditor (in case of a non-individual IA) confirming compliance with the client level segregation requirements as specified in Regulation 22 of amended IA Regulations. Such annual certificate shall be obtained within 6 months of the end of the financial year and form part of compliance audit, in terms of Regulation 19(3) of the amended IA Regulations.

Auditor's Comment:

Finwizard has complied with this requirement. **Finwizard** provides advisory as well as distribution activities. **Finwizard** has submitted the Client level segregation certificate from Statutory auditor and fulfilled the requirement.

III. Implementation of advice or execution –

Regulations 22A of the IA regulations, 2013 states as follows –

(1) Investment adviser may provide implementation services to the advisory clients in securities market:

Provided that investment advisers shall ensure that no consideration including any commission or referral fees, whether embedded or indirect or otherwise, by whatever name called is received; directly or indirectly, at investment adviser's group or family level for the said service, as the case maybe.

Auditor's Comment:

Finwizard has confirmed that they have provided implementation services to its Advisory clients . On verification of records it was observed **Finwizard** has not received any consideration /commission/referral fees directly or indirectly for the services provided.

(2) Investment adviser shall provide implementation services to its advisory clients only through direct schemes/products in the securities market.

Auditor's Comment:

Finwizard has confirmed and on verification of data it was observed that, FINWIZARD has provided implementation services to its Advisory clients only through direct schemes/products in the securities market.

(3) Investment adviser or group or family of investment adviser shall not charge any implementation fees from the client.

Auditor's Comment:

Finwizard has confirmed that they have provided implementation services to its Advisory clients. On verification of records it was observed **Finwizard** has not charged any implementation fees for the services provided.

(4) The client shall not be under any obligation to avail implementation services offered by the investment adviser.

Auditor's Comment:

Finwizard has complied with the requirement.

2. Agreement between IA and the client:

- a. Regulation 19(1)(d) of the amended IA Regulations provides that IA shall enter into an investment advisory agreement with its clients. The said agreement shall mandatorily cover the terms and conditions provided in Annexure-A.
- b. IA can include additional terms and conditions in the agreement without diluting the provisions of SEBI (Investment Advisers) Regulations, 2013 and amendments thereto as well as circulars issued thereunder.
- c. IA shall ensure that neither any investment advice is rendered nor any fee is charged until the client has signed the aforesaid agreement and provided copy of signed agreement to the client.
- d. IA shall enter into investment advisory agreement with its clients including existing clients latest by April 01, 2021 and submit a report, confirming the same to SEBI latest by June 30,2021.

Auditor's Comment:

Finwizard has complied with the requirements.

3. Registration as Non Individual Investment Adviser

- a. As per Regulation 13(e) of the amended IA Regulations, an individual IA

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shall apply for registration as non-individual investment adviser on or before reaching 150 clients.

- b. Such application for registration shall be made in FORM-A as per the amended IA regulations, along with the requisite fee and same shall be assessed in accordance with the provisions of SEBI (Investment Adviser) Regulations, 2013 and amendments thereto as well as circulars issued thereunder.
- c. Once number of clients reaches 150 and till grant of registration as a non-individual IA, Individual IA shall not on-board fresh clients. However, during the period of examination of application by SEBI, individual IA shall continue to service existing clients. In case the aforesaid IA does not get registration as non-individual IA, such IA shall continue the advisory activities as an Individual IA while ensuring that the numbers of clients does not exceed 150 in total.
- d. As per Regulation 13(e) of the amended IA Regulations, existing Individual IA having more than 150 clients as on September 30, 2020 shall not on-board fresh clients and such Individual IA shall apply for registration as non-individual IA latest by April 01, 2021. However, during the period of examination of application by SEBI, individual IA shall continue to service existing clients.

Auditor's Comment:

Not applicable as **Finwizard** is a Corporate entity.

- e. Existing Individual IA, having more than 150 clients on September 30, 2020, shall report their number of clients to SEBI through sebiria@sebi.gov.in, latest by October 15, 2020 in the prescribed format.

Auditor's Comment:

Not applicable as **Finwizard** is a Corporate entity.

4. Display of details on website and in other communication channels:-

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In order to protect the interest of investors and bring more transparency in the functioning of investment advisers, IAs shall display the following information prominently on its website, mobile app, printed or electronic materials, know your client forms, client agreements and other correspondences with the clients:

- Complete name of Investment Adviser as registered with SEBI,
- Type of Registration-Individual, Non-Individual,
- Registration number, validity of registration,
- Complete address with telephone numbers,
- Contact details of the Principal Officer –contact no, email id etc.,
- Corresponding SEBI regional/local office address.

Auditor’s Comment:

Finwizard has complied with the requirement.

6. Compliance for Advisory for Financial Sector Organisations regarding Software as a Service (SaaS) based solution: -

SEBI vide its Circular no SEBI/HO/MIRSD2/DOR/CIR/P/2020/221 dated November 03, 2020 has informed that the Ministry of Electronics & Information Technology, Govt. of India (MoE&IT), had informed SEBI that the financial sector institutions are availing or thinking of availing Software as a Service (SaaS) based solution for managing their Governance, Risk & Compliance (GRC) functions so as to improve their cyber Security Posture. As observed by MoE&IT, though SaaS may provide ease of doing business and quick turnaround, but it may bring significant risk to health of financial sector as many a time risk and compliance data of the institution moves beyond the legal and jurisdictional boundary of India due to nature of shared cloud SaaS, thereby posing risk to the data safety and security. In this regard, Indian Computer Emergency Response Team (CERT-in) has issued an advisory for Financial Sector organizations.

Accordingly, it has been advised by SEBI to ensure complete protection and seamless control over the critical systems at the financial organisation by continuous monitoring through direct control and supervision protocol mechanisms while keeping the critical data within the legal boundary of India.

It has been further advised by SEBI that the compliance of the advisory shall be reported in the half yearly report by stock brokers and DP to stock exchanges and depositories respectively and by direct intermediaries to SEBI with an undertaking, "Compliance of the SEBI circular for Advisory for Financial Sector Organizations regarding Software as a Service (SaaS) based solutions has been made."

Auditor's Comment:

As declared by **Finwizard** it does not use any SaaS based solution in their current framework.

7. Publishing of Investor Charter and disclosure of Investor Complaints by Investment Advisers on their websites/mobile applications:

SEBI vide its Circular no. SEBI/HO/IMD/IMD-II CIS/P/CIR/2021/0685 dated December 13, 2021, has advised Investment Adviser to:

- a) bring to the notice of their clients the Investor Charter by prominently displaying on their websites and mobile applications. Those not having website/mobile applications shall, as a one-time measure, send the Investor Charter to the clients on their registered email address.

Auditor's Comment:

Finwizard has complied with this requirement.

- b) disclose on their web sites on a monthly basis, the data pertaining to all complaints including SCORES complaints received by them in the format prescribed, by 7th of the succeeding month. Those not having website/mobile applications shall send the status of Investor Complaints to the clients on their registered email address on a monthly basis.

Auditor's Comment:

Finwizard has disclosed the data pertaining to all complaints including SCORES complaints received by them in the format on its website. However, on verification of records the following observations were made.

Month of Complaint status	Observations
April 2022 to September 2022 and December 2022 to January 2023	It could not be ascertained if the same was displayed on 7 th of the succeeding month as no supporting document/records was available for verification.
February 2023	Finwizard has not complied with the requirement. Delay is observed in the display. The status was displayed on March 17,2023.

- c) display link/option on their websites and mobile application so as to enable their clients to lodge complaint with them directly.

Auditor's Comment:

Finwizard has complied with this requirement.

d) Additionally, link to SCORES website/link to download mobile app (SEBI SCORES) may also be provided.

Auditor's Comment:

Finwizard has complied with this requirement.

8. Advertisement code for Investment Advisers (IA) [Applicable from May 1, 2023]

As per SEBI circular ref no: SEBI/HO/MIRSD/ MIRSD-PoD-2/P/CIR/2023/51 dated April 05, 2023, in order to strengthen the conduct of IAs while issuing any advertisement, it is directed that IAs shall ensure compliance with the advertisement code as prescribed.

Auditor's Comment:

Not applicable as the circular is applicable from May 1, 2023. However, it is suggested that, Investment Advisor should ensure compliance with the requirement.

9. Usage of brand name/trade name by Investment Advisers (IA)- [Applicable from May 1, 2023]

As per SEBI circular ref no: SEBI/HO/MIRSD/ MIRSD-PoD-2/P/CIR/2023/52 dated April 06, 2023, while investment advisors may use the brand name/trade name/logo, in order to ensure the transparency in such a usage of brand name/trade name/logo, they shall ensure compliance requirement as prescribed in the circular.

Auditor's Comment:

Not applicable as the circular is applicable from May 1, 2023. However, it is suggested that, Investment Advisor should ensure compliance with the requirement.