
To,
S. Bhalotia & Associates
Chartered Accountants
20B British India Street,
Kolkata, West Bengal,

**Sub: Management Representation Letter on Submission of Annual Audit Report of
Research Analyst for FY 2023-24**

Dear Sir,

We are acknowledging the remarks with regard to compliance. Details are given in Annexure attached with regards to *annual audit of Artha Capital (herein referred as RA)*, SEBI Registration no- *INH000011060*, for *Research Analysis business as required by SEBI Regulations*.

Kindly acknowledge the receipt of the same.

For
Artha Capital S. Bhalotia & Associates

ARTHA CAPITAL

Partner **Partner**

Sl No	Requirement's as per regulation	Compliance Status	Auditor's Comments	Management's Comment, if any
A	Regulation 7: Qualification and certification requirement			
1	<p>(1) An individual research analyst or a principal officer of a non-individual research analyst registered as a research analyst under these regulations, shall have the following minimum qualification, at all times -</p> <p>(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 actuarial science from a university or an institution recognized by the Central Government or any State Government or a recognised foreign university or institution or association or a CFA Charter from the CFA Institute.</p> <p>(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.</p> <p>(c) Persons associated with research analysis shall meet the following minimum qualifications, at all times -</p> <p>(i) a professional qualification as provided in clause (a) of sub-regulation (1) of regulation 7; and</p> <p>(ii) an experience of at least two years in activities relating to advice in financial products or securities or fund or asset or portfolio management.</p> <p>-Provided that research analyst registered under these regulations as on the date of commencement of these regulations shall ensure that the individual research analyst or principal officer of a non-individual research analyst registered under</p>	Complied	Partners of RA involved in research analyst activities had fulfilled requisite qualifications criteria during the audit period.	-

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Partner

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	these regulations and persons associated with research analyst 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 research analyst as may be specified by the Board.			
2	An individual registered as a research analyst or principal officer of a non-individual research analyst, registered under these regulations and persons associated with research analyst shall have, at all times, a certification on financial planning or fund or asset or portfolio management or research analyst services (a) from NISM; or (b) from any other organization or institution including Financial Planning Standards Board India or any recognized stock exchange in India provided that such certification is accredited by NISM - Provided further 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	Complied	Partners of RA involved in research analyst activities had fulfilled requisite certification criteria during the audit period.	-
B	Regulation 8: Capital adequacy			
1	Research Analyst which are Non body corporate shall have a networth of not less than One Lakh Rupees.	Complied	RA had a net worth of more than One Lakh Rupees during the Audit period	-

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2	Research Analyst who are individuals or partnership firms shall have net tangible assets of value not less than Rupees One lakh -Provided that existing investment advisers shall comply with the capital adequacy requirement within one year from the date of commencement of these regulations.	Complied	RA is a Non-Corporate Research analyst.	-
C	Regulation 10: Period of validity of certificate			
	The certificate of registration granted under regulation 9 shall be valid till it is suspended or cancelled by the Board	Complied	Certificate of registration of RA is valid	-
D	Regulation 13: Conditions of certificate			
	<p>The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:-</p> <p>(a) the research analyst shall abide by the provisions of the Act and these regulations;</p> <p>(b) the research analyst shall forthwith 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;</p> <p>(c) the research analyst, not being an individual, shall include the word research analyst in its name.</p> <p>- Provided that if the research analyst service is being provided by a separately identifiable department or division or a subsidiary, then such separately identifiable department or division or subsidiary shall include the words research analyst in its name;</p> <p>(d) individuals registered a research analyst shall use the clients</p>	Complied	<p>Based on submissions of RA and verification of records provided by RA, it is observed that no material change in business had taken place during the audit period.</p> <p>RA is having a separately identifiable department which includes the words research analyst in its name.</p>	-

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	(c) Individuals registered as research analyst whose number of clients exceed one hundred and fifty in total, shall apply for registration as non-corporate research analyst within such time as may be specified by the Board			
E	Regulation 15: General responsibility			
1	A research analyst shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interests as and when they arise	Complied	On review of disclosure documents, it is observed that RA has disclosed all the conflicts of interests to its clients	-
2	A research analyst shall not receive any consideration by way of remuneration or compensation or in any other form from any person other than the client being advised, in respect of the underlying products or securities for which advice is provided.	Complied	Based on verification of sample records provided by RA, it is observed that RA has not received any consideration by way of remuneration or compensation or in any other form from any person other than the client being advised	-
3	A research analyst shall maintain an arms-length relationship between its activities as a research analyst and other activities	Complied	Based on the information provided it is observed that RA is not involved in any other activities.	-
4	A research analyst which is also engaged in activities other than research analyst services shall ensure that its research	Complied	Refer E(3) above	-

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	analysis services are clearly segregated from all its other activities			
5	A research analyst shall ensure that in case of any conflict of interest of the research analyst activities with other activities, such conflict of interest shall be disclosed to the client	Complied	Refer E(1) above	-
6	A research analyst shall not divulge any confidential information about its client, which has come to its knowledge, without taking prior permission of its clients, except where such disclosures are required to be made in compliance with any law for the time being in force	Complied	Based on the submission, RA had not divulged any confidential information about its client	-
7	A research analyst shall not enter 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 research analyst 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.	Complied	Based on verification of sample records provided by RA, they had not entered into transactions on its own account which is contrary to its advice given to client	-
8	A research analyst shall follow Know Your Client procedure as specified by the Board from time to time	Complied	There is no USP of procuring KYC documents from the client. However Pan & Name is captured	-
9	A research analyst shall abide by Code of Conduct as specified in Third Schedule	Complied	Based on verification of sample records provided by RA, it is observed that RA has abided by Code of Conduct as specified in Third Schedule	-

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10	A research analyst shall not act on its own account, knowingly to sell securities or investment products to or purchase securities or investment product from a client	Complied	Based on verification of sample records provided by RA, it has not entered into transactions with its own client	-
11	In case of change in control of the research analyst, prior approval from the Board shall be taken	Complied	Based on verification of sample records provided by RA, there was no change of control during inspection period.	-
12	shall furnish to the Board information and reports as may be specified by the Board from time to time	Complied	Based on verification of sample records provided by RA, it is observed that SEBI has not asked for any report or submission.	-
13	It shall be the responsibility of the research analyst to ensure compliance with the certification and qualification requirements under Regulation 7 at all times	Complied	Refer A above	-
F	Regulation 16: Risk profiling			
	Research Analyst shall ensure that- (a) it obtains from the client, such information as is necessary for the purpose of giving research analysis, 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.	Complied	Based on verification of sample records provided by RA, it had - obtained all the requisite information from clients as per the regulation. -risk profile questionnaire which assesses the risk a client is willing to take. -fair, clear and explicit	-

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	(vi) liability/borrowing details (b) 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 (c) 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; (d) 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 (e) risk profile of the client is communicated to the client after risk assessment is done; (f) information provided by clients and their risk assessment is updated periodically		questions included in its risk profile questionnaire -given recommendations to clients which are 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	
G	Regulation 17: Suitability			
	Research analyst shall ensure that - (a) All investments on which investment advice is provided is appropriate to the risk profile of the client; (b) It has a documented process for selecting investments based on client's investment objectives and financial situation;	Complied	Based on verification of record, it is observed that RA has process to ensure that the recommendations made to the clients are	-

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	<p>(c) It understands the nature and risks of products or assets selected for clients.</p> <p>(d) It has a reasonable basis for believing that a recommendation or transaction entered into:</p> <p>(i) meet the client investment objectives;</p> <p>(ii) is such that the client is able to bear any related investment risks consistent with its investment objectiveness and risk tolerance;</p> <p>(iii) is such that the client has the necessary experience and knowledge to understand the risks involved in the transaction</p> <p>(e) 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</p>		<p>appropriate to the risk profile of the client, its investment objective and financial situation. The suitability of the financial product is based on the reasonable assessment that the structure and risk reward profile of the product is consistent with clients experience, knowledge, investment objectives, risk appetite and capacity for absorbing loss.</p>	
H	Regulation 18: Disclosures to clients			
1	A research analyst shall disclose to a prospective client, all material information about itself including its business, disciplinary history, the terms and conditions on which it offers advisory services, affiliations with other intermediaries and such other information as is necessary to take an informed decision on whether or not to avail its services	Complied	RA has process to make necessary disclosure to its clients.	-

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2	A research analyst shall disclose to the client its holding or position, if any, in the financial products or securities which are subject matter of advice			-
3	A research analyst shall disclose to the client 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 research analyst services			-
4	A research analyst shall, while making an investment advice, make adequate disclosure to the client of all material facts relating to the key features of the products or securities, particularly, performance track record			-
5	A Research Analyst shall draw the client's attention to the warnings, disclaimers in documents, advertising materials relating to an investment product which it is recommending to the client			-
I	Regulation 19: Maintenance of records			
1	An research analyst shall maintain the following records,- (a) Know Your Client records of the client; (b) Risk profiling and risk assessment of the client; (c) Suitability assessment of the advice being provided; (d) Copies of agreements with clients, if any; (e) Investment advice provided, whether written or oral;	Complied	Based on verification of sample records provided by RA, it is observed that all the requisite records are maintained by RA.	-

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	(f) Rationale for arriving at investment advice, duly signed and dated. (g) A register or record containing list of the clients, the date of advice, nature of the advice, the products/securities in which advice was rendered and fee, if any charged for such advice			
2	All records shall be maintained either in physical or electronic form and preserved for a minimum period of five years: - Provided that where records are required to be duly signed and are maintained in electronic form, such records shall be digitally signed	Complied	Based on verification of sample records provided by RA, it is observed that all the requisite records are maintained by RA since inception of its advisory services.	-
J	Regulation 20: Appointment of compliance officer			
1	A research analyst shall appoint a compliance officer who shall be responsible for monitoring the compliance by the investment adviser in respect of the requirements of the Act, regulations, notifications, guidelines, instructions issued by the Board	Complied	RA has appointed a compliance Officer as per the regulation.	-
K	Regulation 21: Redressal of client grievances			
1	A research analyst shall redress client grievances promptly	Complied	RA has a client grievance redressal mechanism in place which is communicated to the clients.	-

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2	A research analyst shall have adequate procedure for expeditious grievance redressal	Complied	RA has a client grievance redressal mechanism in place which is communicated to the clients.	-
3	Client grievances pertaining to financial products in which investments have been made based on investment advice, shall fall within the purview of the regulator of such financial product	Complied	RA has a client grievance redressal mechanism in place which is communicated to the clients.	-
4	Any dispute between the research analyst and his client maybe resolved through arbitration or through Ombudsman authorized or appointed for the purpose by any regulatory authority, as applicable	Complied	RA has a client grievance redressal mechanism in place which is communicated to the clients.	-
L	Regulation 22: Segregation of execution services			
1	Research Analyst, which are banks, NBFCs and body corporate providing distribution or execution services to their clients shall keep their research analyst services segregated from such activities: - Provided that such distribution or execution services can only be offered subject to the following: (a) The client shall not be under any obligation to avail the distribution or execution services offered by the investment adviser (b) The research analyst shall maintain arm's length relationship between its activities as investment adviser and distribution or execution services (c) All fees and charges paid to distribution or execution service	Complied	Refer E (3) above.	-

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	providers by the client shall be paid directly to the service providers and not through the research analyst			
M	AML Policy			
I	Research analyst to have an AML policy and FIU registration	Not Yet Complied	RA has not AML policy in place and has not registered with FIU.	-

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