



GrowthNext F.Z.E.,
Having Registered Office at,
Executive Office No. 7,
AI Robotics Hub, C1 Building, AFZ, Ajman, UAE

Dt: 31-10-2024

Subject: Legal Opinion on the Legitimacy of FundedNext Doing Business in India.

LEGAL OPINION

Sir,

1. GrowthNext F.Z.E. (hereinafter called "The Company") is a company duly incorporated at and operating in UAE with license number 28831 having registered office at AI Robotics Hub – Executive Office- 7, Ajman Free Zone C1 Building. Ajman Free Zone, Ajman,UAE and operates a brand under the name and style of FundedNext.
2. The Company, according to its business plan dated 31-10-2024, through "FundedNext, offers subscriptions-based evaluation and assessment challenges on simulated platforms for the aspiring traders from different parts of the world. In these trading platforms, all the market scenarios and factors are real except the money with which they trade. It provides educational and training services to the freelance traders in the form of skill assessment and evaluation. It earns the revenue from the sale of these subscription packages." My opinion has been sought on their business model, particularly if it is subject to any Securities Law or Authority under sanction from the Government of India, more specifically **"Do the business activities of GrowthNext F.Z.E. under its brand FundedNext fall under the regulation of any Regulatory Governmental Organization such as SEBI?"**

3. Scope and Object

This Legal Opinion Is limited to the matters as presented to me and to matters of Indian Laws as presently in effect. This opinion discusses the applicability of various regulatory statutes on the Company in its current business activities as provided in the business plan and to address the query so that it is properly understood and comprehended.



4. Applicability of various statutes

The applicable regulatory framework for the purpose of this Legal Opinion is the following statutes:

- i. Securities and Exchange Board of India Act, 1992 (As amended by the Finance Act, 2021 (13 of 2021),
- ii. Securities Contracts (Regulation) Act, 1956 (As amended by the Finance Act, 2021 (13 of 2021)
- iii. Foreign Exchange Management Act, 1999.

I have also examined the Terms and conditions of FundedNext and gone through their Business Plan dated 31-10-2024.

After careful scrutiny of the provided documents and the relevant statutes I issue the following legal opinion:

5. Legal Opinion

FundedNext refers to a brand wholly owned and operated by GrowthNext F.Z.E. which is registered under business license number: 28831 with registered office at AI Robotics Hub – Executive Office- 7, Ajman Free Zone C1 Building. Ajman Free Zone, Ajman,UAE.

- The following sections of the Securities Contracts (Regulation) Act, 1956 (As amended by the Finance Act, 2021 (13 of 2021) are of importance with respect to this legal opinion,
 - a. **2(h)** which gives the definitions of the following,

“(h) securities include--

(i) shares, scrips stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or ⁹[or a pooled investment vehicle or other body corporate];

¹⁰*[(ia) derivative;*

(ib) units or any other instrument issued by any collective investment scheme to the investors in such schemes;]

¹¹*[(ic) security receipt as defined in clause (zg) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002);]*

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¹²[(id) units or any other such instrument issued to the investors under any mutual fund scheme;]

¹³[(ida) units or any other instrument issued by any pooled investment vehicle;]br

¹⁴[Explanation.--For the removal of doubts, it is hereby declared that securities shall not include any unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a combined benefit risk on the life of the persons and investment by such persons and issued by an insurer referred to in clause (9) of section 2 of the Insurance Act, 1938 (4 of 1938).]

¹⁵[(ie) any certificate or instrument (by whatever name called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receiveable including mortgage debt, as the case may be;]

(ii) Government securities; and

(iii) rights or interests in securities;”

b. 2(j) which gives the definition of the following
“[(j) stock exchange means--

(a) any body of individuals, whether incorporated or not, constituted before corporatisation and demutualisation under sections 4A and 4B, or

(b) a body corporate incorporated under the Companies Act, 1956 whether under a scheme of corporatisation and demutualisation or otherwise, for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities;]”

- The following section of the Securities and Exchange Board of India Act, 1992 (As amended by the Finance Act, 2021 (13 of 2021), is of importance with respect to this legal opinion,
 - a. Section 11 which states the functions of the Securities and Exchange Board of India,

“*Functions of Board.*

(1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.



(2) Without prejudice to the generality of the foregoing provisions, the measures referred to therein may provide for--

(a) regulating the business in stock exchanges and any other securities markets;

(b) registering and regulating the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue, trustees of trust deeds, registrars to an issue, merchant bankers, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with securities markets in any manner;

¹[(ba) registering and regulating the working of the ²[depositories, participants, custodians] of securities, foreign institutional investors, credit rating agencies and such other intermediaries as the Board may, by notification, specify in this behalf;]

(c) registering and regulating the working of ³[venture capital funds and collective investment schemes], including mutual funds;

(d) promoting and regulating self-regulatory organisations;

(e) prohibiting investors' education and training of intermediaries of securities markets;

(f) promoting investors' education and training of intermediaries of securities markets;

(g) prohibiting insider trading in securities;

(h) regulating substantial acquisition of shares and take-over of companies;

(i) calling for information from, undertaking inspection, conducting inquiries and audits of the ⁴[stock exchanges, mutual funds, other persons associated with the securities market] intermediaries and self-regulatory organisations in the securities market;

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⁵[(ia) calling for information and records from any person including any bank or any other authority or board or corporation established or constituted by or under any Central or State Act which, in the opinion of the Board, shall be relevant to any investigation or inquiry by the Board in respect of any transaction in securities;]

⁶[(ib) calling for information from, or furnishing information to, other authorities, whether in India or outside India, having functions similar to those of the Board, in the matters relating to the prevention or detection of violations in respect of securities laws, subject to the provisions of other laws for the time being in force in this regard:

Provided that the Board, for the purpose of furnishing any information to any authority outside India, may enter into an arrangement or agreement or understanding with such authority with the prior approval of the Central Government;]

(j) performing such functions and exercising such powers under the provisions of^{7***} the Securities Contracts (Regulation) Act, 1956 (42 of 1956), as may be delegated to it by the Central Government;

(k) levying fees or other charges for carrying out the purposes of this section;

(l) conducting research for the above purposes;

⁸[(la) calling from or furnishing to any such agencies, as may be specified by the Board, such information as may be considered necessary by it for the efficient discharge of its functions;]

(m) performing such other functions as may be prescribed.

⁹[(2A) Without prejudice to the provisions contained in sub-section (2), the Board may take measures to undertake inspection of any book, or register, or other document or record of any listed public company or a public company (not being intermediaries referred to in section 12) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market.]



¹⁰[(3) Notwithstanding anything contained in any other law for the time being in force while exercising exercising the powers under ¹¹[clause (i) or clause (ia) of sub-section (2) or sub-section (2A)], the Board shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908) while trying a suit, in respect of the following matters, namely:---

(i) the discovery and production of books of account and other documents, at such place and such time as may be specified by the Board;

(ii) summoning and enforcing the attendance of persons and examining them on oath;

(iii) inspection of any books, registers and other documents of any person referred to in section 12, at any place;

¹²[(iv) inspection of any book, or register, or other document or record of the company referred to in sub-section (2A);

(v) issuing commissions for the examination of witnesses or documents.]

¹²[(4) Without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) and section 11B, the Board may, by an order, for reasons to be recorded in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry, namely:---

(a) suspend the trading of any security in a recognised stock exchange;

(b) restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities;

(c) suspend any office-bearer of any stock exchange or self-regulatory organisation from holding such position;

(d) impound and retain the proceeds or securities in respect of any transaction which is under investigation;

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¹³[(e) attach, for a period not exceeding ninety days, bank accounts or other property of any intermediary or any person associated with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder:

Provided that the Board shall, within ninety days of the said attachment, obtain confirmation of the said attachment from the Special Court, established under section 26A, having jurisdiction and on such confirmation, such attachment shall continue during the pendency of the aforesaid proceedings and on conclusion of the said proceedings, the provisions of section 28A shall apply:

Provided further that only property, bank account or accounts or any transaction entered therein, so far as if related to the proceeds actually involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder shall be allowed to be attached.]

(f) direct any intermediary or any person associated with the securities market in any manner not to dispose of or alienate an asset forming part of any transaction which is under investigation:

Provided that the Board may, without prejudice to the provisions contained in sub-section (2) or sub-section (2A), take any of the measures specified in clause (d) or clause (e) or clause (f), in respect of any listed public company or a public company (not being intermediaries referred to in section 12) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market:

Provided further that the Board shall, either before or after passing such orders, give an opportunity of hearing to such intermediaries or persons concerned.

¹⁴[(4A) Without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.]

¹⁵[(5) The amount disgorged, pursuant to a direction issued, under section 11B of this Act or section 12A of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or section 19 of the Depositories Act, 1996 (22 of 1996), ¹²[or under a

settlement made under section 15JB or section 23JA of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or section 19-IA of the Depositories Act, 1996 (22 of 1996)] as the case may be, shall be credited to the Investor Protection and Education Fund established by the Board and such amount shall be utilised by the Board in accordance with the regulations made under this Act.]”

- “FundedNext offers subscriptions-based evaluation and assessment challenges on simulated platforms for the aspiring traders from different parts of the world. In these trading platforms, all the market scenarios and factors are real except the money with which they trade. It provides educational and training services to the freelance traders in the form of skill assessment and evaluation. It earns the revenue from the sale of these subscription packages.”*

After perusing the above relevant provisions of the law and the documents provided by the Company it can be clearly ruled that the company's business





activities do not come under the purview of “**stock exchange**” which deals in real “**securities**” which require regulatory approval and supervision. GrowthNext F.Z.E. is a company which provides a simulated environment for traders to gain experience. No real funds are ever traded, and the company operates a subscription-based model without any client money being maintained on account. Successful demo traders are rewarded by having the opportunity to be onboarded with another entity named GrowthNext Champions FZCO, where they are able to work as trading analysts and generate profitable trading clues for the company's trade of own funds and provide signals for the company's trade of own funds and receive a share of the profits.

6. Conclusion

In conclusion, based on and limited to the information provided to us, GrowthNext F.Z.C does not seem to provide Investment Services as regulated by the Law and there is no license applicable to the company. It falls under the scope of an Educational & Training Platform, allowing aspiring traders to have a risk-free trading experience.

Advised Accordingly

Disclaimer

1. The above opinion has been based on facts, documents, records provided to us and representations. It is advised to avail proper due diligence pertaining to financial regulations and other necessary due diligences.
2. The conclusions reached and views expressed are matters of opinion based on my understanding of the related laws, rules, notifications, circulars, etc. The opinion is based on my understanding of facts and the legal position prevailing as on the date of issue of the opinion.
3. Any incorrect statement, or omission of any fact, or a change/amendment in law or any of the facts, assumptions or representations, which I have relied upon, may require modification of all or part of the opinion given above. I assume no responsibility to update the opinion for events and circumstances occurring after the date of this opinion, unless specifically requested by the querist.



4. My associates, employees or staff shall not be held liable for any action/ consequence arising out of any contrary view(s) taken by any other party or statutory authority qua this opinion.
5. Without our prior written consent, this opinion may not be quoted in whole or in part or otherwise referred to in any document or delivered to any other person or entity.

Additional Disclaimers:

1. **General Nature:** This legal opinion is provided for general informational purposes only and does not constitute legal advice.
2. **No Attorney-Client Relationship:** The delivery of this legal opinion does not create an attorney-client relationship between the sender and the recipient.
3. **Jurisdictional Limitations:** The legal opinion is based on the laws applicable in the jurisdiction of India as of the date of this opinion and may not apply to other jurisdictions.
4. **Changes in Law:** Laws and regulations are subject to change. The opinions expressed herein are based on the law as it stands at the time of writing and may be superseded by future legislative or judicial developments.
5. **Reliance on Information Provided:** The opinions expressed are based on the information provided and assume the completeness and accuracy of that information. Any changes or inaccuracies in the information could affect the validity of this opinion.
6. **No Guarantee of Outcome:** Legal outcomes can be unpredictable. This opinion does not guarantee any particular result in any legal proceeding or negotiation.

Assumptions:

1. **Documents Reviewed:** It is assumed that all relevant documents provided for review are authentic, complete, and accurate.
2. **Facts Presented:** The opinion assumes that the factual information provided is true and correct.
3. **Continued Compliance:** It is assumed that the client will continue to comply with all relevant laws and regulations in the operation of their business.
4. **No Material Omissions:** The opinion is based on the assumption that no material facts or circumstances have been omitted from the information provided.
5. **Third-Party Rights:** It is assumed that the execution of the recommendations will not infringe upon the rights of any third parties.

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We hope that the above shall suffice for your present purposes. We shall be happy to provide a detailed analysis of the issues considered herein, should you so require. Please do not hesitate to contact us for any clarifications.

Yours truly,

Gagandeep Singh Thandi

Co-Founder, EquiJuris Law Group

