

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER REGULATION 27 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008.

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In respect of:

S. K. Infosolutions Pvt Ltd

Category I Registrar to an Issue & Share Transfer Agent

Registration No: INR000003886

In the matter of S. K. Infosolutions Private Limited

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**BACKGROUND**

1. S. K. Infosolutions Pvt Ltd (hereinafter referred to as “**SK Info**”/”**Noticee**”) is registered with Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) as Registrar to an Issue and Share Transfer Agent (hereinafter referred to as “**RTA**”) from October 01, 2016 bearing Registration number INR000003886. Its registered address is 34/1A, Sudhir Chatterjee Street, Kolkata, West Bengal - 700006.
2. SEBI conducted an inspection of operations of the Noticee at its office at D/42, Katju nagar Colony, Ground Floor, Near South City Mall, Jadavpur, Kolkata - 700032, intermittently between January 27, 2022 to March 29, 2022, for the period April 01, 2020 to March 31, 2021 (hereinafter referred to as “**Inspection Period**”). Based on the findings of inspection, Noticee was alleged to have violated the following provisions:
  - 2.1. Regulations 9(A)(1)(b), 14, 15 and 18 of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 (hereinafter referred to as “**RTA Regulations**”)
  - 2.2. Clauses 2, 3, 16 and 18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations

- 2.3. Sub Clause (a) of Clause 1 “Specific Activities” of Schedule 1 and Draft Agreement in Annexure B of Schedule II in SEBI Circular “Instruction to Registrars to an Issue/ share Transfer Agents” dated October 11, 1994 (hereinafter referred to as “**SEBI Circular dated October 11, 1994**”)
- 2.4. Clauses B(1) and B(2) of Schedule VII read with Regulation 40(7) and 61(4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “**LODR Regulations**”)
- 2.5. Clause A(1), C(2)(a)(ii) of Schedule VII read with Regulation 40(7) of the LODR Regulations
- 2.6. Clauses 2(b) and 2(c) of SEBI Circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/139 dated November 06, 2018 (hereinafter referred to as “**SEBI Circular dated November 06, 2018**”)
- 2.7. Clause 3, Sub-Clause (2) of Part I (Provisions with regard to Payment of Dividend/ Interest/ Redemption) and Clauses 4, 9, 13, 14 and 15 of Part II (Provisions with regard to Transfer/ Transmission/ Correction of Errors etc.) of Annexure to SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018 (hereinafter referred to as “**SEBI Circular dated April 20, 2018**”)
3. During the course of inspection of the Noticee, certain deficiencies were observed. Pursuant thereto, upon being satisfied that there were sufficient grounds to initiate enquiry proceedings against the Noticee. *Inter-alia*, Enquiry proceedings were initiated against the Noticee by appointing a Designated Authority (**‘DA’**) under Regulation 24 of SEBI (Intermediaries) Regulations, 2008 (hereinafter **‘Intermediaries Regulations’**), to enquire into the alleged violations committed by the Noticee, of regulations laid down in the **RTA Regulations**, **LODR Regulations** and the Circulars issued by SEBI from to time, and give recommendation by way of a report in terms of Regulation 26 of Intermediaries Regulations.
4. The DA issued show cause notice dated April 10, 2023 (hereafter referred to as “**SCN 1**”) calling upon the Noticee under Regulation 25 of the Intermediaries Regulations to show cause as to why appropriate recommendation should not be

made against the Noticee as prescribed under Regulation 26 of Intermediaries Regulations.

5. The brief of alleged violations by the Noticee as per the SCN 1 is as follows:-

**Agreements/ Tripartite agreements entered into by the Noticee**

- 5.1. Noticee did not have valid agreements with 32 client companies out of its 62 client companies, allegedly resulting in violation of provisions of Regulation 18 of RTA Regulations, Clause 18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations, Regulation 9A(1)(b) of RTA Regulations, Draft Agreement in Annexure B of Schedule II in SEBI Circular dated October 11, 1994, Clause 2 and Clause 3 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

**Inward processing**

- 5.2. Noticee did not maintain physical inward register, however, it claimed to maintain online record of inwards. On a sample basis, two demat requests and 6 dividend revalidation requests were checked by the Inspection team. The software for maintaining record of inward threw multiple responses for inward number viz. 920013, and further, 6 dividend revalidations requests were never inwarded. Therefore, Noticee had allegedly violated the provisions of Sub Clause (a) of Clause 1 "Specific Activities" of Schedule I of SEBI Circular dated October 11, 1994 and, Clauses 2, 3 and 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

**Transmission Request**

- 5.3. Noticee had processed 13 transmission requests during the Inspection Period. Out of the above, 3 transmission requests were processed without seeking notarized Death Certificates. Therefore, Noticee had allegedly violated the provisions of Clause C (2) (a) (ii) of Schedule VII read with Regulation 40 (7) of the LODR Regulations and, Clause 3 and Clause 16 of Schedule III read with Regulation 13 of the RTA Regulations.

**Transfer Re-Lodgment Request**

- 5.4. Noticee had processed 11 Transfer Re-lodgement requests during the Inspection Period. Out of the above, Noticee had processed 9 requests without seeking the necessary documents and clarifications, allegedly resulting in violation of provisions of Clause A(1) of Schedule VII read with Regulation 40(7) of the LODR Regulations, Clauses B(1) and B(2) of Schedule VII read with Regulations 40(7) and 61(4) of the LODR Regulations, Clauses 2(b) and 2(c) of SEBI Circular dated November 06, 2018, Clause 4 of Part II (Provisions with regard to Transfer/Transmission/Correction of Errors etc.) of Annexure to SEBI Circular dated April 20, 2018 and Clause 3 and 16 of Schedule III read with Regulation 13 of the RTA Regulations.

#### **Dividend Revalidation Request**

- 5.5. Noticee had processed 123 Dividend revalidation requests during the Inspection Period, of which top 13, having highest amount of revalidated dividend, were selected for inspection. Out of the above 13 requests, 10 requests were processed without seeking necessary documents and clarifications, allegedly resulting in violation of provisions of Sub-Clause (2) of Clause I (Provisions with regard to Payment of Dividend/Interest/Redemption) of annexure to SEBI Circular dated April 20, 2018 and Clauses 2, 3 and 16 of Schedule III read with Regulation 13 of RTA Regulations.

#### **Payment of revalidated dividend only through electronic bank transfer**

- 5.6. Noticee had processed a total of 124 requests for dividend revalidation during the Inspection Period. Of these, 23 requests were processed electronically i.e. directly in the claimants account through NEFT. For the remaining 101 requests, revalidated dividends were processed physically through Demand Drafts (DD). However, whether the Noticee had mentioned bank account details of the security holder in the 101 DDs could not be ascertained by the Inspection team as the Noticee had not kept a copy of the DDs issued. Therefore, Noticee had allegedly violated the provisions of Regulations 14 and 15 of RTA Regulations, Sub-Clause 2 of Part I (Provision with regard to payment of Dividend /Interest/Redemption) of

Annexure to SEBI Circular dated April 20, 2018, Clause 3 and Clause 16 of Schedule III read with Regulation 13 of RTA Regulations.

**Maintenance of System Log**

- 5.7. Noticee had not maintained the System Log of folio level changes carried out in each folio, allegedly resulting in violation of provisions of Regulation 18 of RTA Regulations, Clauses 3, 16, 18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations and Clause 4 of Part II (Provisions with regard to Transfer / Transmission / Correction of Errors etc.) to Annexure to SEBI Circular dated April 20, 2018.

**System based alerts to exercise Enhanced Due Diligence for cases as listed out in Clause 13 of SEBI Circular dated April 20, 2018**

- 5.8. Noticee was in non-compliance of Clause 13 and 14 of Part II to Annexure of SEBI Circular dated April 20, 2018 regarding, identification of folios requiring Enhanced Due Diligence and using system based alerts (pop-ups on software screen when accessing that folio or any other such mechanism) while processing any request in such folio. Noticee had no system (i.e. system based alerts) in place to identify the folios (and alert the Noticee's employee) requiring Enhanced Due Diligence while processing any request in that folio. Further, Noticee had not conducted the necessary Enhanced Due Diligence for one case (during the entire period of inspection) where it updated the bank account details of a shareholder. Therefore, Noticee had allegedly violated the provisions of Clause 13 and Clause 14 of SEBI Circular dated April 20, 2018 and Clause 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

**Issuing letters to physical shareholder (whose PAN, Bank details not available)**

- 5.9. Noticee had not maintained any record of emails/ letters sent to client companies to sensitize them regarding PAN and bank account collection drive as mandated in SEBI Circular dated April, 2018, allegedly resulting in violation of provisions of Regulations 14 and 15 of RTA Regulations, Clause

3 of SEBI Circular dated April 20, 2018 and Clause 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

**Policy for Control on Stationery**

- 5.10. Noticee had not maintained any policy for control on stationery, allegedly resulting in violation of provisions of Regulation 18 of RTA Regulations, Clauses 3,16, 18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations and Clause 9 of SEBI Circular dated April 20, 2018.

**Maintenance of register for record of destruction of documents**

- 5.11. Noticee had not maintained any register for record of destruction of documents, resulting in violation of provisions of Clause 15 of Part II (Provisions with regard to Transfer/Transmission/Correction of Errors etc.) of Annexure to SEBI Circular dated April 20, 2018 and Clause 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.
6. Digitally signed copy of the SCN 1 was served on the Noticee on April 10, 2023 through email. SCN 1 was also served through Speed Post Acknowledgment Due at the address of the Noticee, viz. D/42, Katju nagar Colony, Ground Floor, Near South City Mall, Jadavpur, Kolkata - 700032. Upon service of the SCN 1, the Noticee vide letter dated May 05, 2023, submitted its reply to the SCN 1. The Noticee also availed opportunity of personal hearing on May 18, 2023.
7. During the course of hearing, the Authorized Representatives of Noticee made submissions relying upon the response made vide letter dated May 05, 2023. They also confirmed that contrary to their query raised for settlement vide letter dated May 05, 2023, they did not wish to make application for settlement.
8. On completion of the proceedings, the DA submitted an enquiry report dated May 30, 2023 ("**Enquiry Report**"/ "**ER**") observing the following:

Allegation pertaining to Agreements/ Tripartite agreement entered into by the Noticee

- 8.1. Noticee has violated the provisions of Regulation 18 of RTA Regulations, Clause 18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations, Regulation 9A(1)(b) of RTA Regulations, Draft Agreement in Annexure B of Schedule II in SEBI Circular dated October 11, 1994 and Clause 2 and Clause 3 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

Allegation pertaining to Inward Processing

- 8.2. Noticee has violated the provisions of Sub Clause (a) of Clause 1 “Specific Activities” of Schedule I of SEBI Circular dated October 11, 1994 and, Clause 2, 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

Allegation pertaining to Transmission Requests

- 8.3. Noticee has violated the provisions of Clause C (2) (a) (ii) of Schedule VII read with Regulation 40 (7) of the LODR Regulations and, Clause 3 and Clause 16 of Schedule III read with Regulation 13 of the RTA Regulations.

Allegation pertaining to Transfer Re-Lodgment Request

- 8.4. Noticee has violated the provisions of Clause A(1) of Schedule VII read with Regulation 40(7) of the LODR Regulations, Clauses B(1) and B(2) of Schedule VII read with Regulation 40(7) and 61(4) of the LODR Regulations, Clause 2(b) and 2(c) of SEBI Circular dated November 06, 2018, Clause 4 of Part II (Provisions with regard to Transfer/Transmission/ Correction of Errors etc.) of Annexure to SEBI Circular dated April 20, 2018 and Clause 3 and 16 of Schedule III read with Regulation 13 of the RTA Regulations.

Allegations pertaining to Dividend Revalidation Requests

- 8.5. Noticee has violated the provisions of Sub-Clause (2) of Clause I (Provisions with regard to Payment of Dividend/Interest/ Redemption) of annexure to SEBI circular dated April 20, 2018 and Clauses 2, 3 and 16 of Schedule III read with Regulation 13 of RTA Regulations.

Allegation pertaining to payment of revalidated dividend only through electronic bank transfer

- 8.6. Noticee has violated the provisions of Regulations 14 and 15 of the RTA Regulations, Sub-Clause 2 of Part I (Provision with regard to payment of Dividend /Interest/Redemption of Annexure to SEBI circular dated April 20, 2018 and Clause 3 and Clause 16 of Schedule III read with Regulation 13 of RTA Regulations.

Allegation pertaining to maintenance of system log

- 8.7. Noticee has violated the provisions of Regulation 18 of RTA Regulations, Clauses 3,16,18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations, Clause 4 of Part II (Provisions with regard to Transfer / Transmission / Correction of Errors etc.) to Annexure to SEBI circular dated April 20, 2018.

Allegation pertaining to system based alerts to exercise Enhanced Due Diligence for certain cases

- 8.8. Noticee has violated the provisions of Clause 13 and Clause 14 of SEBI Circular dated April 20, 2018 and Clauses 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

Allegation pertaining to issuing letters to physical shareholders, for whom PAN, Bank details were not available

- 8.9. Noticee has violated the provisions of Regulations 14 and 15 of RTA Regulations, Clause 3 of SEBI Circular dated April 20, 2018 and Clauses 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

Allegation pertaining to control on stationery

- 8.10. Noticee has violated the provisions of Regulation 18 of RTA Regulations, Clauses 3,16,18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations and Clause 9 of SEBI Circular dated April 20, 2018.



Allegation pertaining to maintenance of register for record of destruction of documents

8.11. Noticee has violated the provisions of Clause 15 of Part II (Provisions with regard to Transfer/Transmission/Correction of Errors etc.) of Annexure to SEBI Circular dated April 20, 2018 and Clause 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

9. In this regard, DA noted in the ER that, there is no finding on record that brings out that the activities of the Noticee have caused loss to any client or have impacted the securities market in any manner. Further, no material has been brought out in the examination report to prove any undue gain to the Noticee. The DA also noted that, in the past penalty of Rs. 3,00,000/- had been imposed on the Noticee under Section 15B of the SEBI Act vide AO Order dated September 19, 2018, *inter-alia*, for failure to enter into legally valid agreement with its clients.

10. In view of the above observations of the DA, vide the said Enquiry Report the DA in terms of Regulation 26 (1) (vii) of the Intermediaries Regulations, recommended that:-

*“In view of the facts and circumstances of the case, in terms of Regulation 26(1)(vii) of the Intermediaries Regulations, I recommend that the Noticee may be issued a regulatory censure.”*

11. The Enquiry Report dated May 30, 2023 was forwarded to the Noticee vide show cause notice dated June 13, 2023 (**‘SCN 2’**) (collectively the ‘SCN 1’ and ‘SCN 2’ have been referred as **“SCNs”**) calling upon the Noticee to show cause as to why the measures recommended by the DA or any other action as contemplated in Regulation 27 of the Intermediaries Regulations should not be taken. In response thereto, the Noticee vide letter dated July 6, 2023 submitted, its reply to the SCN and also requested for a personal hearing.

12. The Noticee was granted an opportunity of hearing on August 11, 2023, wherein Mr. Dilip Bhattacharya (Compliance Officer), Mr. Satyajit Chatterjee (Senior officer) and Mr. Biswarup Roy Chowdhury (Tech Person) appeared as the

Authorised Representatives (AR's) of the Noticee. The AR's submitted on lines of reply dated July 06, 2023 and also requested for time till August 12, 2023 for submission regarding corrective measures taken by Noticee till date, which was acceded to.

13. The Noticee vide letter dated July 6, 2023 has submitted its reply to SCN 2, whereby, the Noticee has *Inter-alia* submitted as follows: -

- 13.1. *These issues have occurred at the time of shifting of office during Covid-19, due to shortage of staff.*
- 13.2. *For Agreements/ Tripartite agreement entered into by the Noticee- Agreed, but everything was under process and situation was harder due to Covid 19. For the 17 enlisted companies, Agreements are now available. For rest of Companies from Sr. no. 18 to 28 and 30 to 32, they have not entity. For Sr. No. 29, agreement was forwarded, but the company never turned up.*
- 13.3. *For Inward processing- Inward register is maintained. Inward number is generated online. They agree to the allegations, but now the same has been rectified and is done through computer generated processing.*
- 13.4. *Individual forwards different types of request through single letter, Xerox photocopy were not preserved earlier. Therefore, this situation was occurred. But now the office preserves photocopy for necessary action afterwards. Now this office takes necessary action to solve the matter in proper way.*
- 13.5. *For Transmission Request-This situation/mistakes occurred due to transfer of office from Garish Park to Katju Nagar at the time of lockdown in COVID, the same may be misplaced. Transmission request is always processed after receiving proper Death Certificate.*
- 13.6. *For Transfer Re-Lodgement Request- Agreed, but now this office do not process any such transaction where documents mismatches each other. For Processing on mismatched document, transactions are stopped.*
- 13.7. *For Dividend Revalidation Request- Yes we agreed. For some requirement, due to repair of the network system by the service provider, such type of problem had arrived. But now these types of mistakes have been resolved as the network provided by the service provider has been*

*solved and signatures are thoroughly checked. The situation, now rectified, it occurred at the time of severe COVID, as the staff was not joining their duties due to COVID-19.*

*13.8. For Payment of revalidated dividend only through electronic bank transfer- Yes we agreed. Demand draft copies are now kept accordingly. Working as per instruction. Now keeping the photocopy of Demand draft*

*13.9. For Maintenance of System Log- Now we have developed the system log and separate login ID has been generated. The screenshot is now available and same are to be forwarded.*

*13.10. For System based alerts to exercise Enhanced Due Diligence for cases as listed out in clause 13 of SEBI Circular dated April 20, 2018- As the Dena Bank was merged with Bank of Baroda such type of problem occurred. Now in those cases Bank details are taken for necessary requirements. Letter/Emails are forwarded to the Companies to furnish PAN, Bank A/C details, also they Responds properly, and now this office maintaining the records properly.*

*13.11. For Maintenance of register for record of destruction of documents - Now the scan/Xerox copies are preserved and the originals are destroyed. DD also done through the same way.*

14. With respect to the reply submitted by the Noticee vide letter dated July 6, 2023, it is noted that, the same reply which was considered by DA for Enquiry proceedings has been resubmitted for consideration. The Noticee also vide email dated August 11, 2023 submitted certain additional copies of MOU/Agreement between Noticee and its clients along with copies of earlier replies.

### **CONSIDERATION OF ISSUES AND FINDINGS**

15. I have perused the SCNs, Enquiry Report, copies of MOUs submitted by the Noticee and written submissions of the Noticee. I will now proceed to deal with the issues that arise for my consideration, one by one.

16. Before proceeding further, it is pertinent to refer to extracts of the relevant provisions involved in the present matter: -

## **RTA Regulations**

### **Conditions of registration**

9A. (1) registration granted under regulation 8 shall be subject to the following conditions, namely:-

(a).....

(b) without prejudice to its obligations under any other law for the time being in force, it shall enter into a legally binding agreement with the body corporate or the person or group of persons for or on whose behalf it is acting as a registrar to an issue or a share transfer agent stating therein the allocation of duties and responsibilities between itself and such body corporate or person or group of persons, as the case may be

**13. To abide by Code of Conduct.**—Every registrar to an issue and share transfer agent holding a certificate shall at all times abide by the Code of Conduct as specified in Schedule III.

### **14. To maintain proper books of accounts and records, etc.—**

(1) Every registrar to an issue and share transfer agent being a body corporate shall keep and maintain the following books of accounts and documents in respect of eight preceding financial years, namely:-

(a) in relation to registrar to an issue and share transfer agent being a body corporate

(i) a copy of balance sheet and profit and loss account as specified in sections 211 and 212 of the Companies Act, 1956 (1 of 1956);

(ii) a copy of the auditor's report referred to in section 227 of the Companies Act, 1956 (1 of 1956);

(iii) a statement of capital adequacy requirements for each quarter.

(b) in relation to registrar to an issue and share transfer agent not being a body corporate –

(i) all sums of money received and expended by them and the matters in respect of which the receipt and expenditure take place;

(ii) their assets and liabilities; and

(iii) a statement of capital adequacy requirements for each quarter.

(2) Every registrar to an issue shall also maintain the following records with

respect to:-

- (a) all the applications received from investors in respect of an issue;*
- (b) all applications of investors rejected and reasons therefor;*
- (c) basis of allotment of securities to the investors as finalised in consultation with the stock exchange;*
- (d) terms and conditions of purchase of securities;*
- (e) allotment of securities;*
- (f) list of names of allottees and non-allottees of the securities;*
- (g) refund orders dispatched to investors in respect of application monies received from them in response to an issue;*
- (h) such other records as may be specified by the Board for carrying on the activities as registrars to an issue.*

*(3) Every share transfer agent shall maintain the following records in respect of a body corporate on whose behalf he is carrying on the activities as share transfer agent namely:-*

- (a) list of holders of securities of such body corporate;*
- (b) the names of transferor and transferee and the dates of transfer of securities;*
- (c) such other records as may be specified by the Board for carrying out the activities as share transfer agents.*

*(4) Every registrar to an issue or share transfer agent shall intimate the Board the place where the books of accounts, records and documents are maintained.*

*(5) Without prejudice to sub-regulation (1), every registrar to an issue and share transfer agent shall, after the close of each financial year as soon as possible but not later than six months from the close of the said period furnish to the Board if so required copies of the balance sheet, profit and loss account, statement of capital adequacy requirement and such other documents as may be required by the Board under regulation 14.*

#### **15. Maintenance of records.—**

*Subject to provisions of any other law, the registrar to an issue or share transfer agent shall preserve the books of accounts and other records and documents maintained under regulation 14 for a minimum period of eight years.*

**18. Obligations of registrar to an issue and share transfer agent on inspection by the Board.—**

*(1) It shall be the duty of every director, proprietor, partner, officer and employee of the registrar to an issue or share transfer agent, who is being inspected, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with the statements and information relating to the transactions in securities market within such time as the said officer may require.*

*(2) The registrar to an issue or share transfer agent shall allow the inspecting authority to have reasonable access to the premises occupied by them or by any other person on their behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the registrar to an issue or share transfer agent or any other person on their behalf and also provide copies of documents or other materials which, in the opinion of the inspecting authority are relevant.*

*(3) The inspecting authority, in the course of inspection, shall be entitled to examine or record statements of any member, director, partner, proprietor and employee of the registrar to an issue or share transfer agent.*

*(4) It shall be the duty of every director, proprietor, partner, officer or employee of the registrar to an issue and share transfer agent to give to the inspecting authority all assistance in connection with the inspection, which the registrar to an issue or share transfer agent may be reasonably be expected to give.*

**Schedule III**

.....

*2. A Registrar to an Issue and Share Transfer Agent shall fulfill its obligations in a prompt, ethical and professional manner.*

*3. A Registrar to an Issue and Share Transfer Agent shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.*

.....

*16. A Registrar to an Issue and Share Transfer Agent shall maintain the required level of knowledge and competency and abide by the provisions of the Act, rules, regulations, circulars and directions issued by the Board. The Registrar to an Issue and Share Transfer Agent shall also comply with the award of the Ombudsman*

*passed under Securities and Exchange Board of India (Ombudsman) Regulations, 2003*

*18. A Registrar to an Issue and Share Transfer Agent shall not neglect or fail or refuse to submit to the Board or other agencies with which he is registered, such books, documents, correspondence, and papers or any part thereof as may be demanded / requested from time to time.*

**SEBI Circular dated October 11, 1994**

***Instructions To Registrars To An Issue/Share Transfer Agents***

**Schedule I**

***1. SPECIFIC ACTIVITIES***

- a. STA will receive and attend promptly correspondence received from shareholders/ debenture holders / company / stock exchanges / SEBI / other bodies and will segregate the inward mail as transfer requests, request for endorsements as fully paid-up, receipt of call money, request for change of address, transmission, transposition, deletion of name, other letters from investors.*

*It will inward the mail pertaining to request for transfer/transmission/transposition/other request/complaints by maintaining inward register on a day to day basis and also affix stamp containing inward number and date of receipt on all transfer deeds/letter pertaining to above requests/complaints.*

**LODR Regulations**

***Transfer or transmission or transportation of securities***

*40. (7) The listed entity shall comply with all procedural requirements as specified in Schedule VII with respect to transfer of securities.*

***Terms of non convertible debt securities and non convertible redeemable preference shares***

*61. (4) The listed entity shall comply with requirements as specified in regulation 40 for transfer of securities including procedural requirements specified in Schedule VII.*

***Schedule VII: Transfer and Transmission of Securities***

***A. Requirement of PAN***

- (1) For registration of transfer of securities, the transferee(s) as well as transferor(s) shall furnish a copy of their PAN card to the listed entity for registration of transfer of securities.*

*B. Differences in Signature*

- 1) In case of minor differences in the signature of the transferor(s), the listed entity shall follow the following procedure for registering transfer of securities: (a) the listed entity shall promptly send to the first transferor(s), via speed post an intimation of the aforesaid defect in the documents and inform the transferor(s) that objection, supported by valid proof, is not lodged by the transferor(s) with the listed entity within fifteen days of receipt of the listed entity's letter, then the securities shall be transferred; (b) if the intimation to the transferor(s) is delivered and the objection from the transferor(s) with supporting documents is not received within fifteen days, the listed entity shall transfer the securities provided the listed entity does not suspect fraud or forgery in the matter: Provided that the listed entity shall maintain proof of delivery for in their record(s).*
- 2) In case of major differences in, or non-availability of, the signature of the transferor(s), the listed entity shall follow the following procedure for registering transfer of securities: (a) The listed entity shall promptly send to the transferee(s), via Speed Post, an Objection Memo along with the documents in original marking the reason as "material signature difference/ non-availability of signature" and an advice to ensure submission of requested documents of the transferor(s); (b) The listed entity shall also send a copy of the Objection memo as per clause (a) of sub-para (2) to the transferor(s), via Speed Post, simultaneously; (c) The above Objection Memo in clause (a) and (b) of sub-para (2) shall also state the requirement of additional documents of transferor(s) as follows for effecting the transfer: (i) an Affidavit to update transferor(s) signature in its records; (ii) an original unsigned cancelled cheque and banker's attestation of the transferor(s) signature and address; (iii) contact details of the transferor(s) and ; (d) If the intimation to both the transferor(s) and the transferee(s) are delivered, requested documents of the transferor(s) are submitted to the listed entity and the address attested by the bank tallies with the address available in the database of listed entity, the listed entity, shall transfer the securities provided the listed entity does not suspect fraud or*



*forgery in the matter: Provided that listed entity shall maintain proof of delivery in their record(s).*

*C. Additional Documentation Requirements In Case Of Transmission Of Securities*

*.....*

*(2) In case of transmission of securities held in physical mode:*

*(a) where the securities are held in single name with a nominee:*

*.....*

*(ii) original or copy of death certificate duly attested by a notary public or by a gazetted officer;*

**SEBI Circular dated November 06, 2018**

***Standardised norms for transfer of securities in physical mode***

*2 b. Mismatch of name in PAN card vis-à-vis name on share certificate/ transfer deed:*

*In such cases, transfer shall be registered on submission of any of the four following additional documents explaining the difference in names:*

*i. Copy of Passport*

*ii. Copy of legally recognized Marriage Certificate*

*iii. Copy of gazette notification regarding change in name*

*iv. Copy of Aadhar Card*

*c. Major mismatch / Non-availability of transferor's signature: As per procedure laid down in LODR, in case of non-availability/ major mismatch in transferor's signature the transferor is required to update his / her signature by submitting bank attested signature along with an affidavit and cancelled cheque to the RTA/company. Multiple instances have been brought to the notice in such cases, where the transferor did not take efforts to update his signature since he had already received the consideration for the transfer. Further, in many cases, the transferors could not be traced now.*

*Accordingly, following procedure / documentation shall be followed for registration of transfer of securities, in such cases:*

*i. RTA/ company shall follow the procedure as laid down in Para (B)(2) of Schedule VII of LODR for major difference or non-availability of signature of the transferor(s).*

*ii. Issuers / RTAs shall make efforts to contact the transferor :*

1. by checking the Dividend history and obtaining the current contact details from the bank where dividend was encashed.
2. from the address, email ids and phone numbers, if any, available with the Depositories/KRA
- iii. In case of non-delivery of the objection memo to the transferor or non-cooperation by / inability of the transferor to provide the required details to the transferee, company/ RTA shall register the transfer after following the procedure as under:
  1. Following additional documents shall be collected from the transferee:
    - i. An indemnity bond from the transferee in the format placed at Annexure A;
    - ii. Copy of address proof -Passport / Aadhar Card / Driving License of the transferee.
    - iii. An undertaking that the transferee will not transfer/ demat the physical securities until the lock-in period specified under clause (4) below is completed.
  2. RTA may also verify the documents submitted by the transferee with the KYC details, if any, available with the Depositories/ KRAs.
  3. Companies / RTAs shall publish an advertisement in at least one English language national daily newspaper having nationwide circulation and in one regional language daily newspaper published in the place of registered office of the listed entity is situated, giving notice of the proposed transfer and seeking objection, if any, to the same within a period of 30 days from the date of advertisement. A copy of the advertisement shall also be published on the company's website.
  4. Transfer shall be effected only after the expiry of 30 days from the newspaper advertisement. The securities so transferred shall bear a stamp affixed by the company / RTA stating that these securities shall be under lock-in for a period of 6 months from the date of registration of transfer and should not be transferred / dematerialized during the said period.
  5. Names of the transferor, transferee and no. of securities transferred under this procedure shall be disclosed on the company's website for a period of 6 months from the date of transfer. This information shall also be displayed on stock exchange website as a corporate announcement;

**SEBI Circular dated April 20, 2018**

***Strengthening the Guidelines and Raising Industry standards for RTA, Issuer Companies and Banker to an Issue***

*3. Unless otherwise indicated in the annexure, the records /documents described in annexure shall be maintained for period not less than eight years after completion of the relevant transactions by Bankers to issue, Issuer Companies, and/or by RTAs on behalf of Issuer Companies*

***Annexure***

***I. Provisions with regard to Payment of Dividend/Interest/Redemption***

*2. In cases where bank account details of the securities holder is not available with RTA or there is change in bank account details, RTA shall obtain account details along with cancelled cheque to update the securities holder's data. The original cancelled cheque shall bear the name of the securities holder failing which securities holder shall submit copy of bank passbook /statement attested by the bank. RTA shall then update the bank details in its records after due verification. The unpaid dividend shall be paid via electronic bank transfer. In cases where either the bank details such as MICR (Magnetic Ink Character Recognition), IFSC (Indian Financial System Code), etc. that are required for making electronic payment are not available or the electronic payment instructions have failed or have been rejected by the bank, the issuer companies or their RTA may ask the banker to make payment through physical instrument such as banker's cheque or demand draft to such securities holder incorporating his bank account details.*

***II. Provisions with regard to Transfer/Transmission/Correction of Errors etc.***

*4. RTAs and Issuer Companies shall ensure that all updation in the folio records shall be enabled only through front end modules. No back-end entry/updation /correction should be permitted. RTAs and Issuer Companies shall ensure that "System Log" having complete details for any change (viz. nature of change, user access history, user identification, date/time of change etc.) must be maintained. This provision will come into effect after 90 days from the date of this circular.*

*9. RTAs and Issuer Companies shall frame a written policy and shall maintain strict control on stationery including blank certificates, dividend/interest/redemption warrants and shall periodically check by physical verification. The reconciliation report shall be maintained by the RTAs and concerned Issuer Company.*

.....

13. *The Issuer Company and RTAs shall exercise enhanced due diligence in following cases: i. Where dividend/interest/redemption remains unpaid for three years & above ii. PAN / bank account details not available in the folio. iii. Unclaimed suspense account constituted pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations. iv. IEPF suspense account set up pursuant to Companies Act 2013. v. Any other stringent criteria as decided by the Issuer Company and the RTAs. RTAs shall maintain a list of such account folios and share with the Issuer Company at the end of every quarter of a financial year.*

14. *RTAs shall have system based alerts for processing of all transactions in such account folios referred above in para 13. In case any request for transactions is received from such folios, the Issuer Company and RTAs shall exercise enhanced due diligence. For the purpose of exercising enhanced due diligence, Issuer Companies and/or RTAs shall call for documents related to proof of identity/address, PAN and bank details, and such other additional procedures that would enable the Issuer Company/RTA to reasonably satisfy itself about the genuineness of the request.*

15. *RTAs shall maintain a register containing details of records and documents destroyed. The register shall inter alia contain the following particulars: description of the records and documents destroyed, name of authority authorising the destruction, date of authorization of destruction, destroyed in whose presence (with signature) and date of destruction. The authenticity of the register shall be verified during internal audit. The register shall be maintained till perpetuity.*

17. I note that, the Noticee in its reply and during the hearing has not raised, any specific contentions. The Noticee has invariably agreed to the instances raised by the SCNs and ER and resultantly has admitted to the findings of the inspection and ER, and Noticee has placed on records, the causative factors and efforts taken to resolve the same, so that, in future such instances don't recur.

Agreements/ Tripartite agreement entered into by the Noticee

18. The SCNs have alleged that, Noticee had submitted that it had 62 listed companies as its clients and it had entered into valid agreements with 46 out of

said 62 listed client companies, however, during inspection, Noticee could produce valid agreement copies with only 30 client companies. After the inspection proceedings, Noticee submitted copies of agreements with 18 more Client Companies. In view of the same it was alleged that, Noticee did not have valid agreements with 14 client companies. In view of the above, it was alleged that, the Noticee by not entering into agreements with all its Clients before providing any services to them has violated the provisions of Regulation 18 of RTA Regulations, Clause 18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations, Regulation 9A(1)(b) of RTA Regulations, Draft Agreement in Annexure B of Schedule II in SEBI Circular dated October 11, 1994 and Clause 2 and Clause 3 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

19. I note from the reply of the Noticee that, the Noticee has admitted to the allegations in this regard and has *inter-alia* stated that, at that time everything was under process and situation was harder due to COVID 19, Some MOUs were misplaced during shifting of office, in due course all the observations have been resolved and now it is as per norms of SEBI. Further, the Noticee had also submitted that, for the rest of the Client Companies, the Noticee has stopped providing services to them.

20. I note that the Regulation 9A(1)(b) of the RTA Regulations provides that, “the RTA to enter into legally binding agreement with the body corporate or the person or group of persons for or on whose behalf it is acting as a registrar to an issue or a share transfer agent stating therein the allocation of duties and responsibilities between itself and such body corporate or person or group of persons, as the case may be”. Noticee in its reply to Pre inspection questionnaire has submitted the list of 62 Companies as its clients as on July 30, 2021 and also on March 31, 2019. I note from the ER and reply of the Noticee that, admittedly the Noticee was considering all the companies as its clients, without having an agreement with all of them, and was also providing services to them. It is noted that, Noticee has submitted such companies as clients, for which the agreement had expired long back and the entities were not available and even the invoices raised remained unpaid. I note from the ER and reply of the Noticee that, the

Noticee had submitted copies of agreements with 30 client companies out of the 62 clients during inspection. I note that, the SCN1 and ER states that agreement with additional 18 client companies were submitted, however, I note that Noticee in its reply submitted only additional 17 out of the 62 client companies post inspection, which are as follows:

**Table 1**

Sl. No.	Client Company	Response of Noticee	Agreement date	Service Period
1	Bhatpara Jute & Properties Limited	Yes, Valid Agreement available with us	14.03.2021	01.04.2021-31.03.2026
2	Bijco Holdings Limited	Yes, Valid Agreement available with us	28.03.2021	01.04.2021-31.03.2026
3	Bindawala Banijya Limited	Yes, Valid Agreement available with us	05.03.2021	09.03.2021-08.03.2026
4	Brahmanand Himghar Limited	Yes, Valid Agreement available with us	05.03.2021	10.03.2021 - 09.03.2026
5	Dg Vitta Vinimay & Properties Limited	Yes, Valid Agreement available with us	10.01.2021	10.01.2021-09.01.2026
6	GCM Capital Advisors Limited	Yes, Valid Agreement available with us	05.03.2021	06.03.2021-05.03.2026
7	Indo-Eco (India) Limited	Yes, Valid Agreement available with us	05.03.2021	09.03.2021-08.03.2026
8	Kemicare Products Limited	Yes, Valid Agreement available with us.	05.03.2021	11.03.2021 - 10.03.2026
9	Manphool Exports Limited	Yes, Valid Agreement available with us.	28.03.2021	1.04.2021-31.03.2026
10	Nidhan Commercial Company Limited	Yes, Valid Agreement available with us.	14.01.2021	14.01.2021-13.01.2026
11	Nilachal Refractories Limited	Yes, Valid Agreement available with us.	18.02.2021	18.02.2021-17.02.2026
12	O P Vanyjya Limited	Yes, Valid Agreement available with us.	09.04.2021	01.04.2021-31.03.2026
13	Panchratna Arts Ltd.	Yes, Valid Agreement available with us.	21.01.2021	21.01.2021 - 20.01.2026
14	Paramount Finco & Traders Limited	Yes, Valid Agreement available with us.	18.02.2021	20.02.2021-19.02.2021
15	RSD Finance Limited	Yes, Valid Agreement available with us.	21.01.2021	21.01.2021 - 20.01.2026
16	S.T. Services Limited	Yes, Valid Agreement available with us.	05.03.2021	11.03.2021 - 10.03.2026
17	Vaishno Cement Co. Limited	Yes, Valid Agreement available with us.	14.01.2021	21.01.2021 - 20.01.2026

21. From the Table 1 above, I note that, the 17 agreements submitted post inspection are dated in the months of January/February/March/ and April 2021, and for 3 of

them i.e, Bhatpara Jute & Properties Limited, Bijco Holdings Limited, Manphool Exports Limited, the service period begins from April 01, 2021, which was after the period of inspection. I also note that, for O.P. Vanijya Limited the date of agreement is April 9, 2021. However, I note that, from the submissions in the pre inspection questionnaire, it is inferred that, these 17 companies including the above said 4 companies were clients of the Noticee since March 31, 2019. The Noticee has not produced any client agreement for these client companies, which ought to have been entered before rendering services in 2019. Further, the Noticee failed to provide any explanation for not being able to produce, the 17 agreements during the course of inspection, which was mandated as per the RTA Regulations.

22. I Note from the ER and reply of the Noticee that, Noticee has claimed that services were stopped upon non-payment of invoices from its clients. In this regard, I note that, the RTA regulations and LODR regulations and various circulars issued thereunder, were issued with the intent of safeguarding the interest of investors, one such safeguards, devised under RTA regulations was with respect to continuity of service to issuer by RTA. I note that, Point 5 (vii) of Circular dated October 11, 1994 *inter-alia* provides that, RTA should not hold up the services being provided due to delay / despatch in payments by the clients, doing so would contribute to the violation of Companies Act, listing agreement and the Regulations of SEBI. In case of any substantial delay the matter should be immediately brought to the notice of SEBI / Stock Exchanges, in any case, services to investors should not be affected. I Note from the reply of the Noticee that, Noticee has claimed that services were stopped earlier, and the same was intimated to authorities like NSDL / CDSL / SEBI / Stock Exchange, however, I note that, the Noticee failed to produce any such intimation sent to authorities to substantiate its claim. Further, I note that, Clause 23, Code of Conduct under Schedule III of the RTA Regulations provides that, the RTA shall hand over all the records/data and all related documents which are in its possession in its capacity as an RTA to its client, within one month from the date of termination of agreement with the respective clients. I note from the ER and reply of the Noticee that, Noticee has not submitted any such document to substantiate its claim

regarding such transfer of records/data as envisaged under Clause 23 of Code of Conduct under Schedule III of the RTA Regulations.

23. I also note that, Regulation 43 (2) of the Securities And Exchange Board of India (Depositories And Participants) Regulations, 2018 provides that:

*“Where the issuer has appointed a Registrar to the Issue or Share Transfer Agent, who has been granted certificate of registration by the Board under sub-section (1) of section 12 of the Act, the depository shall enter into a tripartite agreement with the issuer and the Registrar to the Issue or Share Transfer Agent, as the case may be, in respect of the securities to be declared by the depository as eligible to be held in dematerialised form.”*

I note from the above, if a RTA is providing service to a listed company, though not a charge as per the ER/SCN, then a tripartite agreement between the RTA, Issuer and Depository should be executed. From the tripartite agreement, I note that it is obligatory not to change, discontinue or substitute RTA unless alternative arrangement has been agreed to by the depository. Also, it is obligatory including on the RTA not to assign to any other person / entity its function & obligations, relating to transactions with the Depository, without the approval of the depository.

24. In view of the above, I note that the reply of the Noticee that it had stopped rendering services to certain client companies without demonstrating compliance with the above requirements is not acceptable.

25. I also note that, in the past penalty of Rs. 3,00,000/- had been imposed on the Noticee under Section 15B of the SEBI Act vide AO Order dated September 19, 2018, *inter-alia*, for failure to enter into legally valid agreement with its clients.

26. In view of the above, I note that, Noticee was considering all the Companies as its Clients, and only when observations were made by SEBI in the course of inspection regarding unavailability of agreements, Noticee as an afterthought claimed to have stopped providing services to them. In view of the above, the Noticee by not entering into agreements with all its Clients before providing any



services to them as stipulated under RTA regulations, has violated the provisions of Regulation 18 of RTA Regulations, Clause 18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations, Regulation 9A(1)(b) of RTA Regulations, Draft Agreement in Annexure B of Schedule II in SEBI Circular dated October 11, 1994 and Clause 2 and Clause 3 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

#### Inward Processing

27. The SCNs have alleged that, Noticee during the Inspection had stated that it did not maintain any physical inward register, and that it maintained online record of inwards, however, upon checking online inward system for two demat request forms (920013 and 920008), and for six Dividend Revalidation requests, it was found that, the online inward register being maintained by the Noticee threw up multiple responses with one Inward number 920013, containing same DRN number, DP ID, Client ID etc., and none of the six Dividend Revalidation requests processed by the Noticee were inwarded. The SCNs further alleged that, in case of two demat requests viz. 920013 and 920008, there was a stamp in the document carrying a number scribbled on it, however, no such stamp or number was found in the six Dividend Revalidation requests. Therefore, it was alleged that the Noticee has violated the provisions of Sub Clause (a) of Clause 1 "Specific Activities" of Schedule I (Pg 17-18) of SEBI Circular "Instruction to Registrars to an Issue / share Transfer Agents" dated October 11, 1994 and, Clauses 2, 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.
28. I note from the Clause 1(a) of Schedule I of SEBI Circular dated October 11, 1994 that, the Noticee was obligated to, *inter-alia*, inward the mail pertaining to request for transfer/ transmission/ transposition/ other requests/ complaints by maintaining inward register on a day to day basis and Noticee was also obligated to affix stamp containing inward number and date of receipt on all transfer/ deeds/ letters pertaining to aforesaid requests.
29. I note from the ER and reply of the Noticee that, Noticee has not disputed the above finding and admittedly the Noticee was not maintaining the inward register,

and was maintaining it online and has now started complying with the relevant provisions pertaining to maintenance of inward. The Noticee in its reply has stated that, now the inward register is maintained, inwards are processed online, numbers are also generated online and issues in its online system have been rectified, and all the inwards are handled in a proper way. The Noticee further stated that, now the office also preserves photocopy of inwards for necessary action afterwards. I note that, Noticee has now claimed that, it has taken necessary corrective measures, however, the Noticee cannot simply take shelter under the assurances of future course correction with respect to adherence with the applicable regulations and circulars.

30. In view of the above, I note that, Noticee has admittedly violated the provisions of Sub Clause (a) of Clause 1 “Specific Activities” of Schedule I (Pg 17-18) of SEBI Circular “Instruction to Registrars to an Issue / share Transfer Agents” dated October 11, 1994 and, Clauses 2, 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

#### Transmission Requests

31. The SCNs have alleged that, Noticee had processed a total of 13 transmission requests during the Inspection Period, and Notarized Death Certificate was not sought before processing the following 3 transmission requests:

**Table 2**

Sr no.	Issuer Company	Folio no	No. of Shares in Folio	Date of processing	Value of Folio on date of processing
1	RSD Finance	K000323	1200	Mar 8, 2021	45,780
2	The India Jute Industries Ltd.	I000002	767200	Feb 26, 2021	7,67,200
3	Himadri Specialty Chemical Ltd.	S016798	1000	Mar 10, 2021	46,600

Therefore, it was alleged that the Noticee has violated the provisions of Clause C (2) (a) (ii)\* of Schedule VII read with Regulation 40 (7) of the LODR Regulations and, Clause 3 and Clause 16 of Schedule III read with Regulation 13 of the RTA Regulations.

*\*Provision as existing at the time of violation.*

32. I note from the ER and reply of the Noticee that, Noticee has not disputed the above findings, and submitted that the Death Certificates might have been misplaced while shifting its office during COVID pandemic, and that it carries out transmission request only by relying upon notarized Death Certificates.
33. I note that, the Noticee has failed to submit any satisfactory response to these allegation, except to assure that they shall not repeat the same in future. Further, considering the fact that, Noticee had processed a total of 13 transmission requests during the Inspection Period, and that the alleged violation observed in 3 cases out of those 13 case, which amounts to lapses in almost one fourth of the cases. This reflects the casual approach of the Noticee in adhering to the regulatory provisions. In view of the above, I note that the Noticee has admittedly violated the provisions of Clause C (2) (a) (ii) of Schedule VII read with Regulation 40 (7) of the LODR Regulations and, Clause 3 and Clause 16 of Schedule III read with Regulation 13 of the RTA Regulations.

#### Transfer Re-Lodgment Request

34. During the Inspection Period, the Noticee had processed 11 transfer re-lodgment requests, however, when the said requests were resubmitted for processing, the Noticee did not carry out necessary due diligence in terms of obtaining necessary documents, ensuring that the signatures were matching etc., in 9 instances, I note from the ER that *inter-alia* the following observations were made:

**Table 3**

Sr no.	Company Name; Seller folio no.; Date of Processing; Buyer folio; No of Share; Value of shares on Dt of processing	Observations of the DA
1	ASIAN TEA AND EXPORTS LIMITED; M001154 (MAYURI J RAIGAGLA, ARUNA SAMPAT, BHAVANA SAMPAT); 16.5.2019; B001695 (BHAVNA K SAMPAT JH-1 HARSHA A VED); 100; 1,157	i. The documents submitted for seller viz. Aruna Sampat mentioned that since she was a senior citizen, her PAN was not available and instead, she had provided her Senior Citizen card issued by Maharashtra government along with Election ID card. It was noted by the DA that, Signature of first holder of seller folio was in Gujarati in the specimen signature in Folio, but on transfer deed it was in English. Also, there was a major mismatch of second holder's signature in folio compared to the signature in the transfer deed. Further, the signature of the third holder was matching with the signature in the Noticee's records vis a vis that available in transfer deed. I note that third holder of the seller folio viz. Bhavana Sampat was the buyer herself.

		<p>These mismatches/documents should have called for necessary due diligence from the Noticee.</p> <p>ii. The DA also noted that, the Noticee had sent an Objection letter dated May 21, 2019 to the buyer asking for seller's PAN card only, and the said letter had no mention of Indemnity or Signature mismatch. However, the buyer had resubmitted the same set of documents and the Noticee had processed the request this time without the PAN card of seller ignoring its own letter of Objection issued to the entity.</p>
2	<p>RSD FINANCE LIMITED; R000249 (RAJESH R SHAH, JAYANT RAMANLAL SHSH, HEMLATA JAYANT SHAH); 22.05.2019; P000365 (PAYAL NIMISH SHAH); 800; 32,560</p>	<p>i. It was noted by the DA that, PAN of the seller was not available, and the same was highlighted in the Objection letter dated March 30, 2019. The buyer sent a letter saying that seller's PAN could not be provided because sellers were not agreeing and the Noticee still processed the request. Therefore, I note that Noticee processed the request without PAN of seller, and that there was nothing on record to connect owners of the share with the transaction.</p> <p>ii. The DA further noted that, the signature present for all three places for seller signature were similar, however, the said signature could not be verified with original because seller signature was not available in folio. However, the request was processed without any documents being sought with respect to signature unavailability as per LODR Regulations. The DA also noted that during the inspection, on subsequent days, it was found that the signature in seller folio had been updated, apparently from the transfer deed itself.</p> <p>iii. The DA noted that, the Noticee also did not maintain System Log of folio level changes being carried out, as mandated in SEBI Circular dated April 20, 2018. Therefore, the transfer was carried out without any evidence linking the sale to the original shareholder i.e. PAN and signature.</p>
3	<p>VAISHNO CEMENT CO. LIMITED ; H000378 (HIRANAND MEGHRAJMAL); 22.05.2019; J000673 (JITENDRA MOHANBHAI JADAV); 100; NA (Last trading price in BSE was of 2018, suspended from CSE and not listed on NSE)</p>	<p>i. The DA noted that, the seller PAN card provided with this transfer deed mentioned the seller PAN number as ASCPJ5526K. The last name of seller was 'Meghrajmal' and therefore the fifth character of the PAN card should have been 'M'; but here the fifth character was 'J'. The Noticee had accepted verbally at the time of inspection that as a matter of practice, it did not verify any PAN cards from Income Tax website or any other source. However, this PAN card came out to be a fake PAN card during the course of inspection.</p> <p>ii. The DA further noted that, there was clear difference in signature of the seller from what was available in Noticee's systems and that in the Transfer deed. Therefore, the Noticee carried out the transfer without requisite evidence linking the transfer to the original shareholder.</p>
4	<p>VAISHNO CEMENT CO. LIMITED; S001512 (SUBHASH</p>	<p>i. The DA noted that, Noticee had accepted that they had not collected the PAN card of seller.</p>

	CHANDER); 22.05.2019; R001539 (RAM AWATAR GUPTA); 200; <b>NA</b> (Last trading price in BSE is of 2018, suspended from CSE and not listed on NSE)	<p>ii. The DA also noted that, the transfer deed had two signatures of the seller, one each in Hindi and English. The signature in the folio details with the Noticee were only in English, which had a major mismatch from the English signature in the Transfer deed. I note that the Noticee sent objection dated March 30, 2019, however, the buyer resubmitted its original request with a copy of the circular dated November 06, 2018. Therefore, the Noticee should have followed the provisions of Clause 2 (c) (iii) of the SEBI Circular dated November 06, 2018, which prescribe the steps to taken in case of, interalia, non cooperation or inability of the transferor to provide required details to the transferee. The aforesaid steps stipulate taking indemnity bond from the buyer, copy of address proof of the buyer and an undertaking by the buyer to not transfer the shares until the prescribed lock in period. Further, the Noticee was also required to publish an advertisement seeking objections within a period of 30 days from the date of advertisement. However, I note that the Noticee processed the request without taking above mentioned steps.</p> <p>iii. The DA also noted that, I note that the request was processed by Noticee without evidence connecting transfer to the seller.</p>
5	HIMADRI SPECIALITY CHEMICAL LIMITED; K05120 (Patel Niruben Ramesh Kumar); 24.05.2019; P010126 (RAMESHBHAI TRIKAMLAL PATEL); 1000; 1,01,450	<p>i. The DA noted that, signature of seller was not available in folio of seller, however, the request was processed only on the basis of banker attestation and original cancelled cheque, not following the provisions stipulated in LODR Regulations.</p> <p>ii. The DA also noted that, I note that name of the seller was different in the submitted PAN card, Aadhaar card and on the share certificate. However, only affidavit was taken to process the request.</p> <p>iii. The DA further, noted that, Similarly, the name of buyer differed in PAN card and Aadhaar, and still the request was processed without taking any documents.</p>
6	HIMADRI SPECIALITY CHEMICAL LIMITED; T01993 (Patel Mohendrakumar Trikamlal); 24.05.2019; P010126 (RAMESHBHAI TRIKAMLAL PATEL); 3000; 3,04,350	<p>i. The DA noted that, the name on the PAN card of seller and on the share certificate were different, however, the request was processed merely only the basis of an affidavit.</p>
7	HIMADRI SPECIALITY CHEMICAL LIMITED; J005711 (Janak); 24.05.2019; S016797 (V SUNITHA); 4000; 4,05,800	<p>i. The DA noted that, the name of seller on the PAN card, Aadhaar card and on the share certificate were different, however, the transfer was processed on basis of affidavit.</p>
8	HIMADRI SPECIALITY CHEMICAL LIMITED; B001879 (Kantaben Bhalodia); 24.05.2019; B007236 (VIJAYBHAI RAVJIBHAI BHALODIA); 2000; 2,02,900	<p>i. The DA noted that, there was major mismatch in the signature of second holder from the available details with the Noticee vis a vis the request form. However, the Noticee still processed the request. I also note that in seller folio, first holder was Asha Wahi and second holder was Seema Wahi and in buyer folio first holder was Asha Wahi</p>
9	HIMADRI SPECIALITY CHEMICAL LIMITED; W001039 (ASHA WAHI JH-1 SEEMA WAHI); 24.07.2019; W001194 (ASHA WAHI JH-1 ASHOK KUMAR); 2270; 1,89,205	

		and second holder is Ashok Kumar. I note from the above that it can be inferred that Seema Wahi (the second holder) was actual seller, and the request should not have processed without taking clarification from her regarding the signature mismatch.
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In view of the observations at Table 3 above it was alleged that, the Noticee has violated the following provisions:

- Clause A(1) of Schedule VII read with Regulation 40(7) of the LODR Regulations
- Clauses B(1) and B(2) of Schedule VII read with Regulation 40(7) and 61(4) of the LODR Regulations
- Clauses 2(b) and 2(c) of SEBI Circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/139 dated November 06, 2018
- Clause 4 of Part II (Provisions with regard to Transfer/Transmission/Correction of Errors etc.) of Annexure to SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dt April 20, 2018
- Clauses 3 and 16 of Schedule III read with Regulation 13 of the RTA Regulations

35. I note that, the Regulation 40 of the LODR Regulations deals with 'Transfer or transmission or transposition of securities', and Clause 7 of the aforesaid regulation places the obligation on a listed entity to comply with the procedural requirements specified in Schedule VII with respect to, *inter-alia*, transfer of securities.

36. I further note that Clause A(1) of the Schedule VII mandates that for registration of transfer of securities, copy of PAN card of the seller and the buyer have to be collected by the listed entity. Further, Clauses B(1) and B(2) lay down the process to be followed in case of minor and major differences/non-availability, respectively, of the signature of the transferor. Additionally, Clauses 2 (b) and (c) of the SEBI Circular dated November 06, 2018 state the procedure to be followed in case of 'Mismatch of name in PAN card vis-à-vis name on share certificate/ transfer deed' and 'Major mismatch / Non-availability of transferor's signature', respectively.

37. I note from the ER and reply of the Noticee that, Noticee has not disputed the above finding and admittedly the Noticee has accepted all the lapses and has assured that, now it does not process transactions where such document mismatches or irregularities are found and all such processing on mismatched documents are stopped. I note that the aforesaid regulations and circulars etc., have laid down the specific procedural requirements that must be adhered to, in such instances of discrepancy or unavailability of PAN details and signatures mismatches. On one hand, the Noticee has, verified the details and issued observation/clarification letters, seeking details and requisite documents, on the other hand, Noticee has ignored its own observation and processed the requests based on the same set of documents and sometimes without receiving any clarification/documents, in a casual manner, in complete disregard to the aforesaid provisions. In one of these instances, referred above at S. No. 1, Table 3, I note that, even though PAN card was mandatorily required as per Clause 1 of Schedule VII (A) of SEBI circular dated October 11, 1994, Noticee executed the transfer without collecting the PAN card of one of the Transferors, ignoring its own letter of objection issued to the transferor in this regard. Apart from this, Major signature mismatch was also ignored while processing the request of transfer.
38. I note that, invariably in all these instances as referred in Table 3 above, the Noticee failed to implement even the most basic due diligence and care. E.g, ignoring fake PAN card, signature mismatch, details of buyer/seller etc. Such lax approach of the Noticee may directly/indirectly aid the attempts to defraud the stakeholders. These instances point to lack of due diligence and care on part of the Noticee and such laxity is not expected from an RTA.
39. The above violations comprise significant deviation from the applicable provisions, and as the aforesaid deviations had been observed in 9 out of 11 requests processed by the Noticee during the Inspection period, it further magnifies the lapses and its probable detrimental effects. The Noticee cannot simply take shelter under the assurances of future course correction with respect to adherence with the applicable regulations and circulars.

40. In view of the above, I note that the Noticee has violated the following provisions:

- Clause A(1) of Schedule VII read with Regulation 40(7) of the LODR Regulations
- Clauses B(1) and B(2) of Schedule VII read with Regulation 40(7) and 61(4) of the LODR Regulations
- Clauses 2(b) and 2(c) of SEBI Circular SEBI/HO/MIRSD/DOS3/CIR /P/2018/139 dated November 06, 2018
- Clause 4 of Part II (Provisions with regard to Transfer/Transmission/Correction of Errors etc.) of Annexure to SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018
- Clause 3 and 16 of Schedule III read with Regulation 13 of the RTA Regulations

#### Dividend Revalidation Requests

41. The ER noted that, Noticee had processed 123 Dividend revalidation requests during the Inspection Period, and top 13 requests having the highest amount of revalidated dividend were selected for inspection on a sample basis, and adverse observations pertaining to 10 requests were made. I note from the ER that *inter-alia* the DA made the following observations:

**Table 4**

#### A. Request No. 1

	Issuer Company	Folio no	Name of Shareholder	Request Processing Date	Dividend Amount	Observations in the ER
	Himadri Speciliaty Chemical Ltd.	10015993	Binod Maroti	20/03/2021	3300	The DA noted that, signature was not available in Folio of shareholder, so the signature on the request letter could not be tallied. Further, the Noticee had processed the request without taking any additional document. Noticee has submitted that the aforesaid issue occurred because of unavailability of network connection. In this regard, I note that, and as observed by Inspection as well, the details of signature should have been accessible considering that network comprised of Noticee's own software which did not require internet for accessing such details.



**B. Request No 2 to 8**

	N G Industries Ltd	P000174	Prem Prakash Agarwal	04.01.2021	1400
	N G Industries Ltd	P000174	Prem Prakash Agarwal	04.01.2021	1400
	N G Industries Ltd	P000174	Prem Prakash Agarwal	04.01.2021	1400
	N G Industries Ltd	P000174	Prem Prakash Agarwal	04.01.2021	1400
	N G Industries Ltd	P000174	Prem Prakash Agarwal	04.01.2021	1400
	N G Industries Ltd	P000174	Prem Prakash Agarwal	04.01.2021	1400
	N G Industries Ltd	P000174	Prem Prakash Agarwal	04.01.2021	1400
	N G Industries Ltd	P000174	Prem Prakash Agarwal	04.01.2021	1400

The DA noted that, the request was accepted on email so signature could not be matched. Further, email photocopy had not been inwards. The original cancelled cheque bearing the name of the shareholder or Copy of bank passbook / statement attested by the bank had not been sought, and only the scan of cheque on email had been accepted to effect the transfer.

The DA further noted that, the folio signature was that of Prem Prakash Agarwal, and the shareholder had changed name to Prem Prakash Tolasaria and the shareholder had submitted name change request to company with affidavit etc., but Noticee never sought to updated the new signature. Also the folio details of the shareholder continued to mentioned his name as Prem Prakash Agarwal and not Prem Prakash Tolasaria.

**C. Request No 9**

	Himadri Speciliaty Chemical Ltd	P008401	Kailash Kumar Poddar	20/03/2021	400	<p>The DA noted that, the request had been processed by the Noticee without any request from the shareholder, therefore, signature of the shareholder could not be verified. The request was processed on the basis of an email from the company asking to process the unclaimed dividend.</p> <p>Further, scan of cheque was provided but the IFSC code as mentioned in the scan was BKID0000097 and the same had been rewritten by hand as BKID000097. I note that the Noticee should have sought original copy of the cheque to avoid such mismatches and resultant issues.</p>
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#### **D. Request No. 10**

	Greenply Industries Limited	00018118	Brijesh Shah (HUF)	03/09/2021	270	<p>The DA noted that, the request letter was a color photocopy of the actual letter sent by the shareholder to Greenply Industries Ltd. I note that even though the aforesaid letter claimed that PAN and cancelled cheque had been enclosed, the Noticee could not produce the same to the Inspection team.</p>
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In view of the observations at Table 4 above it was alleged that, the Noticee has violated the provisions of Sub-Clause (2) of Clause I (Provisions with regard to Payment of Dividend/Interest/ Redemption) of annexure to SEBI circular dated April 20, 2018 and Clauses 2, 3 and 16 of Schedule III read with Regulation 13 of RTA Regulations.

42. I note from the ER and reply of the Noticee that, Noticee has not disputed the above finding and admittedly the Noticee has accepted all the lapses and has assured that, now it processes transactions upon signature matching etc. It is noted from the reply of the Noticee that, Noticee submitted that for some requirements problems arose due to repair of the network system by the service provider and situation arose due to severe covid 19, and lack of staff., and now these have been resolved, also the network provided by the service provider has

been improved. I note that, the Noticee cannot take shelter under the contention that, the problem arose due to the service provider/lack of staff etc., as the responsibility to process the request with required due diligence and while adhering to the applicable laws lay upon the Noticee. I further note that, and as observed by Inspection, the details of signature should have been accessible considering that network comprised of Noticee's own software which did not require internet for accessing such details. It was the duty of the Noticee that, technical/administrative issues, if any, should have been rectified without delay on the part of the Noticee. In view of the above the contention of the Noticee appears to be a mere afterthought. I note that the aforesaid regulations and circulars etc., have laid down the specific procedural requirements that must be adhered to, in such instances. I note that, Noticee has processed the requests based on emails and photocopy of the cheques, without matching of signatures etc., without seeking any clarification/documents, in a casual manner, in complete disregard to the aforesaid provisions and without following the basic due diligence. Noticee failed to adhere to the necessary norms or professional standards, whether in terms of applicable provisions or otherwise, to ensure that the requests were genuine and the dividends were being transferred to genuine shareholders. For instance, for Request No.1, the signature was not available in the folio and the Noticee processed the request without tallying it, without seeking any additional documents, for Request No. 2-8, the entity has changed its name and submitted the documents in this regard, however, the request was processed merely on email request, without calling for the original of cancelled cheque, which was required in cases of change in details of Bank account., for Request No. 9, Noticee failed to request original cancelled cheque despite observing the discrepancy in IFSC details of the account., and for Request No. 10, the request was processed without copy of Original Cancelled cheque or the PAN of the shareholder, merely on the basis of photocopy of request letter sent to the listed company. In all these 10 instances, it has been observed that, Noticee acted without exercising necessary due diligence in a lackadaisical manner and failed to implement even the most basic due diligence and care and such laxity is not expected from an RTA.

43. The above violations exhibit significant deviation from the applicable provisions, and as the aforesaid deviations had been observed in 10 out of 13 requests processed by the Noticee during the Inspection period, it further magnifies the lapses and its probable detrimental effects. The Noticee can not simply take shelter under the assurances of future course correction with respect to adherence with the applicable regulations and circulars. In this regard, it is noted that, Noticee failed to fulfill its obligations in a prompt, ethical and professional manner and also failed to exercise due diligence, ensure proper care and exercise independent professional judgment.
44. In view of the above discussions, I note that the Noticee has admittedly violated the Sub-Clause (2) of Clause I (Provisions with regard to Payment of Dividend/Interest/ Redemption) of annexure to SEBI circular dated April 20, 2018 and Clause 2, 3 and 16 of Schedule III read with Regulation 13 of RTA Regulations.

Payment of revalidated dividend only through electronic bank transfer

45. The SCNs have noted that, Noticee had processed a total of 124 requests for Dividend Revalidation during the period of inspection for the company viz. Himadri Speciality Chemical Ltd. Out of the said 124 requests, only 23 were processed electronically through NEFT and the remaining 101 requests were processed through Demand Draft ('DD'). In view of the same, it was alleged that, Noticee has violated the provisions of Regulations 14 and 15 of the RTA Regulations, Sub-Clause 2 of Part I (Provision with regard to payment of Dividend /Interest/Redemption of Annexure to SEBI circular dated April 20, 2018 and Clause 3 and Clause 16 of Schedule III read with Regulation 13 of RTA Regulations.
46. I note that, Clause 2 of Part I of the SEBI Circular dated April 20, 2018 *inter-alia*, states that, in cases where bank account details for effecting electronic transfer are not available or electronic payment instruction have failed/ been rejected by the bank, the Noticee might ask the banker to make payment through physical instrument such as DD, incorporating the shareholder's bank account details.

47. I note from the ER and reply of the Noticee that, Noticee has not provided any reason why payment was not done electronically. Noticee has claimed to have kept records of all revalidation request, however, the Noticee failed to produce copies of the DDs/or any other record to show that shareholder's bank account details had been incorporated. It is noted that, Noticee has not disputed the above finding and admittedly the Noticee has accepted all the findings and has assured that, payment revalidation dividend is done only through electronic Bank Transfers and DD copies are being kept. Noticee claimed that, now they are working as per instructions.

48. I note that the aforesaid regulations and circulars etc., have laid down the specific procedural requirements that must be adhered to, in such instances of Payment of revalidated dividend. It is noted that, Noticee has processed the Payment of revalidated dividend through DD, in complete disregard to the aforesaid provisions. Noticee did not adhere to the necessary stipulations, whether in terms of applicable provisions or otherwise, to ensure that the records for such Payment of revalidated dividend were maintained. In all these 101 instances, it has been observed that, Noticee acted without maintaining necessary records, and failed to act in a professional manner. The Noticee can not simply take shelter under the assurances of future course correction with respect to adherence with the applicable regulations and circulars. These instance points to lack of required level of knowledge and competency on part of the Noticee to abide by the provisions of the Act, rules, regulations, circulars and directions issued by the Board and such laxity is not expected from an RTA.

49. In view of the above, I note that the Noticee has admittedly violated the provisions of Regulations 14 read with Regulation 15 of the RTA Regulations, further read with Sub-Clause 2 of Part I (Provision with regard to payment of Dividend /Interest/Redemption of Annexure to SEBI circular dated April 20, 2018 and Clause 3 and Clause 16 of Schedule III read with Regulation 13 of RTA Regulations.

Maintenance of system log

50. The SCNs have noted that, the Noticee had not maintained any 'System Log', which could store details of any change being carried out through the front end modules in the folio details. In view of the above, it was alleged that, Noticee has violated the provisions of Regulation 18 of RTA Regulations, Clauses 3,16,18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations, Clause 4 of Part II (Provisions with regard to Transfer / Transmission / Correction of Errors etc.) to Annexure to SEBI circular dated April 20, 2018.

51. I note that, Clause 4 of Part II to Annexure to SEBI Circular dated April 20, 2018, provides that:

*“RTAs and Issuer Companies shall ensure that all updation in the folio records shall be enabled only through front end modules. No back-end entry/updation /correction should be permitted. RTAs and Issuer Companies shall ensure that “System Log” having complete details for any change (viz. nature of change, user access history, user identification, date/time of change etc.) must be maintained. This provision will come into effect after 90 days from the date of this circular.”*

52. In view of the abovementioned provision of Clause 4 of Part II to Annexure to SEBI Circular dated April 20, 2018, I note that, the Noticee was required to *inter-alia*, ensure that all updation in the folio records shall be enabled only through front end modules. No back-end entry/updation /correction was to be permitted, the Noticee was further obligated to ensure, that a “system log” having details of any change in folio records must be maintained.

53. In terms of provisions of Regulation 18 of the RTA regulations, the Noticee was *inter-alia*, obligated to produce to the inspection team such books, accounts and other documents in its custody or control and furnish them with the statements and information relating to the transactions in securities market within such time as the said officer may require, provide reasonable access/facility to records/documents/computer data etc. and give to the inspecting authority all assistance in connection with the inspection which Noticee was reasonably expected.

54. Further, Clause 18 of Schedule III (Code of Conduct) read with of RTA Regulations provides that:

*“18.A Registrar to an Issue and Share Transfer Agent shall not neglect or fail or refuse to submit to the Board or other agencies with which he is registered, such books, documents, correspondence, and papers or any part thereof as may be demanded / requested from time to time.”*

55. I Note from the SCNs that, Noticee failed to produce the ‘system logs’ and failed to offer any explanation, as to why it had not maintained the System Log of folio level changes carried out in each folio as specified in SEBI Circular dated April 20, 2018. Accordingly, it was observed that the Noticee was in violation of the said requirement for almost 4 years i.e., from the date of Circular to the date of inspection. I note from the response of the Noticee dated February 24, 2022 to the Inspection had submitted that *‘Please note currently, we do not have separate login id for separate users, hence we are not maintaining any such log system in our system software.’* I further note from the reply of the Noticee that, Noticee has not disputed the above finding and admittedly the Noticee has submitted that, *‘Now we have developed the system log and separate login ID has been generated.’*

56. I note that the aforesaid regulations and circulars etc., have laid down the specific procedural requirements that must be adhered to, and Noticee was required to maintain a system log and produce the same to the inspection team. I note from the abovementioned provisions and discussions that, the Noticee had not maintained any ‘System Log’, which could store details of any change being carried out through the front end modules in the folio details. I further note that, Noticee has failed to maintain any system log and failed to produce the same during inspection, in complete disregard to the aforesaid provisions. Noticee has admitted lapse on its part, and has only claimed to have started complying after the inspection. The Noticee can not simply take shelter under the assurances of future course correction with respect to adherence with the applicable regulations and circulars. This non adherence of the Noticee points to failure of the Noticee to exercise due diligence, ensure proper care and exercise independent

professional judgment and lack of required level of knowledge and competency on part of the Noticee to abide by the provisions of the Act, rules, regulations, circulars and directions issued by the Board and such laxity is not expected from an RTA.

57. In view of the above, I note that the Noticee has admittedly violated the provisions of Regulation 18 of RTA Regulations, Clauses 3,16,18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations, Clause 4 of Part II (Provisions with regard to Transfer / Transmission / Correction of Errors etc.) to Annexure to SEBI circular dated April 20, 2018.

System based alerts to exercise Enhanced Due Diligence for certain cases

58. The SCNs have noted that, the Noticee has claimed that it maintained identification of folios for enhanced due diligence, however, during inspection the Noticee failed to generate list of folios marked for enhanced due diligence, and that its IT service provider stated that there was no such system in place to mark the folios with pop-ups etc. In this regard, the Noticee claimed that all information which would categorize a folio as one requiring enhanced due diligence was available with it in physical form, however, the Noticee failed to clarify on how it would implement enhanced due diligence, from its physical database every time they had to process a request in the online system. In view of the above the SCNs alleged that, Noticee has violated the provisions of Clause 13 and Clause 14 of SEBI Circular dated April 20, 2018 and Clause 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

59. I note that as per Clause 13 of SEBI Circular dated April 20, 2018 the Noticee was obligated to exercise enhanced due diligence and maintain a list of such account folios and share with the Issuer Company at the end of every quarter of a financial year, with respect to certain cases, which are as follows:

- i. Where dividend/interest/redemption remains unpaid for three years & above
- ii. PAN / bank account details not available in the folio.
- iii. Unclaimed suspense account constituted pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations.



- iv. IEPF suspense account set up pursuant to Companies Act 2013.
- v. Any other stringent criteria as decided by the Issuer Company and the RTAs.

RTAs shall maintain a list of such account folios and share with the Issuer Company at the end of every quarter of a financial year.

60. I note that as per Clause 14 of SEBI Circular dated April 20, 2018 the Noticee was inter-alia obligated to have a system based alerts for processing of all transactions in such account folios referred above in Clause 13 of SEBI Circular dated April 20, 2018. In case any request for transactions from such folios, the Noticee shall exercise enhanced due diligence and call for documents related to proof of identity/address, PAN and bank details, etc., to reasonably satisfy itself about the genuineness of the request.

61. In this regard, I note from the SCN and the ER that, a bank account updation request which was received for shareholder viz. Ms Kailashben Patel, wherein the bank account details were not updated and the dividend remained unpaid for more than 3 years, and such account should have been marked for enhanced supervision, was not marked despite fulfilling 2 requirements of Clause 13 (i) and (ii) of SEBI Circular dated April 20, 2018.

62. I also note from the ER that the name of shareholder on PAN card and on the Bank Cheque was 'Kailashben J Patel' and 'Kailashben Jagjivanbhai Patel' respectively whereas the name of shareholder in Noticee's records was 'Kailashben Patel', which qualify as a major difference in the name on PAN Card and that in Noticee's records, w.r.t. spelling of first name and missing middle name, also, there was major difference in the name of account holder as per cheque and that in Noticee's records, w.r.t. missing middle name. In this regard, I note that, in terms of Clause 14 of SEBI Circular dated April 20, 2018, Noticee was required to seek further documents i.e., seeking marriage certificate, Gazette notification etc. from the client, however, the Noticee failed to take sufficient steps to ensure genuineness of the request.

63. I note from the ER that, account number and passbook provided by the shareholder was of Dena Bank but the shareholder had requested for credit of dividend in Bank of Baroda account number ending with 0334 based on an SMS from "JD-BOBSMS". Noticee has, *inter-alia*, submitted that the said issue had occurred because of merger of Dena bank with Bank of Baroda bank. In this instance also, I note that, the Noticee failed to seek further documents i.e., Bank passbook copy or cheque of the account mentioning shareholder's name.

64. I note that the aforesaid regulations and circulars etc., have laid down the specific procedural requirements that must be adhered to, and Noticee was required to maintain a system to implement the enhanced due diligence. I note from the SCNs and ER that the Noticee had not maintained any such System. The Noticee has claimed that, it has maintained the physical records, however, as per the inspection team, these remained independently unverified due to paucity of time. I note from the SCNs and ER that, the Noticee failed to provide any satisfactory reply, regarding how it will utilise the physical records for performing Enhanced Due Diligence for requests received online, I note that, the lack of any system in place to utilise the physical records to ensure the implementation of enhanced due diligence shows that, the physical records maintained by the Noticee were not sufficient to ensure the implementation of enhanced due diligence. The one instance of Ms Kailashben Patel as checked during inspection, reflects that the Noticee failed to perform Enhanced Due Diligence, in complete disregard to the aforesaid provisions. Noticee has admitted lapse on its part, and has only claimed to have System based alerts to exercise Enhanced Due Diligence and have started complying after the inspection. The Noticee can not simply take shelter under the assurances of future course correction with respect to adherence with the applicable regulations and circulars. This non adherence of the Noticee points to failure of the Noticee to exercise due diligence, ensure proper care and exercise independent professional judgment and lack of required level of knowledge and competency on part of the Noticee to abide by the provisions of the Act, rules, regulations, circulars and directions issued by the Board and such laxity is not expected from an RTA.

65. In view of the above, I note that the Noticee has violated the provisions of violated the provisions of Clause 13 and Clause 14 of SEBI Circular dated April 20, 2018 and Clause 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

Issuing letters to physical shareholders (whose PAN, Bank details were not available)

66. I note that in terms of provisions of Clause 12 of Part II of the SEBI Circular dated April 20, 2018, Noticee was obligated to take special efforts to collect copy of PAN, and bank account details of all securities holders holding securities in physical form and send communications to the Client Companies in order to sensitize them regarding the requirement of updating PAN/ bank account details by the shareholders.

67. It is noted from the SCNs and ER that, the Notice in its reply to pre-inspection questionnaire, regarding implementation of the provisions regarding PAN and Bank Account collection drive as mandated in SEBI Circular dated April 20, 2018, stated that, it maintains PAN and Bank account in respect of shareholder(s) of each of its client company. Further, during the course of inspection when Noticee was asked that, whether it had made any effort to sensitize its client companies regarding the requirements of PAN and Bank Account collection drive, the Noticee verbally submitted that it had done the needful, however, it could not produce any letters issued to client companies to sensitize them regarding requirements of SEBI Circular dated April 20, 2018 but submitted the letters / emails it had sent to the shareholders for updating their PAN and Bank account details. Further, it was observed that Noticee probably had made some efforts to sensitize its client companies regarding the requirement of collecting PAN & Bank Account details of shareholders. However, Noticee was not able to establish the same as it had not kept any records.

68. The Noticee in response to the Letter of Observation issued by SEBI pursuant to inspection, submitted an explanation regarding the steps taken in order to sensitise its Client Companies with regard to PAN and Bank A/c details collection

drive. However, Noticee had failed to offer any explanation as to why it had not maintained the records as prescribed enabling SEBI Inspection team to verify the same.

69. In view of the above the SCNs alleged that, the Noticee has violated the provisions of Regulations 14 and 15 of RTA Regulations, Clause 3 of SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018, Clause 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

70. I note that, Clause 12 of Part II of the SEBI Circular dated April 20, 2018, provides as follows:

*“12. Issuer Companies through their RTAs shall take special efforts to collect copy of PAN, and bank account details of all securities holders holding securities in physical form as mentioned below. While collecting details, RTAs shall ensure that*

*i. They preserve a verifiable record as on the date of this circular regarding the folios which do not have PAN/bank account details.*

*ii. They send a letter under registered/Speed post seeking PAN and bank details (a copy of the PAN card and original cancelled cheque leaf /attested bank passbook showing name of account holder) within 90 days of the circular and two reminders thereof after the gap of 30 days. All the 3 letters will have 21 days’ notice period to provide the details.*

*iii. In case of residents of Sikkim, the requirement of PAN Card be substituted with a valid Identity proof issued by Government.*

*iv. Records of all communications sent, replies received and decisions taken in the matter shall be properly maintained. The same information shall also be linked to and available in each such folio.*

*v. Securities holders who are unable to respond to RTA call and provide PAN and bank details within 180 days of the circular or have informed that the securities available in their name as per the records of RTA does not belong to them, shall be subject to enhanced due diligence by Issuer Company.*

*vi. A list of all such accounts with complete details shall be shared by the RTAs with the Issuer Companies within 30 days of completion of notice period of the last reminder.*

*Thereafter any transaction in the physical securities should done be with enhanced supervision by company and RTAs.”*

71. I note that, in terms of Clause 12 of Part II of the SEBI Circular dated April 20, 2018, Noticee was obligated to send communications to the shareholders of the client companies in order to update PAN/ bank account details by the shareholders, and also to maintain record of communications. Further, in terms of Regulations 14 and 15 of the RTA Regulations and Clause 3 of SEBI Circular dated April 20, 2018, the Noticee was required to maintain such records for minimum of 8 years.
72. From the above, I note that, the Noticee was obligated to take special efforts to collect copy of PAN and bank account details including, inter-alia, sending registered/ speed post seeking PAN and bank details within 90 days of the circular and two reminders thereafter, in a gap of 30 days, maintaining records of such communications, marking folios for enhanced supervision in case shareholders were unable to provide the details within 180 days of the circular etc. I note that not only the Noticee was obligated to send such communications, but was also obligated to maintain records of the same.
73. I note from the reply of Noticee to the SCNs that, it has not made any specific submissions with respect to the allegation regarding issuing letters to physical shareholders (whose PAN, Bank details were not available). I note from the SCN and ER that, although it appeared that, Noticee has taken certain efforts for the same, the Noticee failed to produce any records to substantiate its claim.
74. In view of the above, I note that the Noticee has violated the following provisions of Regulations 14 and 15 of RTA Regulations, Clause 3 of SEBI Circular dated April 20, 2018 and Clause 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

Control on stationery

75. It is noted from the SCNs that, the Noticee had submitted in its reply to pre-inspection questionnaire that it had maintained policy of control on stationary. However, when the Noticee was asked to show the hard copy of such policy document, it could not produce the same. Noticee, in this regard, had submitted that it did not provide document on policy control on stationary during the inspection period because the Inspection team of SEBI did not ask again in the matter. Therefore, SEBI vide its email dated September 15, 2022 again asked the Noticee to produce the policy of control on stationery. In response, the Noticee vide letter dated September 20, 2022 submitted a General Insurance Policy from insurer United India which it had taken for insurance of the premises and the contents thereof. It is observed that the Insurance Policy Document submitted had nothing to do with the Policy Document on Control of Stationary of the Noticee. In view of the same, the SCNs alleged that, Noticee has violated the provisions of Regulation 18 of RTA Regulations, Clauses 3,16,18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations and Clause 9 of SEBI Circular dated April 20, 2018.

76. I note that, as per the provisions of Clause 9 of Part II of the SEBI Circular dated April 20, 2018, the Noticee was required to frame a written policy and maintain strict control on stationery including blank certificates, dividend/ interest/ redemption warrants etc. Further, the Noticee was obligated to periodically check the same by physical verification, and maintain a reconciliation report.

77. I note from the SCN and the ER that, Noticee could not provide the policy on control of stationary either during the course of inspection or after the inspection, instead of that, Noticee submitted a general Insurance Policy taken for insurance of the premises and the contents thereof. From the above, I concur with the findings of EA that, the Noticee was not even aware of the requirement of a policy for control on stationery for a RTA, as stipulated in Clause 9 of Part II of the SEBI Circular dated April 20, 2018.

78. I note from the replies of the Noticee to the SCNs that it has not made any specific submission regarding the instant allegation regarding policy for Control on stationery.

79. In view of the above, I note that the Noticee has violated the provisions of Regulation 18 of RTA Regulations, Clauses 3,16,18 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations and Clause 9 of SEBI Circular dated April 20, 2018.

Maintenance of register for record of destruction of documents

80. It is noted from the SCN that, the Noticee did not have a practice of destroying the original physical share certificates even after dematerialization of those shares and also could not provide the proof regarding practice of destruction of dividend DDs which returned undelivered. In view of the above, the SCNs alleged that, Clause 15 of Part II (Provisions with regard to Transfer/Transmission/Correction of Errors etc.) of Annexure to SEBI Circular dated April 20, 2018 and Clause 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

81. I note that as per the provisions of Clause 15 of Part II of SEBI Circular dated April 20, 2018, the Noticee was obligated to maintain a register containing details of records and documents destroyed. Further, Noticee was obligated to verify the authenticity of such register during internal audit, and the same should have been maintained till perpetuity.

82. I note from the reply of the Noticee and ER that, Noticee has submitted that, it now preserves the scan / xerox copies of physical share certificates and the original are destroyed and same process is followed for DDs. I note from the reply of the Noticee that, it has taken corrective measures regarding its practices pertaining to maintenance of register for record of destruction of documents. However, mere taking of corrective measures by Noticee cannot absolve Noticee from the violations it has committed till the inspection team raised the issue.

83. In view of the above, I note that the Noticee has violated the provisions of Clause 15 of Part II (Provisions with regard to Transfer/Transmission/Correction of Errors

etc.) of Annexure to SEBI Circular dated April 20, 2018 and Clause 3 and Clause 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

### **Conclusion:**

84. I conclude based on the above discussions that, the Noticee *inter-alia*, provided services without entering into valid agreements with clients, failed to maintain any physical inward register and its online system was also flawed, failed to collect requisite documents for processing transmission requests, failed to process Transfer Re lodgment request as per extant regulations/circulars etc., failed to process dividend revalidation request in adherence to the regulations/circulars etc., paid majority of revalidated dividend only through DD and failed to keep a record of the same, failed to maintain a system log, failed to maintain a system for System based alerts to exercise Enhanced Due Diligence, failed to produce records for issuing letters to physical shareholders, whose PAN, Bank details were not available, failed to frame policy regarding Control on stationery and failed to maintain a register for record of destruction of documents. As discussed in the foregoing paragraphs, the Noticee *inter-alia* failed to meet the requirements mandated under RTA Regulations, LODR Regulations, failed to abide by the code of conduct and violated the provisions of various circulars i.e, SEBI Circular dated October 11, 1994, SEBI Circular dated November 06, 2018 and SEBI Circular dated April 20, 2018. In view of the facts and circumstances discussed in the foregoing paragraphs, I am convinced that this is a fit case for passing appropriate order against the Noticee as contemplated under the Intermediaries Regulations, 2008.

85. I note that there is no finding on record that brings out that the activities of the Noticee have caused loss to any client or have impacted the securities market in any manner. Further, no material has been brought out in the examination report to prove any undue gain to the Noticee. However, I note that in the past penalty of Rs. 3,00,000/- had been imposed on the Noticee under Section 15B of the SEBI Act vide AO Order dated September 19, 2018, *inter-alia*, for failure to enter into legally valid agreement with its clients.



86. Having considered the recommendation of the DA and violations committed by the Noticee, I agree with the recommendations of the DA.

**ORDER / DIRECTIONS**

87. In view of the above, I, in exercise of powers conferred upon me under Section 19 of the SEBI Act, Regulation 23, 27 and 35 of the Intermediaries Regulations, do hereby issue following directions: -

- 87.1. The Noticee i.e., S.K.Infosolutions Private Limited is warned to be careful and diligent in the conduct of its business of RTA;
- 87.2. The Noticee shall appoint an independent qualified practicing Company Secretary, who does not have any conflict of interest and who has not been engaged earlier by the Noticee, to conduct audit of corrective actions taken to cure lapses noted during the Inspection Period, with respect to the RTA operations of the Noticee.;
- 87.3. The Noticee shall file report of such audit, within 45 days of this order, to the “Division Chief, Division of Post-Inspection Enforcement Action, Market Intermediaries Regulation and Supervision Department, SEBI Bhavan II, Plot No. C7, G Block, Bandra Kurla Complex, Bandra (East) Mumbai - 400051.”

88. The Order shall come into force with immediate effect.

89. A copy of this order shall be served on the Noticee.

**Date: October 06, 2023**

**K SARAVANAN**

**Place: Mumbai**

**CHIEF GENERAL MANAGER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**