

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

SETTLEMENT ORDER
IN SETTLEMENT APPLICATION NO. 6549 OF 2021
FILED BY CAPITAL SMALL FINANCE BANK LIMITED [PAN: AABCC3632Q]

1. Capital Small Finance Bank Limited (“**Applicant**”), had filed a *suo motu* Settlement Application (“**Application**”) in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (“**Settlement Regulations**”) proposing to settle, admitting the findings of fact and conclusions of law, through a Settlement Order, the enforcement proceedings that may be initiated against it, for the alleged violations of Section 67(3) of the Companies Act, 1956 read with corresponding provisions of the Companies Act, 2013 and the provisions of the erstwhile SEBI (Disclosure and Investor Protection) Guidelines, 2000 (“**DIP Guidelines**”).
2. The applicant in the application submitted that it had made an allotment of its equity shares to 402 persons on 14 occasions in tranches from May 01, 2004 to March 28, 2005. The said allotment was in violation of Section 67(3) of the Companies Act, 1956 and the DIP Guidelines.
3. Applicant provided an exit option by making an invitation to offer to tender the Adjusted Shares, and upon purchase of the Adjusted Shares, to pay the refund of the subscription amount along with interest to the identified shareholders. However, none of the identified shareholders accepted the invitation of Offer for sale of the Adjusted Shares or any part thereof. This was certified by an independent peer reviewed Chartered Accountant M/s H.S. Makkar & Co.
4. The Applicant had also filed a compounding application for violation of Section 67(3) of Companies Act, 1956 with National Companies Law Tribunal (“**NCLT**”). Vide order dated November 26, 2021 NCLT had imposed a penalty and the application was accordingly disposed of.

5. Pursuant to receipt of the Application, the authorized representative of the Applicant had a meeting with the Internal Committee of SEBI on February 23, 2022 and deliberated on the terms of the settlement. Thereafter, the Applicant vide letter dated March 02, 2022 proposed revised settlement terms to settle the proceedings that may be initiated against it.
6. The High Powered Advisory Committee (“**HPAC**”) in its meeting held on March 17, 2022, considered the revised settlement terms proposed by the Applicant and recommended the case for settlement upon payment of ₹5,80,000/- (Rupees Five Lakhs Eighty Thousand only). The aforesaid amount was remitted by the Applicant on April 22, 2022. The receipt of the above payment to SEBI is confirmed.
7. In view of the above, in exercise of the powers conferred under Section 15JB read with Section 19 of the Securities and Exchange Board of India Act, 1992 and in terms of Regulations 23 read with Regulation 28 of the Settlement Regulations, it is hereby ordered that the proceedings that may have been initiated for the alleged defaults as mentioned at paragraph 1 above are settled *qua* the Applicant as per the following terms:
 - i. SEBI shall not initiate enforcement action against the Applicant for the said default;
 - ii. this Order disposes of the proceedings that may be initiated for the said default as mentioned above, in respect of the Applicant; and
 - iii. passing of this Order is without prejudice to the right of SEBI under Regulation 28 of the Settlement Regulations to take enforcement actions including commencing proceedings against the Applicant, if SEBI finds that:
 - (a) any representation made by the Applicant in the present settlement proceedings is subsequently found to be untrue;
 - (b) the Applicant has breached any of the clauses/ conditions of undertakings/ waivers filed during the present settlement proceedings; and
 - (c) there was a discrepancy while arriving at the settlement terms.

8. This Settlement Order is passed on this 10th day of June, 2022 and shall come into force with immediate effect.
9. In terms of Regulation 25 of the Settlement Regulations, a copy of this Order shall be sent to the Applicant and shall also be published on the website of SEBI.

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S.K. MOHANTY
WHOLE TIME MEMBER

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ANANTA BARUA
WHOLE TIME MEMBER