

SETTLEMENT ORDER NO. EAD-3/JS/GSS/ 80 /2018-19
(Settlement Application No. 3828/2018 under SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014) and SEBI (Settlement Proceedings) Regulations, 2018

In the matter of:
Axis Trustee Services Limited (PAN: AAHCA3172B)
SEBI registered Debentures Trustee bearing SEBI registration no. IND000000494

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') initiated adjudication proceedings in respect of Axis Trustee Services Limited (hereinafter, referred to as "applicants") for the alleged violations of Regulation 15(1)(g)(iii) & (iv) of the SEBI (Debenture Trustees) Regulations, 1993 (now Regulation 15(1)(q)(iii) & (iv) of SEBI (Debenture Trustees) (Amendment) Regulations, 2017) (herein after referred to as Debenture Trustee Regulations), SEBI circular CIR/MIRSD/3/2013 dated March 15, 2013, Clause 19 of Code of Conduct read with Regulation 16 of SEBI (Debenture Trustees) Regulations, 1993 and SEBI Circular MIRSD/DPS III/Cir-11/07 dated August 06, 2007
2. The details of non-compliances, alleged to have been committed by the applicant, under the aforesaid provisions are summarized in the table mentioned below:

| Nature of Violation | Details of provisions violated |
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| Reliance Communications Limited had defaulted in repayments of the principal as well as interest due on Non-Convertible Debentures (NCDs) issued by it. The Credit Rating Agencies (CARE and ICRA) downgraded the ratings assigned to NCDs issued by RCL to default (D) as the issued company delayed in payment of interest as well as principal due on its NCDs. | 1. Noticee has not monitored the payment of interest/ principal made by the issuer Company to debenture holders as stipulated under Regulation 15(1)(g)(iii) & (iv) of SEBI (Debenture Trustees) Regulations, 1993 (now Regulation 15(1)(q)(iii) & (iv) of SEBI (Debenture Trustees) (Amendment) Regulations, 2017), so as to ascertain and satisfy |

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| <p>The Noticee was acting as Debenture Trustee for the aforementioned NCDs issued by the issuer company.</p> | <p>itself that the debenture holders have been paid the dues in timely manner.</p> <ol style="list-style-type: none"> 2. Noticee did not carry due verification to ascertain status of payment of NCDs. 3. Non-cooperation by the issuer company was not shared by the Noticee with the Credit Rating Agencies, which led to the violation of SEBI circular CIR/MIRSD/3/2013 dated March 15, 2013. 4. Noticee, in its half-yearly report, submitted for the half-year ended March 31, 2017, did not mention RCL in the list of companies which have defaulted in payment of interest/ principal on their NCDs. This led to violation of Clause 19 of Code of Conduct of Regulation 16 of Debenture Trustee Regulations. 5. Noticee neither issued a press release nor informed SEBI regarding default by RCL in payment of interest/ principal to the debenture holders on due dates and thus, violated SEBI Circular MIRSD/DPS III/Cir-11/07 dated August 06, 2007. |
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3. In view of above, it was alleged that Noticee had violated Regulation 15(1)(g)(iii) & (iv) of the SEBI (Debenture Trustees) Regulations, 1993 (now Regulation 15(1)(q)(iii) & (iv) of SEBI (Debenture Trustees) (Amendment) Regulations, 2017) (herein after referred to as Debenture Trustee Regulations), SEBI circular CIR/MIRSD/3/2013 dated March 15, 2013, Clause 19 of Code of Conduct read with Regulation 16 of SEBI (Debenture Trustees) Regulations, 1993 and SEBI Circular MIRSD/DPS III/Cir-11/07 dated August 06, 2007.
4. Thereafter, SEBI, vide communique / order dated August 14, 2018, appointed an Adjudicating Officer under Section 15I of the Securities and Exchange Board of India Act,

1992 (hereinafter be referred to as “SEBI Act”) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 to inquire into and adjudge under section 15HB of SEBI Act, 1992, against the applicant for aforesaid alleged violations.

5. A Show Cause Notice dated September 06, 2018 (hereinafter, referred to as “SCN”) was issued to the applicant, wherein it was inter-alia alleged that applicants are in violation of aforesaid provisions of Debenture Trustees Regulations and SEBI circulars, as mentioned above.
6. Subsequently, vide Hearing Notice (HN) dated November 1, 2018, an opportunity of personal hearing was provided to the Noticee on November 13, 2018. However, the Noticee vide e-mail dated November 09, 2018, sought for adjournment of personal hearing. Thereafter, vide another HN dated November 13, 2018, the Noticee was granted another opportunity of personal hearing on November 28, 2018. Subsequently, the Authorized representatives (ARs) of the Noticee, at the time of personal hearing scheduled on November 28, 2018, submitted that that the Noticee would like to file an application under the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 (hereinafter be referred to as, the “Settlement Regulations, 2014”), and it was requested to keep the adjudication proceedings in abeyance.
7. Subsequently, Axis Trustee Services Limited, submitted application no. 3828/2018 for settlement of the proceedings in respect of aforesaid alleged violations against it, in terms of SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 (hereinafter referred to as ‘Settlement Regulations, 2014’).
8. Thereafter, in terms of provisions of Regulation 4(2) of the Settlement Regulations, 2014, the Panel of WTMs approved the condonation of delay of 28 days in filing of the application by the applicant, on December 31, 2018. Subsequently, the Operational Department of SEBI, vide communication dated January 02, 2019, advised to keep the Adjudication Proceedings on hold till disposal of the Settlement application. Thereafter, as part of the settlement process, the Authorized Representatives(ARs) of the applicant were called for an

Internal Committee (IC) meeting on January 15, 2019. While the application was being processed for formulating the settlement terms, the new SEBI (Settlement Proceedings) Regulations, 2018 came into effect (i.e. from January 01, 2019). Accordingly, the settlement amount was arrived at with new calculations in terms of Regulation 34 (repeal and savings clause) of the SEBI (Settlement Proceedings) Regulations, 2018.

9. Thereafter, vide letter dated January 18, 2019, the applicant proposed revised terms of Rs. 15,93,750 (Rupees Fifteen Lakhs Ninety Three thousand Seven Hundred and Fifty only), towards settlement terms without accepting or denial of any wrong doing. Since, the revised terms, as proposed by the applicant were in line with the amount formulated by the IC, the matter was placed before High Powered Advisory committee (HPAC) held on January 30, 2019. The HPAC, after considering the facts and circumstances of the case, settlement terms offered by the applicant and the material made available before it, recommended that the aforesaid adjudication proceedings initiated against the applicant may be settled on payment of Rs. 15,93,750 (Rupees Fifteen Lakhs Ninety Three thousand Seven Hundred and Fifty only). The Panel of Whole Time Members of SEBI approved the said recommendation of HPAC on March 11, 2019 and the same was communicated to the applicant vide e-mail dated March 12, 2019.
10. The applicant vide letter dated March 18, 2019, paid a sum of Rs. 15,93,750 (Rupees Fifteen Lakhs Ninety Three thousand Seven Hundred and Fifty only) towards the settlement charges through Demand Draft No. 003472 dated March 15, 2019 drawn on Axis Bank Limited. This was communicated to AO on March 29, 2019, by the operational department of SEBI.
11. Since, the aforesaid settlement application was processed under SEBI settlement Regulations, 2018. Therefore, by virtue of proviso to regulation 4, which reads as *“the settlement amount determined in accordance with Schedule-II of these regulations, shall be increased by twenty five percent”* the Noticee, was liable to pay increased twenty five percent on the settlement amount for the delay in the filing of the Settlement application. The same was communicated to the applicant vide email dated March 26, 2019.

12. Subsequently, after communication from SEBI, the Noticee, as informed by the operational department, remitted Rs. 3,98,438 (Rupees Three Lakh Ninety Eight Thousand Four Hundred and Thirty Eight only) through Demand Draft No. 003496 dated March 28, 2019 drawn on Axis Bank Limited, favouring SEBI towards the terms of settlement in the matter.
13. In view of the above, in terms of Regulation 15(1) of the Settlement Regulations, 2014, read with Regulations 23(1) and 34 of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “Settlement Regulations, 2018), it is hereby ordered that this settlement order disposes the adjudication proceeding initiated against the Axis Trustee Services Limited vide SCN dated September 06, 2018.
14. As per the regulation 19 of the Settlement Regulations, 2014 read with Regulation 28(1) of SEBI (Settlement Proceedings) Regulations, 2014, this order is without prejudice to the rights of SEBI to take enforcement actions including restoring or initiating the proceedings in respect to which this settlement order was passed against the Applicant, if :
- i) any representations made by the Applicant in the present settlement proceedings are subsequently found to be untrue; or
 - ii) the Applicant breaches any of the clauses / conditions of undertakings / waivers filed during the present settlement proceedings.
15. In terms of Regulation 17 of Settlement Regulations, 2014 read with Regulation 25 of SEBI (Settlement Proceedings) Regulations, 2018, a copy of this order is being sent to the Applicant / Noticee and for publication on the website of SEBI.

Date: April 02, 2019
Place: Mumbai

Jeevan Sonparote
Adjudicating Officer