

**SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER**

UNDER SECTION 12 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 27 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008.

In respect of:

NOTICEE	SEBI REGISTRATION No.
M/s. Satellite Corporate Services Private Ltd.,	INR000003639

BACKGROUND

1. Satellite Corporate Services Private Ltd. (hereinafter referred to as '**SCSPL**' or '**Noticee**') is registered with Securities and Exchange Board of India ('**SEBI**') as a Category I –Registrar to an Issue & Share Transfer Agent ("**RTA**") under registration number INR000003639.
2. SEBI conducted inspection of books of accounts and other records of the Noticee from December 09, 2020 to December 18, 2020 and January 28, 2021 to January 29, 2021 at its office located at "Office No. A/106-017, Dattani Plaza, East West Compound, Andheri Kurla Road, Safed Pool, Sakinaka, Mumbai — 400 072 (Maharashtra). The period covered under the inspection was from April 01, 2018 to October 31, 2020.
3. During the course of inspection of the Noticee, certain deficiencies were observed. Pursuant thereto, enquiry proceedings were initiated against the Noticee by appointing a Designated Authority ('**DA**') to enquire into the violation of conditions of registration laid down in the SEBI (Registrars to an Issue & Share Transfer Agents) Regulations, 1993 ('**RTA Regulations**') read with SEBI

(Intermediaries) Regulation, 2008 (**'Intermediaries Regulations'**), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**'LODR Regulations'**) and the Circulars issued by SEBI from to time.

4. The DA issued show cause notice dated November 10, 2022 (**'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(i) of the Intermediaries Regulations read with Section 12(1) of the Securities and Exchange Board of India Act, 1992 (**'SEBI Act'**) and Regulation 9A(1) of the RTA Regulations.
5. Upon service of the SCN-1, the Noticee vide letter dated December 01, 2022 requested for inspection of records and documents which was duly granted on December 08, 2022, wherein, the Authorised representatives of the Noticee conducted inspection of documents.
6. In the meantime, some factual errors were observed in the SCN-1, consequently, the DA issued a supplementary notice dated December 09, 2022 (**'SCN-2'**). The SCN-1 and 2 contained allegations against the Noticee regarding deficiencies in transfer of shares and issuance of duplicate share certificate which are as follows:-

6.1 Transfer of Share

Table-1

Name of the Company	No. of Instances	Remarks
i. Transfer request processed without obtaining seller PAN card.		
Interface Financial Services Ltd.	4	4.8 Crore shares worth Rs.86.40 Lakh on the date of processing.
Sword-Edge Commercials Limited	1	10.3 lakh shares worth Rs.65 Lakh on the date of processing.
Welcon International Limited	1	1.9 lakh shares worth Rs.28.5 Lakh on the date of processing.
ii. The seller PAN card is fake (as checked from Income tax website).		
Classic Filaments Limited (CFL)	36	19.28 lakh shares worth Rs. 3.11 Crores on the date of processing.

iii. In 74 instances the address proof of buyer was not collected.
iv. In 1 instance, the company in whose name transfer was processed did not exist on the date of transfer.

6.2 Issue of Duplicate Share Certificate

- i. In 62 instances, the Noticee failed to obtain FIR/Police Complaint;
- ii. In 50 instances, the advertisement was not obtained by the Noticee although value of the respective folio on date of issuance of duplicate share certificate was above prescribed value of Rs.10,000/-.
- iii. In 7 instances, the Noticee failed to collect PAN card and address proof of the claimant.

6.3. In view of the above allegations, it was alleged that the Noticee violated: -

Table-2

Particulars	Violations Observed
Transfer of Share related	<ol style="list-style-type: none"> i. Clause A(1) of Schedule VII read with Regulation 40(7) of the LODR Regulations; ii. Clause 3.4 of SEBI Circular dated April 27, 2007; and iii. Clauses 1, 2, 3 and 16 of Schedule III read with Regulation 13 of the RTA Regulations
Issue of Duplicate Share Certificate	<ol style="list-style-type: none"> i. Clause 5 of "Norms for objection' and Clause 20 of "General Norms for Processing of Document" of SEBI Circular - RTI Circular No. 1 (2000-2001) dated May 09, 2001; and ii. Clause 3 of Schedule III read with Regulation 13 of RTA Regulations.

7. The Noticee vide letter dated December 16, 2022 requested for 3 weeks time to file written reply. As the DA had granted opportunity of hearing to the Noticee on January 05, 2023, therefore, the Noticee was granted time till January 03, 2023 to file written reply. Again the Noticee vide letter dated January 03, 2023 sought additional time of 3 weeks to file reply on ground of filing quarterly compliances and also sought adjournment of hearing dated January 05, 2023. In the interest of natural justice, the DA granted time till January 15, 2023 to the Noticee to file written reply and granted opportunity of hearing on January 17, 2023.

2023. Vide email dated January 16, 2023, the Noticee filed written reply and availed opportunity of hearing on January 17, 2023. Subsequently, the Noticee vide email dated January 18, 2023 filed post hearing submissions.

8. The DA submitted an enquiry report dated January 31, 2023 (**“Enquiry Report”/ “ER”**) observing that the Noticee violated Clause A(1) of the Schedule VII read with Regulation 40(7) of the LODR Regulations, Clause 3.4 of SEBI circular dated April 27, 2007 and Clauses 1, 2, 3 and 16 of Schedule III read with Regulation 13 of the RTA Regulations. Further, it was observed that the Noticee violated Clause 5 of ‘Norms for objection’ and Clause 20 of “General Norms for Processing of Documents” of SEBI Circular – RTI Circular No.1 (2000-2001) dated May 09, 2001 and Clause 3 of Schedule III read with Regulation 13 of the RTA Regulations. The DA recommended the Noticee be prohibited from accepting new client(s) for a period of 3 months.
9. The enquiry report dated January 31, 2023 was forwarded to the Noticee vide show cause notice dated February 20, 2023 (**“SCN-3” (collectively the SCN-1, 2 and 3 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 March 13, 2023 submitted that it is in process of filing an application under SEBI(Settlement Proceedings) Regulations, 2018. The Noticee vide letter dated April 10, 2023 informed about filing of settlement application and sought time of 3 weeks to file reply to the SCN-3.
10. The Noticee vide letter dated May 06, 2023 has filed reply to the SCN-3, whereby, the Noticee has submitted as follows: -
 - a. For the period covered under inspection, CDSL and/or NSDL have also conducted inspection of the Noticee, however, they have not raised any discrepancy in their inspection/sign off report in respect of the observation made in the SCN and ER. Further, audit report in respect of internal audit, conducted every 6 months for the period 01.10.2018 to

30.09.2022 for NSDL/Depository operations, mentioned that the Noticee has been in total compliance with the provisions, rules and regulations of the law.

Transfer of Share

- b. Only issue/allegation is in respect of 36 i.e. processing of transfer request of issuer company namely Classic Filaments Limited on the basis of fake PAN card of seller. In respect of the other observations with respect to transfer of shares in the SCNs, SEBI has either accepted the Noticee`s submissions or issued administrative warning.
- c. As per internal control system of the Noticee, one of its staff was engaged in verifying PAN card details with the Income Tax Department (“ITD”) on random/sample basis. It was not possible for the Noticee to check each and every PAN on ITD portal as there was limitation w.r.t input of phone number. Hence, verification was done on sample basis.
- d. At the relevant time, there was no specific circular mandating verification of PAN number from ITD portal. PAN verification by RTAs was made mandatory vide SEBI circular bearing no. SEBI/HO/MIRSD/MIRSD-RTAMB/P/CIR/2021/655 dated 03.11.2021. The Noticee has procured license through paid site and got itself registered for bulk PAN verification for smooth verification of PAN on daily basis.
- e. It verified the name of transferor as per certificate/transfer deed and their signatures. Accordingly, it processed the transfers and sent them to the company for its approval. Upon approval, annexed as Annexure 4 to the Noticee letter dated 16.01.2023, by the company i.e. CFL, certificates were dispatched.
- f. Post inspection, the Noticee has sent letters to the concerned transferees, whose PAN were alleged to be fake, however, no responses

were received from their end. Subsequently, the Noticee has filed a complaint dated 05.12.2022 with Sakinaka Police Station.

Issue of Duplicate Share Certificate

With respect to issuance of duplicate shares without obtaining FIR/Police report.

- g. During the inspection period, the Noticee processed issuance of duplicate share certificate for 8 companies pertaining to 90 requests (135 certificate). There were no observations in respect of 7 companies for 73 requests and the only observation is in respect of issuance of duplicate share certificate of Zota Healthcare Limited (**“Zota”/ “Company”**). Issuance of 62 duplicate certificates for which FIR/Police complaint was not filed consisted of 17 applications.
- h. The process of issuing duplicate share certificate was initiated by Zota, who approached its shareholder to convert shares in dematerialized mode. Zota informed the Noticee that shareholders have expressed to Zota difficulty in respect of certain regulatory compliances. Considering the requests of the shareholders, Zota waived requirement of filing FIR. The loss of shares was intimated to stock exchange and all other documents such as indemnity, affidavit, etc., were obtained from the shareholders. As agent of Zota, the Noticee was bound by the decision taken by the clients.
- i. SEBI Circular dated 09.05.2001 under General Norms stated that the Company /STA shall necessarily obtain certain documents duly executed by the claimant, prior to issue of duplicate shares to them. Para 23 of the said circular also stated that ‘In case the Company/ STA issues duplicate share certificate based on any other documents, then the Company/STA shall be solely responsible for the issue of such duplicate share certificates. Accordingly, the Company is responsible in case of any claims arising in cases of issuance of duplicate shares without obtaining FIR/police complaint. In respect of the said 62 instances, for

which no police complaint/FIR was filed, the company had taken due action as approved by its Board.

- j. In compliance with rules, regulations and byelaws, the Noticee had requested Zota to send details in respect of FIR/police complaint and copy of public notice, whenever the value of shares exceeded more than Rs.10,000/-. Since, Zota had taken policy decision to waive requirement of FIR/Police Complaint/public notice, Zota sent resolution dated August 06, 2016 to the Noticee. The said communication was done by Zota with one of the employees of the Noticee (Ms. Rajashree Poojary).
- k. At the relevant time, the Noticee was operating from old premises of New Samhita Commercial Co-operative Society Ltd. Due to commencement of major repair work by the Society from February 2020, the Noticee had to relocate its record to a safer place. In March 2020, Covid-19 hit the country due to which repair work could not be carried out and completed. In June 2020, due to heavy rains water seeped in the office of the Noticee. Consequently, remaining records were shifted urgently. During the said shifting, Noticee`s communication sent to Zota in respect of its request to provide with FIR/police complaint in respect of instances of issuance of duplicate shares got misplaced.
- l. In post inspection analysis, administrative warning is recommended for issuance of duplicate shares without obtaining FIR/police complaint.

With respect to instances of duplicate shares without obtaining advertisement where folio value exceeded Rs.10,000/-

- m. Alleged 50 instances consisted of 12 unique folios as folio nos and serial nos were repeated.
- n. Out of 8 companies, requisite documents were taken by the Noticee for all 7 companies. As Zota had taken decision to waive public notice, the Noticee followed instructions of Zota. The Noticee has done its due

diligence while processing the request and sent documents for approval of Zota.

- o. The process of issuing duplicate share certificate was initiated by Zota. Zota informed the Noticee that, as shareholders had expressed their inability to meet requirements, Zota waived requirement of public notice. Zota issued duplicate share certificate by following alternative procedures like obtaining indemnity affidavit, surety, etc., except filing FIR and releasing advertisement. Zota authorized a director for issuance of duplicate share certificates. Zota satisfied itself with the application and took due action as approved by the Board. In terms of para 23 of SEBI Circular dated 09.05.2001, Zota is responsible for issue of such duplicate share certificates.
- p. Limit of Rs.10,000/- was changed in 2022 to Rs.5,00,000/-. The cost of releasing public notice was increased by three times and due to this 50% to 70% of value of shares for which duplicate share certificates were issued were spent on public notice from the year 2001 to 2018-19.
- q. The post inspection analysis mentioned that reply of the Noticee may be accepted and administrative warning may be issued.

With respect to issuance of duplicate share certificates without collecting PAN card and address proof from the claimant

- r. There were only 5 instances as folio no. 000613 and 000501 were repeated. The PAN and Aadhar Cards were already available with the Noticee in KYC documents. Thus, to avoid further inconvenience, PAN and address proof was not obtained. In the case of Ms. Maya, there was no change in address of the claimant, hence, separate address proof was not obtained. The duplicate share certificate was dispatched to the claimant at address registered with the company. The claimant had subsequently submitted these share certificates for dematerialization which showed that the address of the claimant was correct and valid.

- s. In the case of Mr. Raj wati also, there was no change in address of the claimant, hence, separate address proof was not obtained. The duplicate share certificate was dispatched to the claimant at address registered with the company and the article did not return undelivered. Subsequently, the claimant had sold the said shares which were received for transfer from his name. Hence, the address of the claimant was correct and valid. In the case of Varshaben Doshi and Rajesh B Sheth (HUF), demat request form and PAN details were available in the records of the Noticee. In the case of Ripal K Tandel, folio no. 000501, driving license was submitted towards address proof.
- t. The purpose of carrying out inspection is not punitive and the object is to make the intermediary comply with the procedural requirements in regard to the maintenance of records. Every minor discrepancy/irregularity found during the course of inspection is not culpable and the object of the inspection could well be achieved by pointing out the irregularities/ deficiencies to the intermediary at the time of inspection and making it compliant. It is not being suggested that if any serious lapse is found during the course of the inspection, SEBI should not proceed against the delinquent.
- u. Over a period of time, the Noticee has performed its duties in the best interest of its clients (Issuer Company) and shareholders at large. The Noticee has never derived any unfair gain in any manner whatsoever while performing its duties as RTA. Importantly, no loss is caused to any person due to its acts and omission, if any.
- v. Post inspection it had reviewed its operations including the process and procedures followed by it and wherever required it had taken all remedial and corrective measures so as to ensure that lapses, if any do not recur.

11. The Noticee was granted an opportunity of hearing on June 19, 2023, wherein, Mr. Keyur Shah, Advocate, along with Mr. Kushal Shah, Chartered Accountant, and Mr. Michael Monteriro, Director of the Noticee, appeared for the hearing and submitted on lines of reply dated May 06, 2023. Subsequently, the Noticee vide letter dated June 23, 2023 has withdrawn settlement application.

CONSIDERATION

12. I have gone through the SCNs, Enquiry Report, Noticee's replies and written submissions.
13. Before proceeding further, it is pertinent to refer to extracts of the relevant provisions involved in the present matter: -

RTA Regulations, 1993

To abide by Code of Conduct.

Regulation 13. *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.*

SCHEDULE III RTA Regulations, 1993 [Regulation 13] CODE OF CONDUCT

1. *A Registrar to an Issue and Share Transfer Agent shall maintain high standards of integrity in the conduct of its business.*
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.*

LODR Regulations, 2015

Transfer or transmission or transposition of securities.

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

**SCHEDULE VII
LODR Regulations, 2015
[Regulation 40(7)]
TRANSFER 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.*

RTI CIRCULAR NO. 1 (2000-2001) dated May 09, 2001

Norms for objection

Sr. No	Reason for Objection	Procedure to be followed by Companies / STAs
05	Share Certificate/s reported to be missing / lost / stolen by Registered Holder/s and subsequently not transferred or subsequently lodged for transfer by a transferee	<p>1. When a request for 'stop transfer' is received by the Company/ STA from the Registered holder/s, Company/STA to first verify the signature of the Registered holder/s on the 'stop transfer' instructions with the specimen signature/s in the records of the Company/ STA.</p> <p>2. If the signature of the Registered holder on the 'stop transfer' instructions is in order, Company/STA to :</p> <p>0. Record caution immediately on the certificate/s involved.</p> <p>1. To give notice to the Registered Holder to produce any of the following, which should necessarily mention the date of loss, distinctive nos., certificate nos. within 21 calendar days of intimation of loss by them :</p>

		<ul style="list-style-type: none"> • Copy of F.I.R., or copy of acknowledged police complaint, or copy of an injunction order passed by a Court of competent jurisdiction or copy of plaint along with confirmation that the Suit filed has been accepted by the Court and Suit no. has been given, which shall necessarily mention the date of loss, distinctive nos. and certificate nos. of share certificates lost, duly lodged by the registered holder and • An Affidavit executed before a First Class Magistrate or Notary Public affirming that the involved share have not been sold (Annexure-08) <p>1. - Immediately inform all the Stock Exchanges where shares are traded, regarding loss reported by the registered holder upon receiving any one of the documentary proof, under 5.2.3 above, from the registered holder</p> <ul style="list-style-type: none"> ○ Issue advertisement for loss of share certificates at the cost of claimant ○ Issue duplicate certificate as per General guideline no. 23 <p>2. If the said certificate are lodged with the Company/ STA for transfer, after 'stop transfer' instructions received from the Registered Holder:</p> <p>0. Company/ STA to confiscate the share certificate/ transfer deeds received for transfer</p> <p>Company/ STA to issue Objection memo in the prescribed format in original to</p>
--	--	--

		the transferee, who has lodged the 'stop transfer' shares for transfer, marking the reason as "Share Certificate/s found as missing / lost / stolen" alongwith documents as per 5.2.2 and General guideline no. 6 and 20.
--	--	---

General norms for processing of documents.

20. Company objections issued by companies/ STAs for the reason of 'missing/ lost/ stolen/transferred on basis of forged transfer deeds' shall necessarily be accompanied with the following documents:

- Copy of both sides of transfer deed (s)
- Copy of both sides of certificate
- Original objection memo with the reason
- Copy of FIR/ police complaint/ Court injunction order/ Copy of plaint where the Suit filed has been accepted by the Court and Suit no. has been given, which shall necessarily have details of date of loss, DNRs, certificate nos.

Alternatively, Company/ STA may also issue:

- A notice to Stock Exchange detailing the DNRs/ certificate nos. involved alongwith name of person filing FIR/police complaint/ court case/ Summary of court case like name of court, date of loss/ Original holder stop transfer or third party stop transfer/ date of court order/ summary of court order to enable the identification of broker who has introduced the shares after loss.
- A copy of notice issued by Stock Exchange to the company for loss of shares from the Clearing House with details as above
- A copy of advertisement issued for loss of shares issued by Company/ STA/ registered holder

Note:

In the absence of valid police complaint/ FIR/ Court order/ Copy of plaint filed in the Court alongwith the case no, Company/ STA shall not issue an objection and Company/STA shall necessarily demand such document from the person lodging the complaint for stopping transfer or reporting missing/ loss/ stealing of securities.

In case duplicate shares have already been issued, date of issue of duplicates, and name and address of the person to whom duplicates have been issued and copy of indemnity bond based on which duplicates were issued, are to be provided.

Circular No. MRD/DoP/Cir - 05/2007 dated April 27, 2007

Permanent Account Number (PAN) to be the sole identification number for all transactions in the securities market.

3. The intermediaries are advised in this regard as under: -

- 3.4. to cross-check the aforesaid details collected from their clients with the details on the website of the Income Tax Department i.e. <http://incometaxindiaefiling.gov.in/challan/enterpanforchallan.jsp>.

14. I note that the Noticee has contended that enquiry proceedings have been initiated against it pursuant to observations made during inspection conducted for the period April 01, 2018 to October 31, 2020. For the period covered during the inspection, audits/inspection were conducted by CDSL and NSDL. However, no discrepancy was raised by CDSL and/or NSDL in their inspection/sign off report. Further, internal Audit was conducted by an independent firm for NSDL depository operations. No discrepancy was observed in the reports for the internal audit which confirms that the Noticee was in compliance of the SEBI rules and regulations.

15. I note that inspection reports of CDSL, relied upon by the Noticee, has certified:-

- a. That the required internal control, checks, risk management procedures are in place.
- b. That depository operation is being carried out as per the Operating instruction and Bye Laws of CDSL.
- c. Adequate staff, hardware and software are available and is in existence at the office.

16. It appears that inspections conducted by CDSL/NSDL and internal audits conducted for NSDL depository operations were directed towards depository operations being conducted by the Noticee. I note that neither CDSL/NSDL inspection reports nor the internal auditors have observed that the Noticee is in compliance of provisions of SEBI Regulations and circulars which are in question in the SCNs or ER. I find that CDSL/NSDL, auditors and SEBI conducted inspection/audit of the Noticee independently in exercise of their respective powers. Findings and observations made by SEBI during its inspection do not get affected merely because the said findings were not observed during internal audit by the auditors and/or inspection by CDSL/NSDL.

Transfer of Shares

17. The allegations against the Noticee under the head of transfer of shares are divided into four sub-heads i.e. (1) processing transfer requests without

obtaining seller PAN card, (2) processing transfer requests based on fake PAN card of the seller, (3) failure to obtain proof of address of buyer, (4) transfer in name of non- existing company.

18. The SCNs have alleged that the Noticee processed 4 requests for transfer of shares of Interface Financial Services Limited, constituting 4.8 crore shares worth Rs.86.40 lakh on date of processing, without obtaining seller PAN card. The Noticee processed 1 request for transfer of share of Sword Edge Commercials Limited, constituting 10.3 lakh shares worth Rs.65 lakh on the date of processing, without obtaining seller PAN card. Further, the Noticee processed 1 request for transfer of shares of Welcon International Limited, constituting 1.9 lakh shares worth Rs.28.5 lakh on the date of processing, without obtaining seller PAN card.

19. Further, the SCNs have alleged that the Noticee processed 36 requests for transfer of shares of Classic Filaments Limited ("**CFL**"), constituting 19.28 lakh shares worth Rs.3.11 Crores on the date of processing, on the basis of fake PAN card of the seller. It is also alleged that the Noticee in 74 instances failed to collect address proof of buyer. Further, it is alleged that the Noticee processed one transfer request, wherein, the company in whose name transfer was processed did not exist.

20. The submission of the Noticee is that only issue/allegation is in respect of 36 i.e. processing of transfer request of issuer company namely CFL on the basis of fake PAN card of seller. In respect of the other observations with respect to transfer of shares in the SCNs, SEBI has either accepted the Noticee's submissions or issued administrative warning.

21. I note from the inspection report and ER that 36 transfer request in the case of CFL were processed on the basis of fake PAN card of seller. The Noticee has also not disputed that the said requests were processed on the basis of fake PAN card of seller. With respect to the said allegation, the Noticee has submitted that one of its staff members verified the PAN card details with

Income Tax Department (“ITD”) portal on random/sample basis. The process of checking the PAN card from the ITD portal is a time consuming process and requires OTP to be input every time the PAN number is to be verified. Checking each and every PAN card detail of the parties to transfer was difficult as there were some issues with the ITD portal. It was not possible to check each and every PAN on ITD portal as there was limitation w.r.t input of phone number, hence, verification of PAN cards was done on sample basis.

22. Further, it is submitted that, at the relevant time, there was no specific circular mandating verification of PAN number from ITD portal. The bulk upload verification was made available to RTAs only on and around September 2021. PAN verification by RTAs has been made mandatory vide SEBI circular bearing no. SEBI/HO/MIRSD/MIRSD-RTAMB/P/CIR/2021/655 dated November 03, 2021. The Noticee verified the name of transferor as per certificate/transfer deed and their signatures. Accordingly, the Noticee processed transfers and sent them to the company for its approval. Upon approval, annexed as Annexure 4 to the Noticee letter dated January 16, 2023, by the company i.e. CFL, certificates were dispatched.

23. Post inspection, the Noticee has sent letters to the concerned transferees, whose PAN were alleged to be fake, however, no responses were received from their end. Accordingly, the Noticee filed a complaint dated December 05, 2022 with Sakinaka Police Station.

24. I note that several discrepancies were observed during the inspection of the Noticee by SEBI. For some of the discrepancies, administrative letter dated April 21, 2022 has been issued to the Noticee. Deficiencies observed with respect to transfer of shares are divided into four sub-heads i.e. (1) processing transfer requests without seller PAN card, (2) processing transfer requests based on fake PAN card of seller, (3) failure to obtain proof of address of buyer, (4) transfer in name of non-existing company. In the post inspection analysis, the concerned department of SEBI recommended that response of the Noticee may be accepted with respect to observations in relation to processing of

transfer requests without sellers PAN card and processing of transfer in name of non-existing company. Further, with respect to observations made in relation to failure to obtain proof of address of buyer, it was recommended that administrative warning may be issued. Enquiry proceedings were recommended with respect to observations made in relation to processing of transfer requests based on fake PAN card of the seller. The Competent Authority accepted the recommendations of the department. In view thereof, I find that allegations against the Noticee with respect to (1) processing transfer requests without sellers PAN card, (2) failure to obtain proof of address of buyer and (3) transfer in name of non- existing company do not sustain.

25. I note that Regulation 40(7) of the LODR Regulations provides that *“the listed entity shall comply with all procedural requirements as specified in Schedule VII with respect to transfer of securities”*. I note that Clause A(1) of Schedule VII to the LODR Regulations provides that *“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.”* I note that Clause 3.3 of SEBI Circular dated April 27, 2007, addressed, inter-alia, to all SEBI registered intermediaries which includes RTAs, advised the intermediaries to collect copies of PAN cards issued to their existing as well as new clients by the Income Tax Department and maintain the same in their record after verifying with the original. Clause 3.4 of SEBI Circular dated April 27, 2007 advised the intermediaries to cross-check the details, as mentioned therein, collected from their clients with the details on the website of the ITD i.e. <http://incometaxindiaefiling.gov.in/challan/enterpanforchallan.jsp>.

26. I note that Regulation 13 of the RTA Regulations provides that *“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.”* Clause 1 of Schedule III of the RTA Regulations provides that *“Registrar to an Issue and Share Transfer Agent shall maintain high standards of integrity in the conduct of its business.”* Clause 2 of the RTA Regulations state that *“A Registrar to an Issue and Share Transfer Agent shall fulfill its obligations in a prompt, ethical and professional*

manner.” Clause 3 of the RTA Regulations provides that “Registrar to an Issue and Share Transfer Agent shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.” Clause 16 of RTA Regulations provides that “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.”

27. Upon reading of clause 3.3 and 3.4 of SEBI Circular dated April 27, 2007, I note that it was mandatory for all SEBI registered intermediaries, which includes Registrar to an Issue and Share Transfer Agent, to collect copies of PAN cards issued to their existing as well as new clients by the ITD and maintain the same in their records after verifying the original. Clause 3.4 of the circular mandated the SEBI registered intermediaries to cross check PAN details collected from their clients with the details on the website of the ITD. I find that SEBI circular dated April 27, 2007 mandated PAN verification by the RTAs. Accordingly, I reject the contention of the Noticee that prior to SEBI circular bearing no. SEBI/HO/MIRSD/MIRSD-RTAMB/P/CIR/2021/655 dated 03.11.2021 PAN verification was not mandatory.

28. I find that compliance process being time consuming or difficulties, if any, faced in complying with provisions of law cannot be accepted as justification for not complying with provisions of law. It is noted that, prior to the inspection, the Noticee never brought the alleged difficulties in verifying PAN to the notice of SEBI. I find that limitations or difficulties stated to be faced by the Noticee are an afterthought. Accordingly, I find that the Noticee`s contention that PAN verification was done on sample basis due to time constraint or operational issues cannot be accepted as legal justification for not complying with clause 3.4 of SEBI circular dated April 27, 2007.

29. I note that Regulation 2(g)(i) of the RTA Regulations define “share transfer agent” as any person, who on behalf of any body corporate, maintains the records of holders of securities issued by such body corporate and deals with all matters connected with the transfer and redemption of its securities. Further, I note that clause 3 of SEBI circular dated April 27, 2007 casts a duty on intermediaries to verify PAN cards of both buyer and seller from ITD portal. ‘Intermediaries’ referred to in SEBI circular dated April 27, 2007 includes Registrar to an Issue and Share Transfer Agent. Accordingly, liability to verify PAN from ITD portal was on the Noticee as it was acting as RTA/STA on behalf of its client companies. Thus, the Noticee cannot be permitted to shift its independent responsibility of complying with provisions of SEBI circular dated April 27, 2007 on the client company(ies). Since, SEBI circular dated April 27, 2007 mandated verification of PAN, therefore, verification should have been done in the prescribed manner. In view thereof, I find no merit in the Noticee`s contention that it verified name of transfer and their signatures and processed transferor request after approval from the company.

30. On one hand, the Noticee has contended that, as per due diligence, the Noticee has verified the name of transferor as per certificate/transfer deed and their signatures. On the other hand, it is contended that, post inspection, the Noticee has sent letters to the concerned transferees for clarification. However, no response was received, thus, the Noticee filed complaint by letter dated December 05, 2022 in Sakinaka Police Station.

31. I find that the Noticee is blowing hot and cold at the same time. In case, the Noticee had done due diligence then there was no need to send letters to the concerned transferee for clarification or to file complaint with Sakinaka Police Station. I find that such steps on the part of the Noticee are afterthought. In case the Noticee was diligent then such steps should have been taken prior to inspection rather than after inspection.

32. In view of the above, I find that the Noticee failed to cross check PAN details collected from their clients with the details on the website of ITD, thereby, the

Noticee acted in violation of clause 3.4 of SEBI circular dated April 27, 2007. The failure of the Noticee to act in accordance with mandate of SEBI circular dated April 27, 2007 shows that the Noticee failed to maintain high standards of integrity in the conduct of its business, to fulfill its obligation to act in a prompt, ethical and professional manner and to exercise due diligence in the conduct of its operations. I find that the Noticee has violated Clause 3.4 of SEBI circular dated April 27, 2007, Regulation 40(7) of the LODR Regulations read with Clause A(1) of Schedule VII to the LODR Regulations, Clause 1, 2, 3 and 16 of Schedule III read with Regulation 13 of the RTA Regulations.

Issuance of Duplicate Shares

33. Under the head of issuance of duplicate share certificates, three allegations have been made against the Noticee. First allegation is that the Noticee in 62 instances failed to obtain FIR/Police Complaint before issuing duplicate share certificates. Second allegation is that the Noticee in 50 instances failed to take out advertisement though folio value on date of issue of duplicate share certificates was above Rs.10,000/-. Third allegation is that the Noticee in 7 instances failed to collect PAN card and address proof of the claimant.
34. With respect to allegation of issuing duplicate share certificates without obtaining FIR/Police complaint and taking out public notice/advertisement, the Noticee has submitted that the Noticee processed request for issuance of duplicate share certificates for 8 companies pertaining to 90 requests (135 certificate). There were no observations in respect of 7 companies for 73 requests and the only observation is in respect of issuance of duplicate share certificate of Zota. Issuance of 62 duplicate certificates for which FIR/Police complaint was not filed consisted of 17 applications. Alleged 50 instances of not taking out advertisement consisted of 12 folios as folio nos and serial nos were repeated.
35. Further, it is submitted that Zota informed the Noticee that shareholders of Zota have expressed inability to comply with requirements for issuance of duplicate

share certificates. Considering the requests of the shareholders, Zota waived requirement of filing FIR/Police complaint as well as taking out advertisement/public notice. The loss of shares was intimated to stock exchange and all other documents such as indemnity, affidavit, etc., were obtained from the shareholders. Zota issued duplicate share certificates by following alternative procedures like obtaining indemnity affidavit, surety, etc., except filing FIR and releasing advertisement. Zota authorized a director for issuance of duplicate share certificates. Zota satisfied itself with the application and took due action as approved by the Board.

36. Further, it is submitted by the Noticee that Para 23 of SEBI Circular dated May 09, 2001 stated that *'In case the Company/ STA issues duplicate share certificate based on any other documents, then the Company/STA shall be solely responsible for the issue of such duplicate share certificates'*. Accordingly, Zota is responsible in case of any claims arising in cases of issuance of duplicate shares without obtaining FIR/police complaint/ taking out advertisement.

37. It is submitted that in compliance with rules, regulations and byelaws, the Noticee had requested Zota to send details in respect of FIR/police complaint and copy of advertisement/public notice, whenever the value of shares exceeded Rs.10,000/-. Since, Zota had taken policy decision to waive requirement of FIR/Police Complaint/public notice, Zota sent resolution dated August 06, 2016 to the Noticee. The said communication was done by Zota with one of the employee of the Noticee (Ms. Rajashree Poojary). Due to shifting from old premises to new premises, Noticee`s communication sent to Zota in respect of its request to provide with FIR/police complaint/ advertisement in respect of instances of issuance of duplicate shares got misplaced.

38. Further, the Noticee has submitted that limit of Rs.10,000/- was changed in 2022 to Rs.5,00,000/-. The cost of releasing public notice was increased by three times and due to this 50% to 70% of value of shares for which duplicate

share certificates were issued were spent on public notice from the year 2001 to 2018-19.

39. The post inspection analysis mentioned that reply of the Noticee may be accepted and administrative warning may be issued to the Noticee for issuing duplicate shares without obtaining FIR/Police complaint or taking out advertisement.
40. With respect to allegation of issuance of duplicate share certificates without collecting PAN card and address proof from the claimant, the Noticee has submitted that there were only 5 instances as folio no. 000613 and 000501 were repeated. The PAN and Aadhar Cards were already available with the Noticee in KYC documents. Thus, to avoid further inconvenience, PAN and address proof was not obtained. In the case of Ms. Maya, there was no change in address of the claimant, hence, separate address proof was not obtained. The duplicate share certificate was dispatched to the claimant at address registered with the company. The claimant had subsequently submitted these share certificates for dematerialization which showed that the address of the claimant was correct and valid.
41. In the case of Mr. Raj wati also, there was no change in address of the claimant, hence, separate address proof was not obtained. The duplicate share certificate was dispatched to the claimant at address registered with the company and the article did not return undelivered. Subsequently, the claimant had sold the said shares which were received for transfer from his name. Hence, the address of the claimant was correct and valid. In the case of Varshaben Doshi and Rajesh B Sheth (HUF), demat request form and PAN details were available in the records of the Noticee. In the case of Ripal K Tandel, folio no. 000501, driving license was submitted towards address proof.
42. The Noticee has further submitted that purpose of carrying out inspection is not punitive and the object is to make the intermediary comply with the procedural requirements in regard to the maintenance of records. Every minor

discrepancy/irregularity found during the course of inspection is not culpable and the object of the inspection could well be achieved by pointing out the irregularities/ deficiencies to the intermediary at the time of inspection and making it compliant. It is not being suggested that if any serious lapse is found during the course of the inspection, SEBI should not proceed against the delinquent.

43. I note that Regulation 13 of the RTA Regulations casts a duty on the Noticee to abide by the Code of Conduct as specified in Schedule III. Clause 3 of the RTA Regulations provide that *“Registrar to an Issue and Share Transfer Agent shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.”*

44. I note that SEBI circular no. 1 (2000-2001) dated May 09, 2001 provided uniform guidelines to be followed by the Registrar to an Issue (**“RTI”**)/ Share Transfer Agents (**“STA”**). These guidelines are divided into three parts i.e. General norms for processing of documents, Norms for processing of transfers and Norms for objection. Clause 5 of Norms for objection provided for procedure to be followed in case share certificate/s are reported by Registered Holder(s) to be missing/lost/stolen and subsequently not transferred or subsequently lodged for transfer by a transferee. As per the Clause 5, when a request for stop transfer is received by the Company/STA from the Registered holder/s, the Company/STA is to first verify the signature in the records of the Company/STA. If signature of the Registered holder on the ‘stop transfer’ instructions is in order, the Company/STA is to record caution on the certificates/involved and to give notice to the Registered Holder to produce below mentioned documents within 21 days of intimation of loss by them: -

- (1) Copy of FIR or copy of acknowledged police complaint or copy of an injunction order passed by a court of competent jurisdiction or copy of plaint along with confirmation that the Suit filed has been accepted by the Court and Suit no. has been given, which shall necessarily mention the date of loss, distinctive nos. and certificate nos. of share certificates lost, duly lodged by the registered holder and;

- (2) An affidavit executed before a First class magistrate or Notary public affirming that the involved shares have not been sold.

The Company/STA is required to inform all stock exchanges where shares are traded, regarding loss reported by the registered holder. Also, the Company/STA is required to issue advertisement for loss of share certificates at the cost of claimant. The Company/STA can issue duplicate certificate as per general guideline no. 23.

45. Clause 23 of General norms for processing of documents, of *SEBI circular referred supra*, provided that the Company/STA shall necessarily obtain following documents prior to issuance of duplicate shares: -

- a. Indemnity for issue of duplicate Share Certificate/s in the name of the person, in whose name the duplicates are being issued that he has not sold/ disposed off the involved shares or acted in any manner by which any interest of third party would have been created.
- b. Final Court order for issue of duplicate shares, in case of a third party stop transfer.

The Company/ STA is required to:

- i. inform all the Stock Exchanges where the shares are traded regarding the loss of shares in lieu of which duplicate shares are being issued, if not already informed.
- ii. issue an advertisement in a widely circulated newspaper if the value of the shares is greater than Rs 10,000.

In case the Company/ STA issues duplicate share certificate based on any other documents, then the Company/ STA shall be

solely responsible for the issue of such duplicate share certificates.

46. I note that Clause 20 of General norms for processing of documents provided for list of documents to be accompanied with the company's objections issued by the Company/STA for the reason of 'missing/ lost/ stolen/transferred on basis of forged transfer deeds'. It provided that the company objection shall be accompanied, inter-alia, with Copy of FIR/ police complaint/ Court injunction order/ Copy of plaint where the Suit filed has been accepted by the Court and Suit no., which shall necessarily have details of date of loss, DNRs, certificate nos. It also permitted the Company/STA to follow alternative mechanism, which provided for issue of: -

- a. A notice to Stock Exchange detailing the DNRs/ certificate nos. involved alongwith name of person filing FIR/police complaint/ court case/ Summary of court case like name of court, date of loss/ Original holder stop transfer or third party stop transfer/date of court order/ summary of court order to enable the identification of broker who has introduced the shares after loss.
- b. A copy of notice issued by Stock Exchange to the company for loss of shares from the Clearing House with details as above.
- c. A copy of advertisement issued for loss of shares issued by Company/STA/registered holder.

47. The note to the said Clause 20 of General norms for processing of documents provided that the Company/STA shall not issue an objection in absence of valid police complaint/FIR/Court order/Copy of plaint filed in the Court alongwith the case no. and shall necessarily demand such documents from the person lodging the complaint for stopping transfer or reporting missing/loss/theft of securities.

48. On reading of Clause 5 of Norms for objection, Clause 20 and 23 of General norms for processing of documents, I find that copy of FIR or copy of acknowledged police complaint or injunction order passed by a court of competent jurisdiction or copy of plaint along with confirmation that the Suit filed has been accepted by the Court and Suit no. has been given, containing details of date of loss, distinctive nos. and certificate nos. of share certificates lost is an essential document to be obtained by the Company/ RTA for processing request for 'stop transfer' or issuance of duplicate shares or issuing of objections, for the reason of share certificates reported to be missing/lost/stolen.

49. In terms of Clause 23 of General norms for processing of documents, prior to issuance of the duplicate shares, the Company/STA is required to obtain indemnity from the person in whose duplicate shares are being issued, inform all stock exchanges where the shares are traded regarding loss of shares and issue an advertisement in a widely circulated newspaper if the value of the shares exceeded Rs.10,000/-. In case duplicate share certificates are issued without following procedure mentioned in the Clause 23, the Company/STA, who issued duplicate share certificate, has been made liable for issue of such duplicate share certificates.

50. I find that the Clause 5 of Norms for objection, Clause 20 and 23 of General norms for processing of documents do not contain any provision which permits the Company or the STA or the RTA to waive off any stipulation or condition mentioned therein. I note that SEBI circular dated May 09, 2001, *inter-alia*, read that RTA/STA/Companies listed on Stock Exchanges shall mandatorily follow these guidelines and formats with immediate effect. Accordingly, I do not find merit in the Noticee's contention that Zota waived requirement of obtaining police complaint or FIR or issuance of advertisement.

51. I find that Clause 5 of Norms for processing of objection or Clause 20 or Clause 23 of General norms for processing of documents do not permit issuance of duplicate shares without obtaining copy of FIR or Copy of police complaint or

advertisement where value of shares exceeded Rs.10,000/-. In view of the above, I find no merit in the contention of the Noticee that Zota issued duplicate share certificate by following alternative procedures like obtaining indemnity affidavit, surety, etc., except filing FIR and releasing advertisement.

52. I note that the Noticee has stated that the Noticee acted in compliance with rules, regulations and byelaws and requested Zota to send details in respect of FIR or police complaint or advertisement. Since, Zota had taken policy decision to waive requirement of obtaining FIR or police complaint or advertisement, therefore, the Noticee acted on instructions of Zota and processed requests for duplicate share certificates without requisite documents. With regard to communication with Zota, the Noticee has stated that it has lost the said communication as water seeped in the Noticee's office and while shifting from old premises to new premises. It is noted that the Noticee has failed to produce any document evidencing that Zota had instructed the Noticee to process requests for issuance of duplicate share certificates without requisite documents. In case, the Noticee had lost the communication with Zota due to shifting of office or seepage of water, the Noticee could have procured the same from Zota.

53. The Noticee has filed Board resolution of Zota, whereby, issuance of the duplicate share certificates was approved. Further, the Noticee has filed board resolution of the company, whereby, the company authorized one of its whole time director, company secretary and compliance officer for approving the request of issuance of duplicate share certificates. However, none of such documents provide that Zota has waived requirements stipulated under SEBI circular dated May 09, 2001. Further, the Noticee has not provided any correspondence with the company, whereby, the company has waived requirement of obtaining FIR/police complaint and advertisement. Even otherwise, the Noticee has failed to indicate any provision in SEBI circular dated May 09, 2001 or under securities law which empowered the Company to waive requirements stipulated in the SEBI circular dated May 09, 2001. In view thereof, the Noticee had no reason to process request for issuance of duplicate

share certificates without complying with stipulations prescribed in SEBI circular dated May 09, 2001. Accordingly, I reject the contention of the Noticee that it was not mandated to comply with SEBI circular dated May 09, 2001 as stipulation of obtaining FIR/police complaint and advertisement was waived by the company.

54. I note that the Noticee has stated that the advertisement limit of Rs. 10,000/- was enhanced in 2022 to Rs.5,00,000/- and the cost of releasing public notice had increased by three times from the year 2001 to 2018-2019 due to which 50% to 70% of the value of the shares for which duplicate shares were issued, were spent on public notice. I find that cost involved in complying with regulatory provision cannot be accepted as justification for not complying with regulatory provisions. The stipulation of issuing advertisement is applicable with equal force to cases where value of shares involved is not substantial as well as cases where value of shares is substantial. In view of the above, I find no merit in the contention of the Noticee. Also, I note that the Noticee has received many requests for issuance of duplicate share certificates on the same date. Thus, the Noticee could have processed such request by providing one common advertisement, carrying details of all such requests, in order to reduce cost.

55. I note that the Noticee was acting as share transfer agent, as defined in Regulation 2(g)(i) of the RTA Regulations, on behalf of Zota. Accordingly, the Noticee was responsible for maintaining the records of holders of securities issued by Zota and deal with all matters connected with the transfer and redemption of its securities. In view thereof, I find that the Noticee was responsible for complying with procedures prescribed for issuance of duplicate share certificates. Accordingly, I find no merit in the contention of the Noticee that it was acting as agent of Zota and bound by decision of Zota. I find no merit in contention of the Noticee that in terms of Clause 23 of General norms for processing of documents Zota was responsible for issuance of duplicate share certificates issued without obtaining copy of FIR or police complaint or issuing advertisement. I find that Clause 23 provided that *“the Company/STA” who was responsible for issuing duplicate shares without complying with procedure shall*

be responsible for issue of such duplicate shares". In the present case, the Noticee was performing functions mentioned in Regulation 2(g)(i) of the RTA Regulations, thus, the Noticee is responsible for issuance of duplicate shares without following the prescribed procedure.

56. I note that the Noticee has stated that administrative warning has been recommended in the post inspection analysis for issuance of duplicate share certificates without obtaining copy of FIR or Police complaint or issuing advertisement or failing to collect PAN card and address proof from the claimant. In this regard, it is relevant to note that, after obtaining response of an intermediary on the findings of inspection, the findings of the inspection along with response of an intermediary and post inspection analysis are placed before the Competent Authority for consideration and approval of necessary action thereon. It is important to understand that, the Competent Authority may or may not agree with recommendations contained in post inspection analysis. the Competent Authority has a prerogative to accept all recommendations or few recommendations made in the post inspection analysis. Further, after considering the post inspection analysis, the Competent Authority may decide: - a) whether to accept reply of the intermediary on certain findings; b) whether to issue administrative warning on particular findings; and c) whether to initiate enquiry/adjudication proceedings w.r.t. particular findings. Considering the above, I find that, in this case, the Competent Authority has approved initiation of enquiry proceedings for processing transfer requests without verifying PAN details from ITD portal, processing request for issuance of duplicate shares without obtaining the copy of FIR or copy of complaint or without issuance of advertisement and failing to obtain PAN card and address proof of claimant. With regard to other findings, the Competent Authority has approved issuance of administrative warning. Accordingly, administrative warning has been issued to the Noticee vide letter dated April 21, 2022. Therefore, I find no merit in such contention of the Noticee.

57. With respect to 7 instances of processing request for duplicate share certificate without collecting the PAN card and address proof from the claimant, I note

that, the Noticee has admitted the same and stated that there were 5 instances (as 4 instances belonged to two folios), wherein, the Noticee failed to collect the PAN card and address proof. Further, the Noticee has stated that, since the PAN card and Aadhaar cards of the said claimants were available in KYC documents, thus, to avoid further inconvenience the said documents were not obtained from the claimants.

58. I note that, PAN card is an important document from the perspective of securities market, as it is the sole identification number for all the transactions in securities market and same is key to establish the identity of the person making requests with an RTA. Further, if it is desired under the relevant Regulations to obtain certain set of documents, in this case, PAN card and address proof, then an intermediary cannot suo-moto decide on waiving of the same. Admittedly, the Noticee has not obtained the aforesaid documents on 5 instances which means that in other instances, the Noticee was obtaining the PAN card and address proof which the Noticee failed to obtain in such 5 instances. In view of the above, I find no merit in such contention of the Noticee. I find that the Noticee has failed to obtain the PAN card and address proof on 5 instances, thus, it has failed to exercise due diligence and ensure proper care and exercise.

59. In view of the above findings and observations, I find that the Noticee failed to comply with SEBI Circular dated April 27, 2007 and May 09, 2001 which shows that the Noticee failed to maintain high standards of integrity in the conduct of its business, exercise due diligence, ensure proper care, exercise independent professional judgment, fulfill its obligations in a prompt, ethical and professional manner. The Noticee failed to maintain required level of knowledge and competency. Accordingly, I find that the Noticee has violated Clause A(1) of Schedule VII read with Regulation 40(7) of the LODR Regulations, Clause 3.4 of SEBI Circular dated April 27, 2007 and Clause 1, 2, 3 and 16 of Schedule III read with Regulation 13 of the RTA Regulations. Further, I find that the Noticee has violated Clause 5 of Norms for objection and Clause 20 of General Norms

for processing of documents of SEBI circular dated May 09, 2001 and Clause 3 of Schedule III read with Regulation 13 of the RTA Regulations.

60. I note that the Noticee has placed reliance on the Hon`ble Securities Appellate Tribunal (“**SAT**”) Order dated June 16, 2011 in the matter of Religare Securities Limited (Appeal No. 23 of 2011), Order dated July 25, 2011 in the matter of UPSE Securities Limited (Appeal No. 109 of 2011) and Order dated September 11, 2012 in the matter of DSE Financial Services Limited (Appeal No. 153 of 2012), wherein, it is held that object of carrying out inspection is not punitive and the object is to make the intermediary comply with the procedural requirements in regard to maintenance of records. Every minor discrepancy/irregularity found during the course of inspection is not culpable and the object of the inspection could be achieved by pointing out the irregularities/deficiencies to the intermediary at the time of inspection and making it compliance. This will, of course, depend on the nature of irregularity noticed. Further, it is held that *“it is not being suggested that if any serious lapse is found during the course of the inspection, the Board should not proceed against the delinquent.”*

61. I find that failure to comply with stipulations provided in SEBI circulars dated May 09, 2001 and April 27, 2007 can result in fraud involving wrongful issuance of duplicate share certificates and subsequent transfer of such shares to bonafide purchasers. Accordingly, I find that processing request for transfer of shares and request for issuance of duplicate share certificates in violation of SEBI circulars dated May 09, 2001 and April 27, 2007 are serious violations.

62. I note that administrative warning has been issued to the Noticee vide letter dated April 21, 2022 for minor lapses. Since the violations, as discussed in foregoing paragraphs, were considered serious, therefore, it was decided to initiate enquiry proceedings against the Noticee. I find that benefit of administrative warning has already been extended to the Noticee for minor lapses. The benefit of administrative warning cannot be further extended to lapses considered to be serious.

63. I note that the Noticee has submitted that, post inspection, the Noticee has reviewed all its operations including the process and procedures followed by it and has taken all remedial and corrective measures to ensure that lapses, if any do not recur. Further, the Noticee has submitted that the Noticee has made an application for approval of bulk PAN verification to the ITD and is awaiting the approval. The Noticee has procured license through the paid site and got itself registered for bulk PAN verification for smooth verification of PAN on daily basis. These corrective measures, taken by the Noticee, indirectly support the allegation of lapses on the part of the Noticee.

64. Having considered the recommendation of the DA, violations committed by the Noticee and post enquiry corrective actions taken by the Noticee to remove the lapses observed during the course of inspection, I find that ends of justice will be met, if the Noticee is prohibited from accepting new client(s) for a period of 3 months.

ORDER–

65. In view of the above, I, in exercise of powers conferred on me under Section 12 read with Section 19 of the SEBI Act and Regulation 27(5) of the Intermediaries Regulations, do hereby order that the Noticee shall not accept new client(s) for a period of 3 months from the date of this order.

Date: August 14, 2023

Place: Mumbai

K. SARAVANAN

CHIEF GENERAL MANAGER

SECURITIES AND EXCHANGE BOARD OF INDIA