BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/BM/JR/2023-24/ 30083]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995.

In respect of

Accurate Securities and Registry Pvt. Ltd. – RTA

PAN: AAECD8837D

Background

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an inspection of Accurate Securities and Registry Pvt. Ltd. (hereinafter referred to as "**Noticee**") at its registered office located at 23, 3RD Floor, Sarthik Complex, Nr. Fun Republic, Iscon Cross Road, Satellite, Ahmedabad – 380015 during March 11 – 17, 2022 for the period April 20, 2020 to December 31, 2021 (hereinafter referred to as "inspection period"/ "**IP**"). The Noticee is Category – I Registrar to an Issue and Share Transfer Agent (Registration No. INR000004173).

2. Based on the findings of Inspection conducted by SEBI and the response of the Noticee received on February 6, 2023 submitted to SEBI, certain alleged non-compliances were observed of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 (hereinafter referred to as "**RTA Regulations**") and Circulars issued by SEBI. The extracts of the violation alleged to have been committed by the Noticee and corresponding provision of the securities law are given in the tabulation below:

S. No.	Alleged violations	Regulatory provisions
1	Quarterly statements of capital adequacy	14 (1) (a) (iii) of RTA Regulations
2	Investor Complaints	Para 2 of SEBI Circular dated August 28, 2014, Para 2 (ix) of SEBI Circular “Instructions to Registrars to an issue / Share Transfer Agents” dated October 11, 1994, Clause 3 and Clause 20 of the Code of Conduct as specified in Schedule III read with Regulation 13 of RTA Regulations.
3	Inward Processing	Clause 25(a) of “Draft of Agreement between the STA and the Company” of Annexure B of Schedule II of SEBI Circular “Instruction to Registrars to an Issue/ share Transfer Agents” dated October 11, 1994. Clause (a) and (b) of Point 1. “Specific Activities” of Schedule I of SEBI Circular “Instruction to Registrars to an Issue/ share Transfer Agents” dated October 11, 1994. Clauses 2 & 3 of Schedule III read with Regulation 13 of RTA Regulations
4	Reconciliation of Registration of Members	Regulation 18 (1) and Regulation 18 (4) of RTA Regulations and Clause 17 and Clause 18 of Code of Conduct of RTA Regulations r/w Regulation 13 of RTA Regulations.
5	Tripartite Agreements	Clause 20 of Schedule III (Code of Conduct) r/w Regulation 13 of RTA Regulations.
6	Internal Audit Findings	

7	Implementation of SEBI Circular dated April 20, 2018	Point (i) of Clause 12 of main point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018 Clauses 2 and 6 of Point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018.

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI, vide communique dated December 7, 2023, appointed the undersigned as the Adjudicating Officer under Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) to inquire into and adjudge under the provisions of sections 15A(a) and 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**"), the alleged violations of RTA Regulations and SEBI Circulars, alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice (hereinafter being referred to as the "**SCN**") dated December 21, 2023 was issued to Noticee in terms rule 4(1) of Adjudication Rules to show cause as to why an inquiry should not be initiated against Noticee and why penalty, if any, should not be imposed under sections 15A(a) and 15HB of SEBI Act on the Noticee for the aforesaid violations alleged to have been committed by it.

5. The Noticee, vide letter dated February 5, 2024 replied to the SCN stating, inter alia, the following:

Quarterly statement of capital adequacy

- *No format for statement of capital adequacy has been prescribed under the provisions of the SEBI (Registrars to an Issue and Share Transfer Agents), Regulations, 1993 and amendments thereof. Furthermore, as per the SEBI Circular No. PMID/DSV/CIR/5500/99 dated January 18, 1999, to ensure compliance of the capital adequacy and the networth norms, the Networth Certificate has been introduced.*
- *As per the Regulation 7 of the SEBI (Registrars to an Issue and Share Transfer Agents), Regulations, 1993, The capital adequacy requirement referred to in clause (d) of regulation 6 shall not be less than the net worth of the applicant and as per the Regulation, Accurate is required to maintain the Networth of at least Rs. 50 Lakhs, however, we have Networth of beyond Rs. 60 Lakhs at all times. We have submitted necessary Networth Certificates, along with the Audited Balance Sheet and Profit and Loss statement to the honorable Inspecting Authority at the time of inspection to showcase our capital adequacy/ Networth.*
- *As there is no specific format or method has been prescribed under the regulations that can be used to determine, if we have adequate capital on a quarterly basis or not, we have been using a simple calculation of income minus expenses to make sure we have enough Networth to run our business.*

Investor complaints

- *The show cause notice refers to the Circular No. CIR/MIRSD/3/2014 dated August 28, 2014, however please note that the said circular has been repealed by the Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/670 dated November 26, 2021 and we have done compliance as per the new circular (we have included a copy of the said circular for your kind consideration and have marked it as Annexure Ill). Furthermore, we are the only SEBI registered Intermediary across India, who is displaying the Investor resources on our official website in 17 (seventeen) Indian languages.*
- *The show cause notice refers that we have not mentioned the date of disposal, however please note that none of the complaints were classified as grievances as per the definition and thus, no date of disposal were mentioned. The complaints were mostly pertaining to the data not received from the old RTA or IPO Allotment of those Companies, whose IPOs were not handled by us or providing Scrutinizer Credentials to the Practicing Company Secretaries, etc.*
- *As per the Regulation 16(2)(c) of the SEBI (Registrars to an Issue and Share Transfer Agents), Regulations, 1993, a Registrar can file complaint against any other*

registrar and most complaints were related to the non-receipt of Data from the Old RTA pursuant to Change of RTA. As SEBI officials were looking into the complaint filed by us in this matter and they have assured of a positive outcome, we have mentioned that the SEBI has to take necessary actions in the said case.

Inward Processing

- *Each request, must pass through the maker and checker for accurate record purpose.*
- *Our Inward consists of 4 steps, (i) the first step of the Inward is to enter basic details of the Inward in the physical register at the reception table (the same way Inward is being done at the SEBI, RBI Offices, Government Offices, etc.), (ii) In the second step, the inward parcel is opened and segregated by the type i.e. Demat, Remat, Transmission, Duplicate, KYC, etc and the said data is entered in the software, (iii) in the third step, respective person, inward is processed based on the type of request and the additional data like LF, Name, PAN, Address, etc. is entered in the software, and (iv) in the fourth step, the DN Range of each request is entered in the software.*
- *We are both concerned and disheartened to note that the explanation provided by our Compliance Officer was inaccurately recorded, resulting in the omission of crucial details that are commonly understood. Specifically, two key points were not adequately captured (i) Our standard operating procedure necessitates that any request for processing must be accompanied by a duly completed and filled application. This is a fundamental requirement to ensure the integrity and efficiency of our process, and (ii) It is our standard practice to clearly communicate to shareholders the reasons why a particular request cannot be accepted. We emphasize this because accepting incomplete or improperly filled requests would inevitably lead to their rejection. This, in turn, would delay the processing of the shareholder's entitlements, adversely affecting our commitment to timely service.*
- *Furthermore, the Inspecting officer has no evidence that we have denied any inward without communicating the rejection reasons to any of the shareholder.*

Reconciliation of register of members

- *We are very much shocked to see the definition of the transfer has been misinterpreted by the SEBI inspecting officials and the said officials considering the dematerialization of the shares by the shareholder as the transfer.*

- *We would like to mention that the 'transfer' is governed under the Companies Act, 2013 and the 'dematerialization' is governed under the Depositories Act, 1996. A dematerialization by a shareholder can't be considered as the change in shareholding.*
- *Furthermore, we don't agree with the claims made in the point no. 4(D)(iii) and the proofs of the same has already been provided by us at the time of response submission to the observation. We would also like to add that, we have provided the reconciliation statements for the period, which has been asked for and there was nothing to hide as, all the reconciliation statements were filed quarterly with the Exchanges and are already available to general public.*

Tripartite Agreeement

- *We disagree with all the points mentioned in the point no. 4(E), as the scope of Inspection should be limited to work carried on by us and we should not be made liable for the work carried on by the other RTAs.*
- *We have filed the complaint on February 9, 2021, with the SEBI for looking into the practice of the tripartite agreement. During the Inspection, also, we have made the Inspecting officials aware about the pendency of our complaint. We have also made them aware that it is not practically possible for the new RTA or by the Issuer to execute the Agreement and the duty should stand with the old RTA. Based on the same, SEBI has come up with the new circular vide Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/79 dated May 25, 2023.*

Internal Audit Findings

- *We have already clarified that we are not responsible for the Non handover of Data by the old RTA, and the same shall not considered as Non-compliance.*

Implementation of SEBI Circular dated April 20, 2018

- *We regularly provide the Data to SEBI and the Issuers of folios not having PAN/ Bank details or any other information requested by them. In fact, the pre-Inspection questionnaire itself, we have provided all such data. At all times, we do possess the data of the KYC communications sent and replies received thereon and we have also provided the write up on the same to the Inspecting officials. Furthermore, RTA is not the decision-making authority and merely acts as an agent of the principal* *(i.e. Issuer). No evidence has been submitted by the Inspecting authority which suggests that we are not in compliance with the same.*

- *As mentioned in the show cause notice, we do not have such software which can easily retrieve the information. However, the software at that time had the capability to retrieve the Data as required. The software has been developed based on our business scale. Nonetheless we have updated our software, and the current software can easily retrieve the Data.*
- *We have developed an online portal which allows the Issuer to download the reports at ease and all of our Issuers download the reports from the portal. This has been done to reduce the manpower utilization at our business front and to support our pricing structure. We agree that our admin portal doesn't have option to download the reports on behalf of the Issuer. But, the feature was knowingly disabled in the admin portal. We have no reasons to believe such actions as non-compliance.*

6. In the interest of natural justice, an opportunity of personal hearing was given to the Noticee on February 16, 2024 vide hearing notice dated February 7, 2024. The Authorised Representative (hereinafter referred to as "**AR**") of the Noticee appeared on the scheduled date and reiterated the submissions made vide letter dated February 5, 2024. The AR also undertook to make further submissions in the matter.

7. The Noticee vide letter dated February 23, 2024 made further submissions stating, inter alia, the following:

"As mentioned by honourable whole time member (in order dated September 2, 2020) that during the inspection period from December 21-23, 2016, and for the financial years ending March 31, 2017 and March 31, 2018, we did not meet the Networth requirement.

But, after going though preferential allotment on February 8, 2019, we started meeting the Networth requirement. Based on these facts, we are still meeting the Networth requirement today.

Also, we ave honestly shared all facts about our financial records. Since honourable whole time member ordered we could use the securities premium account to calculate our Networth, we have been doing just that."

CONSIDERATION FOR ISSUES, EVIDENCE AND FINDINGS

8. I have taken into consideration the facts and circumstances of the case and the material available on record. The issues that arise for consideration in the present case are:

ISSUE I- Whether Noticee has violated provisions of securities law by not complying with regulatory provisions regarding:-

i. Quarterly statements of capital adequacy
ii. Investor Complaints
iii. Inward Processing
iv. Reconciliation of Registration of Members
v. Tripartite Agreements and Internal Audit Findings
vi. Implementation of SEBI Circular dated April 20, 2018

ISSUE II- Does the violation, if any, attract monetary penalty under sections 15A(a) and 15HB of the SEBI Act?

ISSUE III- If so, how much penalty should be imposed taking into consideration the factors mentioned in section 15J of the SEBI Act?

9. Before proceeding further, it will be appropriate to refer the provisions of law referred to in the SCN. The same are reproduced hereunder:

<u>14(1)(a)(iii) of RTA Regulations:</u>

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

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

Para 2 of SEBI circular dated August 28, 2014

2. As an additional measure and for information of all investors who deal/ invest/ transact in the market, it has now been decided that offices of all Stock Brokers (its registered Sub-Broker(s) and Authorized Person(s)) and Depository Participants shall prominently display basic information, as provided in Annexure-A, about the grievance redressal mechanism available to investors. For other intermediaries, the information as provided in Annexure-B shall be prominently displayed in their offices.

Para 2 (ix) of SEBI Circular "Instructions to Registrars to an issue / Share Transfer Agents" dated October 11, 1994

Complaints register containing details of the date of receipt of the complaint, particulars of complainant, nature of complaint (Categorized as Types I, II, III, IV as per SEBI practice), date of disposal and how disposed of. Complaints received from SEBI shall also be recorded in the complaints register in addition to complaints received directly.

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.

Clause 3 of the Code of Conduct as specified in Schedule III read with regulation 13 of RTA Regulations:

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

Clause 20 of the Code of Conduct as specified in Schedule III read with regulation 13 of RTA Regulations:

A Registrar to an Issue and Share Transfer Agent shall take adequate and necessary steps to ensure that continuity in data and record keeping is maintained and that the data or records are not lost or destroyed. Further, it shall ensure that for electronic records and data, up-to-date back up is always available with it.

<u>Clause 25(a) of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994</u>

'25. The company and Transfer Agent shall maintain following documents and records pertaining to Transfer activities by way of hard copies and if required may be stored by way of tape drives in computers :

> *a) Check-list, inward register, transfer register, buyer / sellers register with net effect as on date of approval of transfer proposals, transfer deeds, specimen signature cards / signature captured on signature scanner, despatch register/ postal journal, objection memos, mandates, Power of Attorney/ Board Resolution, RBI Approval in case of NRI Jumbo Transfer Deeds in case of FIIs, Register of Members, Annual Returns / Return of Allotment, Interest/ Dividend Register.'*

<u>Clause (a) and (b) of Point 1. "Specific Activities" of Schedule I of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994:</u>

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.

b. The company shall also maintain inward register to record the date of receipt of transfer requests/request for endorsement as fully paid up/correspondence from investors, SEBI/Stock Exchanges and relevant statutes. Company shall hand over all transfer requests/request for endorsement as fully paid up/other correspondence well in time under a covering letter to Transfer Agent. The receipt of above documents should be acknowledged by Transfer Agents.

Clauses 2 & 3 of Schedule III read with Regulation 13 of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations 1993:

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.

Regulation 18(1) and (4) of RTA Regulations:

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.

(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.

Clause 17 of Code of Conduct of RTA Regulations r/w Regulation 13 of RTA Regulations:

A Registrar to an Issue and Share Transfer Agent shall co-operate with the Board as and when required.

Clause 18 of Code of Conduct of RTA Regulations r/w Regulation 13 of RTA Regulations:

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.

Clause 20 of Schedule III (Code of Conduct) of RTA Regulations:

A Registrar to an Issue and Share Transfer Agent shall take adequate and necessary steps to ensure that continuity in data and record keeping is maintained and that the data or records are not lost or destroyed. Further, it shall ensure that for electronic records and data, up-to-date back up is always available with it.

Point (i) of Clause 12 of main point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018:

"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".

Clause 2 of Point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018:

RTAs and Issuer Companies shall ensure that history of all transactions in a folio (w.r.t securities held or dividend/interest/redemption issued in that folio, certificates issued or any other change) are linked to a particular folio for easy retrieval.

Clause 6 of Point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018:

RTAs shall provide to the Issuer Company a soft copy of Members data (having details inter alia Name, Address, Folio No, Number of Shares, Distinctive numbers, Certificate numbers, etc.) under due certification at the end of each quarter of a financial year. This data should also contain transaction in the physical folio during the period. The copy of these databases shall be maintained by Issuer Companies and the RTAs independently as permanent record.

FINDINGS

10. On perusal of the material available on record and giving regard to the facts and submission of the Noticee and circumstances of the case I record my findings hereunder:

ISSUE I: (a)-Whether Noticee has violated provisions of securities law by not complying with regulatory provisions regarding:-

A) Quarterly statements of capital adequacy

i) During inspection, on being asked about quarterly statements of capital adequacy, Noticee had replied that it has adequate capital as per the rules and it has also submitted the Networth Certificate based on that to SEBI from time to time as per the prevalent requirements. Further, Noticee had mentioned that it has taken an independent legal opinion about the rules and came to conclusion that nowhere in the rules the specific format for capital adequacy statement has been prescribed and the same is internal statement only for the Board's consideration and as per Noticee's understanding Books of Accounts and Statement are not to be submitted at any place.

ii) Therefore, it was alleged that Noticee had not provided any such statement even after the same was sought by SEBI, and hence, RTA has failed to maintain the quarterly statement of capital adequacy for each quarter which is required to be maintained u/r 14 (1) (a) (iii) of RTA Regulations.

iii) Noticee submitted that it had maintained the net worth of beyond Rs. 60 lakh at all times. As there is no specific format or method prescribed under the regulations that can be used to determine if it has adequate capital on a quarterly basis, a simple calculation of income minus expenses has been used.

iv) From the documents available on record, I find that the Noticee vide email dated September 27, 2022 was asked, "Whether Accurate Securities was maintaining quarterly statement of capital adequacy for each quarter? If yes, please provide the scanned copies of such quarterly statements of capital adequacy during the inspection period for the 4 quarters of FY 2020-21 and 3 quarters of 2021-22 (till December quarter). Noticee, vide email dated September 28, 2022 replied that it has adequate capital as per the rules and as per independent legal opinion capital adequacy statement is an internal statement only for the Board's consideration and are not to be submitted at any place.

v) Under regulation 14(1)(a)(iii) of RTA Regulations, every registrar to an issue and share transfer agent being a body corporate shall maintain a statement of capital adequacy for each quarter in respect of eight preceding financial years. The Noticee submitted vide email dated March 12, 2024 that it did not submit the capital adequacy statement to the inspection team due to certain misunderstanding. As the Noticee failed to provide with the capital adequacy statement to the inspection team when asked, the inspection team could not verify whether the Noticee was maintaining the capital adequacy statement. It is the duty of every SEBI registered intermediary to provide the regulator with all the relevant documents when asked to enable the regulator to verify whether all the compliances are being done. As the Noticee failed to do so, I find that the allegation of violation of regulation 14 (1) (a) (iii) of RTA Regulations by the Noticee stands established.

B) <u>Investor Complaints</u>

i) During inspection, it was observed that the Noticee had not displayed in its office, basic information regarding the grievance redressal mechanism available to investors.

ii) Further, the complaints register maintained by the Noticee was checked. It was observed that no entries were available in the complaint register after January 24, 2020 till March 17, 2021. On perusal of the complaints register, it was observed that while the date of receipt of the complaint and its particulars/nature was recorded, the date of disposal of the complaint was not mentioned. The Noticee had admitted that

SCORES complaint closure date was not noted in the Book, however it was not done with any malafide intention.

iii) Since, Noticee has not recorded the date of disposal of complaints as can be seen from the complaint register, RTA has allegedly violated the provisions of Para 2 (ix) of SEBI Circular “Instructions to Registrars to an Issue/ Share Transfer Agents” dated October 11, 1994.

iv) It was also observed from the complaints register, that in some instances in the remarks section, the Noticee had stated that they did not have the data and hence they could not process the complaint and that it was SEBI’s duty to make sure that the old RTA hands over the data to them. On asking the Noticee about the aforementioned comments, the Noticee informed that in many instances the old RTAs do not hand over data to the new RTAs and refused to sign the Tripartite Agreement as well and according to them SEBI needs to formulate policies for change of RTAs.

v) In view of the above, it is alleged that Noticee has violated Para 2 of SEBI Circular dated August 28, 2014, Para 2 (ix) of SEBI Circular “Instructions to Registrars to an issue / Share Transfer Agents” dated October 11, 1994, Clause 3 and Clause 20 of the Code of Conduct as specified in Schedule III read with Regulation 13 of RTA Regulations.

vi) Noticee submitted that circular dated August 28, 2014 by which it was directed to display the basic information regarding grievance redressal mechanism is repealed and circular dated November 26, 2021 is in force which is complied by the Noticee. No date of disposal was mentioned as none of the complaints were in the form of grievances but pertaining to data not received from old RTA.

vii) From the documents available on record, it is observed that Circular No. CIR/MIRSD/3/2014 dated August 28, 2014 is not repealed by circular no. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/670 dated November 26, 2021. In fact on reading the said circulars, I find that through the latter circular, SEBI has introduced Investor Charter for RTAs, inter alia, detailing the services provided to investors, rights of investors, various activities of RTAs with timelines, Dos and Don'ts for investors grievance redressal mechanism. However, the obligation of displaying basic information about the grievance redressal mechanism was not done away with. Noticee, being a SEBI registered intermediary was supposed to display prominently the contact details of the Compliance Officer, CEO/ Partner in its office. However, the Noticee failed to do so. In view of the same, Noticee is in violation of violation of Para 2 of SEBI Circular dated August 28, 2014 pertaining to "Information regarding Grievance Redressal Mechanism".

viii) It is noted that there was no entry in the complaint register after January 24, 2020 till March 17, 2021. The Noticee did not provide any reason for this. Noticee has admitted that it had not recorded the date of disposal of the complaint. However, it had submitted that the complaints were not grievances but pertaining to data. I find that the Noticee did not give any reason for recording such complaints if it had not considered it as grievance which needs to be redressed. Even if the complaint was pertaining to data, the Noticee was expected to close the same after recording the date. As the Noticee failed to do so, it has violated provisions of Para 2 (ix) of SEBI Circular "Instructions to Registrars to an Issue/ Share Transfer Agents" dated October 11, 1994.

ix) I note that while taking documents from old RTA, Noticee had to take necessary steps to ensure that the data was properly handed over from the old RTA to them. After carrying out the RTA functions, the Noticee cannot now hold the old RTA liable for any issue regarding data transfer. It is noted that the Noticee had filed a complaint against the old RTA, however, that does not absolve it from its duty to ensure smooth transfer of data.

x) In view of the above, the allegation that the Noticee has violated Para 2 of SEBI Circular dated August 28, 2014, Para 2 (ix) of SEBI Circular "Instructions to Registrars to an issue / Share Transfer Agents" dated October 11, 1994, Clause 3 and Clause 20 of the Code of Conduct as specified in Schedule III read with Regulation 13 of RTA Regulations stands established.

C) <u>Inward Processing</u>

i) During the inspection, the Noticee informed that they do not maintain any inward register. The Noticee also intimated that upon receipt of an inward, a peon first enters it in the inward book, it is then entered in an excel sheet maintained by them and then it is entered in their software. In case a document is being handed over physically by an investor, the document is checked and immediately it is conveyed to him whether the documents are in order. If the document is in order, then inward date is recorded on the document and signed and an acknowledgement is given to him. In case the documents are not in order, the investor is told to not deposit the same as an inward. If the investor still insists, then the document is stamped, date is stated and acknowledgement is given to him.

ii) Further, it was known from the Compliance Officer, that the original requests that are rejected are returned to the respective senders.

iii) Therefore, it was alleged that the Noticee did not maintain the inward register, refused to accept a document as inward in case it is not in order (without communicating reasons for the same to the actual investor), did not mention the inward no. in the inward book maintained by it, followed different practices of stamping documents as inward when documents pertaining to different investors are submitted in a bunch to it, not segregated the mails received for different purposes and had not labelled them in its Inward book. This is allegedly in violation of:

   a) Clause 25(a) of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994.

   b) Clause (a) and (b) of Point 1. "Specific Activities" of Schedule I of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994.

c) Clauses 2 & 3 of Schedule III read with Regulation 13 of RTA Regulations.

iv) The Noticee submitted that its inward processing has 4 steps:
   a) Enter basic details of the inward in the physical register at the reception table
   b) Open the inward parcel and segregate by type i.e. demat, remat, transmission etc. and enter the data in the software
   c) Inward is processed based on the type of request and additional data like name, PAN, address is entered in the software
   d) DN range is entered in the software

v) Noticee further submitted that that as per its SOP, any request for processing must be accompanied by a duly completed and filled application and the Noticee clearly communicate the reasons why a particular request cannot be accepted.

vi) From the documents available on record, I find that the Noticee had a procedure in place on receipt of inward documents. Only on receipt of complete application, the same was recorded in the inward register. However, the Noticee failed to mention the inward number in the inward book maintained by it and followed different practices of stamping. During inspection, it was further observed that when the Noticee is in receipt of bunch of documents, it had not segregated the mails for different purposes and had not labelled them in its inward register. For effective regulation of the RTAs and transparency in its operation, SEBI issues circulars from time to time prescribing various practices to be followed. It is imperative for SEBI registered RTA to follow all the provisions of the circulars. However, the failure of the Noticee to comply with the provisions of the circular hampers the proper functioning of the intermediary.

vii) In view of the above, I find that the Noticee is not in compliance with Clause 25(a) of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994, Clause (a) and (b) of Point 1. "Specific Activities" of Schedule I of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated

October 11, 1994 and Clauses 2 & 3 of Schedule III read with Regulation 13 of RTA Regulations.

D) <u>Reconciliation of Registration of Members</u>

i) The Noticee during inspection, intimated that that there has been no change in physical shareholding of any of the listed issuers (post their appointment as the Share Transfer Agent) associated with it during the inspection period. However, the following came to the notice of the inspection team:

   a. For Ace Software Exports Limited, a demat request with NSDL for 800 securities had been submitted during the period October 1, 2021- December 31, 2021.

   b. For Mercury Metals Limited, 2 demat request with NSDL for 400 securities had been submitted during the period October 1, 2021- December 31, 2021.

   c. For Gujarat Raffia Limited, 7 demat request with NSDL for 924 securities had been submitted during the period October 1, 2021- December 31, 2021.

ii) The Noticee was vide, various emails dt. April 8, 2022, April 11, 2022, April 12, 2022, April 13, 2022, April 18, 2022, April 19, 2022, April 25, 2022, April 27, 2022, June 23, 2022, June 24, 2022, July 7, 2022, July 11, 2022, inter alia, advised to:

   a. Clarify its submissions in light of the points a-c stated above.

   b. Provide reconciliation statement during the period July 1, 2021- September 30, 2021 and January 1, 2022- March 31, 2022 for Ace Software Exports Limited, Mercury Metals Limited and Gujarat Raffia Limited.

iii) However, the Noticee did not provide the same.

iv) In view of the above, it is alleged that the Noticee and its director, Mr, Ankur Shah (who was coordinating with SEBI Inspection Team) provided wrong information and did not provide the information sought from it vide various emails. Since, the Noticee, and its director, Mr Ankur Shah have provided wrong information and have not furnished the required information despite repeated reminders, Noticee had allegedly violated (a) Regulation 18 (1) and Regulation 18 (4) of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations 1993 and (b) Clause 17 and Clause 18 of Code of Conduct of RTA Regulations r/w Regulation 13 of RTA Regulations.

v) The Noticee submitted that SEBI officials while inspection considered the dematerialisation of the shares as transfer. The Noticee did not provide any explanation for providing wrong information regarding change in physical shareholding in respect to Ace Software Exports Limited, Mercury Metals Limited and Gujarat Raffia Limited.

vi) I find that the Noticee could not fathom the query raised by SEBI and submitted that there was no change in physical shareholding because there was no "transfer" of shareholding. I note that change in physical shareholding can happen through transfer/ transmission/ transposition and also through demat/ remat. Therefore, when the Noticee received request for demat of shares, there was evidently change in physical shareholding.

vii) Further, from the documents available on record I find that the Noticee shares reconciliation statements with SEBI vide email dated May 2, 2023 through Google drive which was not accessible by SEBI and the CD which was provided did not open. Hence, the Noticee vide emails dated April 8, 2022, April 11, 2022, April 12, 2022, April 13, 2022, April 18, 2022, April 19, 2022, April 25, 2022, April 27, 2022, June 23, 2022, June 24, 2022, July 7, 2022, July 11, 2022 was advised to provide the relevant information which it did not. Further, as per regulation 18(1) and 18(4) of RTA Regulations, the director of the Noticee was duty bound to produce all the information available to the regulator. Since, the Noticee, have provided wrong information and have not furnished the required information despite repeated reminders, Noticee has violated (a) Regulation 18 (1) and Regulation 18 (4) of RTA Regulations and (b) Clause 17 and Clause 18 of Code of Conduct of RTA Regulations r/w Regulation 13 of RTA Regulations.

E) <u>Tripartite Agreements and Internal Audit Findings</u>

i) It was alleged that most of the original tripartite agreements that had been provided by the Noticee during the inspection were incomplete/ had shortcoming wherein either the date of appointment of old RTA, date of notice to existing RTA, issue listed on which exchange, name, designation date, address of issuer, signature of witness, name and date, signature of new RTA, name, date, designation, etc. had not been stated. Further, the original tripartite agreements for many companies have not been provided by the Noticee in spite of repeatedly asking for it during inspection as well as through various emails. The Noticee also failed to enter into agreements in respect of 3 companies and submitted that the existing RTA were not ready to sign the same. The above is allegedly in violation of Clause 20 of Schedule III (Code of Conduct) r/w Regulation 13 of RTA Regulations.

ii) Further, during the inspection the Noticee intimated that audit observations mainly revolved around data not being received from the old RTAs and continuity of RTA work during change of RTA.

iii) It was observed that 2 out of 3 audit observations pertain to continuity of RTA work and data of companies not received from old RTA. It was alleged that RTA had failed to ensure continuity in data and record keeping, in alleged violation of Clause 20 of Schedule III (Code of Conduct) r/w Regulation 13 of RTA Regulations.

iv) The Noticee submitted that it had filed compliant with SEBI for looking into the practice of tripartite agreement and it should not be liable for the work carried out by the other RTAs.

v) The Noticee also submitted that it was not responsible for the non-handover of data by the old RTA.

vi) I observe that the Noticee did not give any reason why the original tripartite agreements were incomplete or had shortcomings. As a SEBI registered intermediary, it was the duty of the Noticee to complete its work in a professional manner exercising due diligence. Further, it is observed that even after repeated reminders the Noticee failed to provide with scanned copies of the tripartite agreements when it was informed to them that the google drive was inaccessible and the CD provided by it is not opening. Further, the Noticee have not given any evidence of the efforts taken by it to obtain the relevant information from the previous RTA. It was the responsibility of the Noticee to ensure that all the relevant data was transferred from the previous RTA so that the continuity of work is not affected. However, the Noticee failed to do so.

vii) As per clause 20 of Schedule III of Code of Conduct that a RTA shall take adequate and necessary steps to ensure continuity in data. In view of the above, I find that the allegation of violation of Clause 20 of Schedule III (Code of Conduct) r/w Regulation 13 of RTA Regulations by the Noticee stands established.

F) <u>Implementation of SEBI Circular dated April 20, 2018</u>

i) It was alleged that the RTA did not have verifiable record of folios as on the date of the circular which do not have PAN/Bank account details. No records of communications sent, replies received and decisions taken in the matter were maintained by the RTA. This is allegedly in violation of Point (i) of Clause 12 of main point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018.

ii) From the internal control systems and the software systems of the RTA it has been observed that the RTA system does not have any such provision to easily retrieve the history of transactions linked to a particular folio. Since, RTA did not have any system to easily retrieve the history of transactions linked to a particular folio, it has allegedly violated provisions of Clause 2 of Point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018.

iii) It is alleged that the RTA does not have a policy of sharing Compliance report separately with the issuers apart from the portal. Further, information was sought from the RTA for providing quarterly reports to the issuer. As submitted by the RTA, the reports are sent from its email id: info@accuratesecurities.com. However, in support of their statement, they could only provide reports sent to Kanel Industries Limited for

Quarter ended Sep 30, 2019, Dec 31, 2019, March 31, 2020, to India Infraspace Limited for Quarter ended Sep 30, 2019, March 31, 2020, to TTL Enterprises Limited for Quarter ended Sep 30, 2019, March 31, 2020. No other reports could be found on searching the email of the RTA, neither the RTA could produce any other reports shared with the issuers apart from the aforementioned reports. Further, on perusal of the reports shared with the aforesaid issuers, Bank details of the shareholders were not found in the reports. Since, RTA does not have a policy of sharing Compliance report separately with the issuers with respect to the portal, it has allegedly violated provisions of Clause 6 of Point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018.

iv) Noticee submitted that it had maintained the record of folios not having PAN/ bank details and the write up regarding the same was shared with SEBI. In respect to the software used during the inspection period, Noticee submitted that it did not have such software that could easily retrieve the information but could retrieve data as required. Subsequently, the Noticee have updated the software and the current software can easily retrieve the data. The Noticee further submitted that it had developed an online portal which allows the issuer to download reports to reduce manpower utilization and support pricing.

v) From the documents available on record I find that the Noticee maintains record of folios without PAN/ bank account details and provides it to the issuer companies. However, there is nothing on record to show that the Noticee had taken any effort to collect copy of PAN and bank account details of the security holders as mandated in the circular dated April 20, 2018. The Noticee could not produce records of any correspondence made with the security holders to obtain the relevant information. In view of the above, I find that the Noticee had violated Point (i) of Clause 12 of main point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018.

vi) In regard to the software used by the Noticee which failed to easily retrieve the history of transactions linked to a particular folio, the Noticee admitted that the software used by it at that time was not equipped to retrieve the historical data. The Noticee, however, had updated the software subsequently for easy retrieval of historical data. In view of the above, I find that the Noticee had violated Clause 2 of Point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018.

vii) From the material available on record, it is observed that the Notice had provided inward viewer facility to all issuers to view that compliance reports. However, the same was disabled for download. Further, on perusal of the email id of the Noticee it was observed that it had sent quarterly reports only to Kanel Industries Limited for Quarter ended Sep 30, 2019, Dec 31, 2019, March 31, 2020, to India Infraspace Limited for Quarter ended Sep 30, 2019, March 31, 2020 and to TTL Enterprises Limited for Quarter ended Sep 30, 2019, March 31, 2020.It is observed that no other reports were shared with the issuers. Further, the bank details of the shareholders were missing from the reports. The Noticee did not give any explanation for the said shortcomings. In view of the same, I find that the allegation of violation of Clause 6 of Point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018 stands established.

11. From the foregoing, I am of the view that Noticee 1 is in violation of:-

a) Regulation 14 (1) (a) (iii) of RTA Regulations;

b) Para 2 of SEBI Circular dated August 28, 2014, Para 2 (ix) of SEBI Circular "Instructions to Registrars to an issue / Share Transfer Agents" dated October 11, 1994, Clause 3 and Clause 20 of the Code of Conduct as specified in Schedule III read with Regulation 13 of RTA Regulations;

c) Clause 25(a) of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994, Clause (a) and (b) of Point 1. "Specific Activities" of Schedule I of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994, Clauses 2 & 3 of Schedule III read with Regulation 13 of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations 1993;

d) Regulation 18 (1) and Regulation 18 (4) of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations 1993 and Clause 17 and Clause 18 of Code of Conduct of RTA Regulations r/w Regulation 13 of RTA Regulations;

e) Clause 20 of Schedule III (Code of Conduct) r/w Regulation 13 of RTA Regulations;

f) Point (i) of Clause 12 of main point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018, Clauses 2 and 6 of Point II of Annexure of SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018.

ISSUE II- Does the violation, if any, attract monetary penalty under sections 15A(a) and 15HB of the SEBI Act?

12. In context of the above, I refer to the observations of Hon'ble Supreme Court in the matter of *Chairman, SEBI vs. Shriram Mutual Fund {[2006] 5 SCC 361}* wherein the Hon'ble Court had observed: "In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.''

13. Therefore, the aforesaid violations committed attract monetary penalty under Section 15HB of the SEBI Act on Noticee for violation mentioned in para 10 pt. A, B, C, E and F and under section 15A(a) for violation mentioned at para 10 pt. D. The text of provision is reproduced hereunder:

Section 15HB of SEBI Act: -

Penalty for contravention where no separate penalty has been provided: Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.

Section 15A (a) of SEBI Act: - Penalty for failure to furnish information, return etc.

15A. If any person, who is required under this Act or any rules or regulations made thereunder,

(a) to furnish any document, return or report to the Board, fails to furnish the same or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

ISSUE III- If so, how much penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act?

14. While determining the quantum of penalty under SEBI Act, it is important to consider the factors stipulated in section 15J of the SEBI Act which reads as under:

    Factors to be taken into account by the adjudicating officer under SEBI Act

    15J. While adjudging quantum of penalty under Section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

    (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

    (b) the amount of loss caused to an investor or group of investors as a result of the default;

    (c) the repetitive nature of the default

15. The material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee and the loss, if any, and

suffered by the investors as a result of its failure. As regard to the repetitive nature of the default, I find that SEBI, in the past have passed two orders against the Noticee for violation of various Regulations and SEBI circulars.

16. The evidence/observations on record against Noticee, ostensibly suggest violations which in my assessment cannot be taken leniently and such violations deserve to be adequately penalized. In my view, the failure on the part of the Noticee as discussed in the pre-paragraphs, would compromise the regulatory framework and would defeat the purpose of measures provided in the various aforementioned SEBI Circulars/Regulations / Act. I cannot ignore the fact that the Noticee was under a statutory obligation to abide by the provisions of the SEBI Act, Rules and Regulations and Circulars / directions issued thereunder, which they failed to do during the inspection period. Noticee being a registered intermediary is expected to adhere to fair practices and maintain a high degree of professionalism in the conduct of their business. However, it is crystal clear from the preceding paragraphs that Noticee has acted in complete disregard of its regulatory obligations. The violations as established above certainly deserve imposition of penalty.

ORDER

17. Having considered the facts and circumstances of the case, the factors mentioned in section 15J of SEBI Act and also taking into account judgment of the Hon'ble Supreme Court in SEBI vs. Bhavesh Pabari (2019) 5 SCC 90 and in exercise of power conferred upon me under section 15I of the SEBI Act read with Rule 5 of the Adjudication Rules I hereby impose following penalty on the Noticee:

Penalty Provisions	**Penalty (Rs.)**
Section 15HB of SEBI Act	Rs.3,00,000/- (Rupees Three Lakh only)
Section 15A(a) of SEBI Act	Rs.1,00,000/- (Rupees One Lakh only)
TOTAL	**Rs.4,00,000/- (Rupees Four Lakh only)**

I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee.

18. Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT → Orders → Orders of AO → PAY NOW. In case of any difficulties in payment of penalties, Noticee may contact the support at portalhelp@sebi.gov.in.

19. In terms of the provisions of rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

DATE: March 15, 2024	**BARNALI MUKHERJEE**
PLACE: MUMBAI	**ADJUDICATING OFFICER**