BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/DSR/DP/2022-23/17934]

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

In respect of:

Cameo Corporate Services Ltd.
PAN: AABCC1758B
SEBI Registration No.: INR000003753

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI'**) conducted special purpose inspection of the books of accounts of Cameo Corporate Services Ltd. – a Registrar to an Issue and Share Transfer Agent (hereinafter referred to as "**Noticee"**) including but not limited to the due diligence adopted by the Noticee in respect of unclaimed shares, the procedure being followed for issue of duplicate shares, the steps taken by the Noticee with regard to the rectification of the register of members pertaining to wrong transfer of shares etc. for the period April 01, 2014 to November 25, 2019.

2. Pursuant to said inspection, vide Inspection Notice dated November 25, 2019, SEBI forwarded the inspection questionnaire to Noticee. In response to the inspection notice and questionnaire dated November 25, 2019, Noticee had submitted data / information to SEBI via emails dated viz. 06/12/2019, 08/12/2019 and 10/12/2019.

3. From the data submitted by the Noticee, the following were observed regarding the volumes of requests received and processed by it:

Type of Request	No. of Requests	No. of Companies
Transfer	28,966	197
Demat	93,203	230
Remat	1,907	128
Transmission	72,033	178
Issue of Duplicate Shares	3,328	148
Change of address	8,301	166
Unclaimed Shares – Claim Processing	500	20
Dividend Revalidation	47,089	68

4. On perusal of the data, certain irregularities were observed with respect to the various requests processed by the Noticee and therefore, it was alleged that the Noticee has violated the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations**"), SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 (hereinafter referred to as "**RTI/STA Regulations**") and circulars issued by SEBI time to time.

APPOINTMENT OF ADJUDICATING OFFICER

5. The undersigned was appointed as the Adjudicating Officer in the matter vide order dated August 06, 2021 which was conveyed vide communique dated November 26, 2021, under section 19 of the SEBI Act read with section 15-I of SEBI Act and 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 section 15 HB of the SEBI Act in respect of the following alleged violations / provisions :
    a. Regulation 39(4) and 40(7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations**");
    b. Clause D (1) of Schedule VI of LODR Regulations;
    c. Clause A (1), C(2)(b) and C(2)(ii) of Schedule VII of LODR Regulations;
    d. Regulation 13 of RTI / STA Regulations
    e. Clause 1, 2, 3 and 16 of Schedule III of RTI / STA Regulations;
    f. Clause 3.3 and Clause 3.4 of SEBI Circular MRD/DoP/Cir-05/2007 dated April 27, 2007;

g. Clause 1(c), 1(d) and 2(vii) of Schedule 1 of SEBI Circular Instructions to Registrars to an Issue/ Share Transfer Agents dated October 11, 1994;
h. Clause 20 of General Norms for Processing of Documents of SEBI Circular RTI Circular No. 1 (2000-2001) dated May 09, 2001;
i. Clause 23 of General Norms for Processing of Documents of SEBI Circular RTI Circular No. 1 (2000-2001) dated May 09, 2001;
j. Annexure 9 of Clause 23 of SEBI Circular RTI Circular No. 1 (2000-2001) dated May 09, 2001;
k. Clause 3.4 of SEBI Circular MRD/DoP/Cir-05/2007 dated April 27, 2007

SHOW CAUSE NOTICE, REPLY AND HEARING

6. Show Cause Notice No. SEBI/HO/DSR/34817/2021 dated November 30, 2021 (hereinafter referred to as '**SCN'**) was issued to the Noticee under Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be held and penalty be not imposed on it under section 15HB of SEBI Act for the alleged violations.

7. In response to the SCN, the Noticee vide letter dated December 09, 2021 requested for extension of time to file reply by December 31, 2021 and the same was acceded to. Thereafter, the Noticee vide letter dated December 29, 2021, *inter alia*, submitted the following:

   i. *"We would like to state that all the observations listed out in the SCN have already been part of the inspection report and we have furnished appropriate replies/explanation for not violating of the provisions referred therein with adequate evidences as Annexures for all those discrepancies.*

   ii. *After due consideration of our reply to the inspection report, we received the administrative warning letter from SEBI and intimation for initiation of adjudication proceedings, to which we have sent our reply. We are surprised to have now received a SCN, completely ignoring our replies and evidences submitted for each and every finding in the inspection report. The relevant extract of said SEBI letter dated 25/06/2021 is as under;*

"The findings of inspection were forwarded to you via letter dated January 28, 2020 *for your comments. Subsequently, you have submitted reply/ comments on the findings of the inspection via letter dated February 22,2020. On analysis of your replies to the findings of the inspection, the following discrepancies were observed for the period of inspection:*
a. Banker attestation obtained may be forged as at some places the bank name is "The Textile traders' co –op bank ltd" and somewhere else it is 'Textile trader's co-op bank *ltd". Two stamps with different name of bank has been used- Folio no. K0013661.*
b. Cases where RTA has processed the request for issue of duplicate shares without obtaining any identity proof"

iii. *We are once again furnishing our replies and documentary evidences for the observations mentioned therein.*

iv. *Cameo is a professionally managed company and we have trained our manpower to always carry out our activities with utmost care, diligence and in compliance of all SEBI regulations and keeping in mind the interest of the investors.*

v. *Considering the requirement of high compliance in RTA operations, our RTA division is headed by a 25 years experienced and qualified company secretary professional. All the officers supervising our RTA operations are having rich experience of 15 to 30 years in RTA and passed NISM examination as per the requirement of SEBI provision.*

vi. *Observations were mentioned under various 8 heads pertaining to 329 requests of shareholders in the SCN. It may be noted that we have not received even a single investor complaint that we have wrongly processed their requests or any claim due to process from our end. This can stand evidence that we have been exercising due diligence, ensuring proper care and exercising independent professional judgement.*

vii. *Considering the above, we request your goodself to kindly condone the lapses, if any, observed, taking into account of our past services and track record.*

viii. *Along with the reply, Noticee forwarded case –wise reply alongwtih 173 annexures towards documentary evidences."*

8. In terms of the Adjudication Rules, vide hearing notice dated May 24, 2022, Noticee was provided with an opportunity of personal hearing in the matter on May 30, 2022 at 11.00 AM through virtual hearing / videoconferencing on Zoom platform. The Authorised Representatives (AR) of the Noticee, Shri R D Ramaamy Whole Time Director of the Noticee, Ms. Sreepriya (Vice President & Company Secretary of the Noticee) and Ms. Shailashri Bhaskar (Practicing Company Secretary) appeared for the hearing and reiterated the submissions made by the Noticee vide letter dated December 29, 2021. The ARs further vide letter dated June 02, 2022 submitted that all the 327 instances / documents were processed as per the applicable regulations prevailing at the time of processing and therefore requested for taking a fair and lenient view in the matter.

CONSIDERATION OF ISSUES AND EVIDENCE

9. I have carefully perused the allegations levelled against the Noticee in the SCN, the reply of the Noticee and the material/documents available on record. The issues that arise for consideration in the present case are:

   i. Whether Noticee has violated the provisions of law as mentioned in the SCN?

   ii. Does the violation, if any, attract monetary penalty under section 15HB of SEBI Act?

   iii. If the answer to the aforesaid issues is in affirmative, then, what should be the quantum of penalty?

10. I have perused the allegations and the reply of Noticee. It is observed that inspection of books of accounts of the Noticee was carried out by SEBI in order to find any possible violations committed by the Noticee. During the inspection, several observations were made w.r.t. prima facie irregularities committed by the Noticee and such observations were forwarded by SEBI to Noticee vide letter dated January 28, 2020 seeking comments

of Noticee. The Noticee vide letter dated February 22, 2020 submitted it's comments along with documentary evidence. Thereafter, upon receipt of comments of the Noticee w.r.t inspection report, SEBI examined the explanations given by the Noticee and vide letter dated June 25, 2021 has communicated the following discrepancies to the Noticee;

a. Banker attestation obtained may be forged as at some places the bank name is "The Textile traders' co –op bank ltd"and somewhere else it is 'Textile trader's co-op bank ltd". Two stamps with different name of bank has been used-Folio no. K0013661.

b. Cases where RTA has processed the request for issue of duplicate shares without obtaining any identity proof"

11. It is observed from the said letter of SEBI that it was specifically concluded that the aforesaid observations at Para3 (a) & (b) are in violation of Schedule III read with regulation 13 of RTI/STA Regulation 1993 and the aforesaid two instances/violations were viewed very seriously. Vide said letter, the Noticee was warned to be careful in future and improve its compliance standards to avoid recurrence of such instances, failing which action would be initiated in accordance with provision of SEBI Act, Rules and Regulations framed thereunder.

12. It is also observed from para 4 of the said SEBI letter where in it was stated that the Noticee is advised to take appropriate corrective steps to rectify the aforesaid discrepancies/deficiencies and also to examine other cases which were not a part of sample for SEBI's inspection and forward action taken report within 30 days from receipt of said letter. I have also noted that at para 6 of said letter wherein it was also informed to the Noticee that adjudication proceeding have been initiated against the Noticee in the instant matter.

13. From the aforesaid letter/communication of SEBI dated June 25, 2021 which in fact has been relied upon by the Noticee in it's support in the instant proceeding, it is observed

that only two irregularities were pointed out by SEBI which were considered to be of serious in nature and warning was issued to the Noticee to be careful in future; and to submit the action taken report accordingly to rectify the same.

14. Before going ahead, it is relevant to mention the ratio in the case of *DSE Financial Services Ltd. vs SEBI (Appeal No. 153 of 2012 decided on 11.09.2012* as decided by the Hon'ble Securities Appellate Tribunal is as under;

> "*Under similar circumstances in one of the cases decided by us earlier (Religare Securities Limited vs. SEBI Appeal no. 23 of 2011 decided on 16.6.2011), we have observed that it must be remembered that 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.* ***We have also observed that 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.*** *As per the observations made by the adjudicating officer himself, the violations committed by the appellant are mostly technical in nature; some of them are solitary instances and for others the appellant has mostly taken/initiated corrective measures. In view of this, we are of the view that the adjudicating officer was not justified in taking punitive action".*

15. In view of the said letter dated June 25, 2021 issued by SEBI, it is clear that only two discrepancies / allegations were considered to be serious in nature after analysing the reply of Noticee post inspection. In view of this and keeping in mind the observations made by Hon'ble SAT in case of *DSE Financial Services Ltd*. (supra) I hereby examine / adjudicate the said two discrepancies (viz. forged Bank attestation for Folio No. K0013661 and issuance of duplicate shares without obtaining identity proof) which were observed / alleged as serious in nature and in violation of Schedule III read with regulation 13 of RTI/STA Regulation 1993.

<u>ISSUE : Whether Noticee has failed to exercise due diligence / due care while examining the seller's signature with banker's attestation in violation of clause</u> 3 (a) & (b) of Schedule III read with regulation 13 of RTI/STA Regulation 1993 and Regulation 40 (1), 40 (7) of LODR Regulations 2015?

16. I have observed from para 24 of the SCN that with respect to transfer of 100 shares of Mangalore Chemicals & Fertilizers Ltd in Folio no. K0013661 where seller's signature was not available with the Noticee and Bank attestation was obtained to check the veracity of signature, there appears to have been two different stamps of the Bank as "The textile trader's co-op bank Ltd." and "Textile trader's co-op bank Ltd.". It was therefore, alleged that the Noticee had failed to examine the Banker's attestation properly which might have been forged as Bank's name was slightly shown differently as "The Textile traders' co – op bank ltd"and somewhere else it is shown as 'Textile trader's co-op bank ltd".

17. With respect to said allegation, the Noticee submitted that it had called / verified with the Textile Traders Co-op Bank Ltd, which confirmed the signature of the shareholder and it is understood that the address seal and round seal of the Bank has correct name of the Bank, while in 'for seal' they have mistakenly included the word "The" before the name of the bank. The Noticee stated that till date, no claim or counter claim or dispute for these shares has been raised by anyone and hence this is a genuine transfer. The Noticee also submitted that subsequent to the issuance of warning letter of SEBI dated June 25, 2021, it had vide letter dated July 26,2021, again confirmed from the branch manager namely Mr. Nitin Shah of Textile Traders' Co-op Bank Limited regarding attestation made by their bank and the Bank had sent an official email confirming that the attestation was made by their branch.

18. From the above allegation and the reply made by the Noticee, I have observed that there was only one instance brought out during inspection which was considered to be serious in nature and the Noticee had already taken steps in that regard. Moreover, there was no claim / counterclaim / dispute / complaint by anybody w.r.t. issuance of duplicate shares. I have also perused the email dated 8th July 2021 of the Bank (Annexure 15 of reply of the Noticee) which clearly states / confirms that attestation of signature of Mr. Kartikumar Rameshchandra Patel was done by their bank employee only. In view of the above, I do

not find any failure of due diligence on the part of Noticee and hence the aforesaid allegation doesn't stand established.

ISSUE : Whether Noticee has failed to exercise due diligence / due care while processing the request for issue of duplicate shares without obtaining any Identity Proof in violation of clause 1 (c) of Schedule I of Circular 'Instructions To Registrars To An Issue / Share Transfer Agents' dated October 11, 1994 and Clause 3 of Schedule III read with Regulation 13 of RTI/STA Regulations?

19. I have noted that para 32 of SCN alleges that the Noticee had processed the request for issue of duplicate shares of 6 Companies without obtaining any identity proof of shareholders.

20. With respect to said allegation, the Noticee had submitted reply (w.r.t. obtaining of identity proof of shareholders in said six companies) as under;

> **"Manali Petrochemical Ltd -**
>
> *The address of the shareholder registered with the records of the company and the address from which the request for duplicate share certificate was received were one and the same. The signature of the shareholder was also matching with the specimen available in our records. When signature of the shareholder on the documents submitted for duplicate tallies with the specimen recorded with RTA, the identity of the shareholder is established and there was no requirement to obtain separate identity proof of the shareholder.*
>
> **Sundaram Finance Ltd.**
>
> *This shareholder had submitted request for Change of address on 12.10.2015, at that time had submitted copy of Aadhaar card towards poof of identity and proof of address. Subsequently, on 06.10.2017 he had applied for issue of duplicate share certificate. His signature was perfectly tallying with the specimen available in our records. Since ID proof was already obtained during changes of address, there was no requirement for us to collect the same during duplicate issuance once again. Please note that the copy of his Aadhaar was already shared along with our reply to the inspection report. We are once again enclosing the same herewith for your immediate reference as "**Annexure-41"***
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> **Mangalore Chemicals & Fertilizers Ltd.**

This shareholder had submitted request for Change of address on 18.10.2014, at that time had submitted copy of PAN towards proof of identity. Subsequently, on 27.03.2015 he had applied for issue of duplicate share certificate. Since ID proof was already obtained during change of address, there was no requirement for us to collect the same during duplicate issuance once again. Please note that the copy of his PAN was already shared along with our reply to the inspection report. We are once again enclosing the same herewith for your immediate reference as ***"Annexure-42"***

The Waterbase Ltd.

*Request received on 15/06/2015. There was no request for change in address. The signature of the shareholders were also tallying with the specimen available. We had also obtained copy of Ration card issued by Government of West Bengal, wherein Name & Signature of the shareholder was available. Further, as this was processed prior to the date when the Listing Regulations (LODR) became applicable, we have not insisted for any identity proof separately. Also there was no requirement to obtain ID proof for issue of duplicate certificate as per the norms. Moreover, post issue of duplicate, the shares were transferred from joint holding to single holding and not to a third party. Scanned copy of the same was given to the inspection team when they visited our office vide file name "DUP_TRF_CASE_25.pdf". Please note that the copy of his signature & ration card was already shared along with our reply to the inspection report. We are once again enclosing the same herewith for your immediate reference ad ''****Annexure-43"***

Binny Ltd

Shareholder had written a letter to us on 19.01.2015 seeking the procedure to obtain duplicate share certificate, wherein he had attached bankers' attestation of his signature, Copy of PAN & a cancelled cheque leaf. In reply to this letter, we had furnished the procedure for issue of duplicate share certificate. Since the shareholder has already submitted his id proof, we have not again called for the ID at the time of issue of duplicate share certificate. Please note that the copy of bankers' attestation, cancelled cheque & PAN card copy were already shared along with our reply to the inspection report. We are once again enclosing the same herewith for your immediate reference as ***"Annexure-44"***

M M Rubber Company Ltd.

The address of the shareholder registered with the records of the company and the address from which the request for duplicate share certificate was received were one and the same. The signature of the shareholder on the indemnity & affidavit were matching perfectly with the specimen recorded with us. Hence there is no requirement for us to obtain id proof of the shareholder, as there was no regulatory requirement at that time. After the circular issued by SEBI on April 20,2018, we are insisting for ID proof and address proof for all requests."

21. I have perused the aforesaid reply and Annexures submitted by the Noticee. From the said Annexures and submission made, it appears that the Noticee was having in its

records the identity proof of the shareholders and tallied the same while issuing the duplicate shares and thereby exercised due diligence w.r.t. identification proof before issuing duplicate shares. Though, no annexure / proof was enclosed by the Noticee towards identity proof documents with respect to issue of duplicate shares of two companies (i.e. Manali Petrochemical Ltd and MM Rubber Company Ltd), however, submission appears to be convincing in the absence of any third party claim / dispute or complaints and accordingly benefit of doubt is given to the Noticee. Therefore, after taking into account all the facts and circumstances of the case, I am of the view that the allegation of failure of due diligence is not established against the Noticee.

ORDER

22. In view of findings noted in preceding paras and considering the provisions of Section 15 -I of the SEBI Act read with Rule 5 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, I hereby dispose of the Adjudication Proceedings initiated against the Noticee – Cameo Corporate Services Ltd. vide SCN Ref. No. SEBI/HO/DSR/34817/2021 dated November 30, 2021.

23. In terms of Rule 6 of the Adjudications Rules, copy of this order is sent to the Noticee and also to the Securities and Exchange Board of India.

Date : July 15, 2022
Place : Mumbai

D SURA REDDY
CHIEF GENERAL MANAGER &
ADJUDICATING OFFICER