BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER Ref. No. ORDER/NH/RJ/2022-23/20978]

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

MCS Share Transfer Agent Limited

FACTS OF THE CASE

1. Securities and Exchange Board of India ("**SEBI**") conducted a regular inspection of MCS Share Transfer Agent Limited ("**Noticee**"), a Category I Share Transfer Agent registered with SEBI bearing Registration no. INR000004108 for the period from April 1, 2019 to February 28, 2021 ("**Inspection Period"**) in respect of activities carried out by the Noticee as a Share Transfer Agent.

2. During the aforesaid inspection, it was observed that the Noticee processed 6271 change of bank ("**COB**") account details during the inspection period. In this regard, it was alleged in the inspection report ("**IR**") that the Noticee failed to the provide information regarding the date of the receipt of the request and the date of processing of request for the said 6271 COB account details checked during the inspection. It is further noted that during inspection the Noticee has stated that the COB account requests in question were received in bulk and the could not be segregated company wise data.

3. The findings of the inspection were communicated to the Noticee by the inspection team vide letter dated July 27, 2021. The Noticee, in its response dated August 18, 2021, submitted the following explanation for its alleged failure to provide the relevant data regarding the said 6271 COB account details requests processed by it during the inspection period:

> *"There was large volume of requests received from the shareholders of various companies in response to the notices issued by those companies asking for the details as per as SEBI guidelines. As the dividend payment dates were nearer we had to enter and update the details directly into the member's master data. As such separate data could not be provided."*

4. In this background, it has been alleged by the IA that that the Noticee has failed to provide complete information regarding the 6271 COB account details requests checked during inspection period and thus, has violated the provisions of Regulations 18(1) and (4) of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 and Clause 2 of the Code of Conduct as specified under Regulation 13 of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 ("**RTA Regulations**"). Hence, the instant adjudication proceeding was initiated against it.

APPOINTMENT OF ADJUDICATING OFFICER

5. The undersigned was appointed as the Adjudicating Officer ("**AO**") in the matter vide communique dated June 15, 2022 under Section 19 of the SEBI Act, 1992 read with Section 15I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ("**Adjudication Rules"**), to inquire into and adjudge the aforementioned alleged violations of the provisions of law by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

6. Show Cause Notice bearing reference no. SEBI/HO/EAD/EAD2/P/OW/2022/50696/1 dated September 30, 2022 (**"SCN"**) was issued to the Noticee in terms of Rule 4(1) of the Adjudication Rules read with Section 15I of the SEBI Act, 1992 to show cause as to why an inquiry should not be held against the Noticee and why penalty be not imposed on them in terms of the provisions of Section 15HB of the SEBI Act, 1992 for the violations alleged to have been committed by the Noticee. The relevant extract of the SCN is reproduced *in verbatim* below:

   i. *SEBI conducted inspection with regard to the Noticee's activities as Share Transfer Agent during the period from April 1, 2019 to February 28, 2021 (hereinafter referred to as **'Inspection Period'**). During the aforesaid inspection, the team scrutinized the Noticee's books, other records and documents including process of certification of associate persons, inward processing, possession and maintenance of specimen signature cards,* *issuance of duplicate shares, demat request, change of bank account details request, etc.*

ii. *It was observed by the inspection team that the Noticee processed 6271 Change of Bank account* ***(****hereinafter referred to as* ***'COB')*** *requests during the inspection period. With respect to the COB requests, the inspection team wanted to ascertain whether the Noticee was complying with the legal and regulatory requirements while processing Change of Bank account requests. In this regard, it is alleged in the inspection report that details pertaining to the date of receipt of the request and the date of the execution date were not provided in the said list of 6271 COB account requests, by the Noticee. Further, during the inspection, the Noticee submitted that when the COB account requests were received in bulk, they could not be segregated company wise. In the view of the foregoing, it is alleged that Noticee failed to provide complete details regarding the 6271 COB account requests checked during inspection period and hence, violated the provisions of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.*

iii. *A letter dated July 27, 2021 containing the findings of the inspection was issued to the Noticee by SEBI drawing the Noticee's attention to the various alleged deficiencies found in the course of the said inspection and seeking the Noticee's comments in that regard.*

iv. *The Noticee in its reply dated August 18, 2021 has submitted the following explanation regarding its alleged failure to provide the relevant data regarding the 6271 COB account requests processed during the inspection period:*

> *"There was large volume of requests received from the shareholders of various companies in response to the notices*

issued by those companies asking for the details as per as SEBI guidelines. As the dividend payment dates were nearer we had to enter and update the details directly into the member's master data. As such separate data could not be provided."

v. Therefore, by failing to provide complete information with regard to Change of Bank account details request, the Noticee is alleged to have violated Regulations 18(1) and (4) of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 and Clause 2 of the Code of Conduct as specified under Regulation 13 of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

7. The Noticee, vide letter dated October 12, 2022, submitted the following response to the SCN which is reproduced *in verbatim* below for reference:

   i As already explained to your good office vide our letter dated 18.08.2021, we would once again like to mention that in spite of tremendous constraints faced by us during the period of Covid Pandemic, we had extended services to the Investors in a great manner and as such there was almost nil investor grievance during such period of crisis. We had left no stone unturned to continue the investor services by setting up infrastructure at the home of our employees as they could not reach office for want of transports.

   ii But you would appreciate that during the period large volumes of physical letters/documents were accumulated in the post office/Courier Agencies etc. which includes voluminous KYC Forms in respect of Change of Bank Particulars which were delivered to us in a *large volume as per their suitability. These Bank Particulars Forms were sent by the shareholders in terms of SEBI Circular which got accumulated due to the Pandemic situation as mentioned earlier.*

iii *All these large volume of Bank Particulars were entered into the system and updated directly in the master data files of the respective client companies in haste as they had started declaring dividend and the payments of such dividends had to make in time. As such the set procedure of embossing date of receipts and segregation of the Forms Company wise could not be followed in some cases.*

iv *There may be some procedural lapses (viz. non-embossing of receipt date on the Bank Particulars Forms and/or segregation of forms Company wise) as indicated by the Inspection Team in their observations under paragraph 3.11 of their Report, but you must appreciate that the volume was very large and we had to update them immediately as dividend payments were to be made. Therefore, in some cases dates of receipts were not embossed on the Forms and we had to depute most of our personnel to update the same directly in the respective master date files of our client companies without getting time for Segregation of those Forms Company wise.*

v *But you would also appreciate that there was no investor complaint received in regard to non-payment of dividend due to non-updating or wrong updating of Bank Particulars in master data which confirms that the Bank Particulars were correctly recorded by us and no shareholder has suffered any loss for such updating of Bank Particulars directly in the master data. As such it is clear that no shareholder has suffered* *for non-embossing of date of receipts on the forms or for non-segregation of Forms Company wise and accordingly no complaint has been received from any shareholder. Otherwise it would have reflected in the observations of the inspection team under paragraph no 3.18 on page 27 of their Report which even states that we had resolved the complaints received during the period within the prescribed time limit.*

8. In consonance with the Adjudication Rules and in the interest of natural justice, the Noticees were provided with an opportunity of hearing in the present matter on October 21, 2022 through Cisco webex platform. Mr. Shankar Ghosh, Authorised Representative ("**AR**") appeared on behalf of the Noticee and reiterated the submissions contained in the Noticee's response dated October 12, 2022. Further, as requested by the AR, time till October 26, 2022 was granted to the Noticee to make additional submissions including supporting documents, if any.

9. The Noticee, vide email dated October 25, 2022, submitted documents pertaining to the SCORE complaints filed against the Noticee from April 01, 2019 to September 30, 2022. In the backdrop of said documents, the Noticee averred in the said email, *"there was no complaint in respect of updating and changing of bank particulars received from the shareholders of dividend paying companies in Kolkata Branch."*

CONSIDERATION OF ISSUES AND FINDINGS

10. I have carefully perused the allegations levelled against the Noticee in the SCN, the replies of the Noticee and also the documents/evidence available on record.

11. The issues that arise for consideration in the present case are:

    I. Whether the Noticee violated the provisions of Regulations 18(1) and (4) of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 and Clause 2 of the Schedule III of the Code of Conduct as specified under Regulation 13 of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993?

    II. If yes, whether the violations would attract monetary penalty on the Noticee under the provisions of the Section 15HB of the SEBI Act, 1992?

    III. If yes, what should be the quantum of monetary penalty?

12. The relevant extracts of the provisions of law, allegedly violated by the Noticee, are mentioned as under:

    SECURITIES AND EXCHANGE BOARD OF INDIA (REGISTRARS TO AN ISSUE AND SHARE TRANSFER AGENTS) REGULATIONS, 1993

    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.

SCHEDULE III

CODE OF CONDUCT

2. A Registrar to an Issue and Share Transfer Agent shall fulfill its obligations in a prompt, ethical and professional manner.

ISSUE I:- Whether the Noticees violated the provisions of Regulations 18(1) and (4) of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 and Clause 2 of the Schedule III of the Code of Conduct as specified under Regulation 13 of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993**?**

13. It has been alleged in the SCN that Noticee has failed to provide complete details regarding the 6271 COB account details request checked during

inspection period and hence, violated the aforesaid provisions of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

14. The Noticee, in its response to SCN dated October 12, 2022 and in the course of hearing, has acknowledged lapses on its part to provide full and complete information pertaining to the request for COB account details to the inspection team. The relevant extract of the response of the Noticee to the SCN, dated October 12, 2022, is produced below:

> *"All these large volume of Bank Particulars were entered into the system and updated directly in the master data files of the respective client companies in haste as they had started declaring dividend and the payments of such dividends had to make in time.* ***As such the set procedure of embossing date of receipts and segregation of the Forms Company wise could not be followed in some cases.***
> ***There may be some procedural lapses (viz. non-embossing of receipt date on the Bank Particulars Forms and/or segregation of forms Company wise) as indicated by the Inspection Team in their observations under paragraph 3.11 of their Report****, but you must appreciate that the volume was very large and we had to update them immediately as dividend payments were to be made.* ***Therefore, in some cases dates of receipts were not embossed on the Forms and we had to depute most of our personnel to update the same directly in the respective master date files of our client companies without getting time for Segregation of those Forms Company wise."*** **(Emphasis supplied)**

15. The remaining submissions of the Noticee constitute various mitigating circumstances put forth for consideration in terms of Section 15J of the SEBI Act, 1992 for leniency in the quantum of penalty which may be levied, and are addressed subsequently in the part of the order dealing with penalty.

16. In this background, I have noted that the Annexure 2 of the SCN which contains the relevant information received from the Noticee w.r.t. the request for COB account details checked during the inspection does not provide the date of receipt or the date of execution of the said request. I also noted that the Noticee has admitted its failure to provide relevant information pertaining to the processing of the request for COB account details to the inspection team for the said inspection period.

17. In the light of the above, I am of the opinion that the Noticee violated the provisions of Regulations 18(1) and (4) of the RTA Regulations and Clause 2 of the Code of Conduct as specified under Regulation 13 of the RTA Regulations.

ISSUE II:- If yes, whether the violations would attract monetary penalty on the Noticee under the provisions of the Section 15HB of the SEBI Act, 1992?

18. From the discussion in the Issue No. I, it is noted that the Noticee has violated the provisions of Regulations 18(1) and (4) of the RTA Regulations and Clause 2 of the Code of Conduct as specified under Regulation 13 of the RTA

Regulations. It is accordingly liable for imposition of penalty in terms of Section 15HB of the SEBI Act, 1992 which is produced below for reference:

> ***15HB. 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.*

ISSUE III:- If yes, what should be the quantum of monetary penalty?

19. While determining the quantum of penalty under Section 15HB of the SEBI Act, 1992, the following factors stipulated in Section 15J of the SEBI Act, 1992 have to be given due regard:

    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.

20. The Noticee has, *inter alia,* made the following submissions to be considered as mitigating factors which is reproduced below in verbatim:

    a) You would appreciate that during the period large volumes of physical letters/documents were accumulated in the post office/Courier Agencies *etc. which includes voluminous KYC Forms in respect of Change of Bank Particulars which were delivered to us in a large volume as per their suitability. These Bank Particulars Forms were sent by the shareholders in terms of SEBI Circular which got accumulated due to the Pandemic situation as mentioned earlier. All these large volume of Bank Particulars were entered into the system and updated directly in the master data files of the respective client companies in haste as they had started declaring dividend and the payments of such dividends had to make in time. As such the set procedure of embossing date of receipts and segregation of the Forms Company wise could not be followed in some cases.*

b) You would also appreciate that there was no investor complaint received in regard to non-payment of dividend due to non-updating or wrong updating of Bank Particulars in master data which confirms that the Bank Particulars were correctly recorded by us and no shareholder has suffered any loss for such updating of Bank Particulars directly in the master data. As such it is clear that no shareholder has suffered for non-embossing of date of receipts on the forms or for non-segregation of Forms Company wise and accordingly no complaint has been received from any shareholder. Otherwise it would have reflected in the observations of the inspection team.

21. I take note of the fact that there is nothing on record to show that disproportionate gain or unfair advantage have been made by the Noticee due to its default. I take into account that the IR along with the material on record has not quantified losses to the investors, if any. I also take into account that

SEBI had imposed penalties on the Noticee on two instances viz. penalty of Rs. 5,00,000/- (Rupees five lakhs) vide Order dated August 24, 2020 under section 15HB of the SEBI Act, 1992 and penalty of Rs. 3,00,000/- (Rupees three lakhs) vide Order dated April 29, 2022 under section 15HB of the SEBI Act, 1992. Here, I have noted that the aforesaid penalties have been imposed on the Noticee for violations which are similar in nature. Further, I note the fact that the inspection period includes the period when COVID pandemic was at its peak.

22. I have perused the documents submitted by the Noticee which pertains to the SCORE complaints filed against the Noticee from April 01, 2019 to September 30, 2022. The said documents merely pertain to the complaints lodged over SCORES platform against the Noticee from April 01, 2019 to September 30, 2022 and do not provide any details with regards to the resolution status of the said complaints. In such circumstances, the submission of the Noticee that there were no pending investor complaints against it is not proved. Therefore, the submission of the Noticee cannot be considered as mitigating circumstance in favour of the Noticee.

ORDER

23. After taking into consideration all the facts and circumstances of the case along with the mitigating factors and the penalties which have been imposed against the Noticee for similar violations, I, in exercise of powers conferred upon me under Section 15I of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, hereby impose a penalty of Rs. 3,00,000/- (Rupees three lakh only) on

the Noticee for violation of the provisions of Regulations 18(1) and (4) of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 and Clause 2 of the Schedule III of the Code of Conduct as specified under Regulation 13 of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993. I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee.

24. The Noticee shall remit / pay the said total amount of penalty within 45 days of the receipt of this order either by way of Demand Draft in favour of "SEBI- *Penalties Remittable to Government of* India", payable at Mumbai, or by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT > Orders > Orders of AO > PAY NOW; OR by using the web link https://siportal.sebi.gov.in/RTA/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

25. The said confirmation of e-payment made in the format as given in table below should be sent to "The Division Chief, EFD1-DRA-III, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C- 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in

1. Case Name:	
2. Name of payee:	
3. Date of payment:	

4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	
7. Payment is made for: (like penalties/ disgorgement/recovery/ settlement amount and legal charges along with order details)	

26. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee viz. MCS Share Transfer Agent Limited and also to the Securities and Exchange Board of India.

Date: October 31, 2022 **N HARIHARAN**

Place: Mumbai **ADJUDICATING OFFICER**