BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/VV/PSS/2022-23/21585

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

In respect of:

Integrated Enterprises (India) Limited

(now known as Integrated Registry Management Services Private Limited)

In the matter of

Integrated Enterprises (India) Limited

A. BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') initiated adjudication proceedings under Section 15B and 15HB of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**'), 1992 against **Integrated Enterprises (India) Limited (now known as Integrated Registry Management Services Private Limited)**, (hereinafter referred to as "**Noticee")** for the alleged violations of provisions of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 ('hereinafter referred to as '**RTI & STA Regulations'**) read with various relevant circulars of SEBI and Regulation 54(5) of SEBI (Depositories & Participants) Regulations, 1996. Noticee is registered with SEBI as Category- I Registrar to an Issue ("**RTI**") and Share Transfer Agent ("**STA**") vide registration no. INR000000544.

B. APPOINTMENT OF ADJUDICATING OFFICER

2. CGM Ms.Asha Shetty was appointed as the Adjudicating Officer ("***AO***") vide order dated August 5, 2022 to inquire into and adjudge under Section 15B and 15HB of SEBI Act for the alleged violations against the Noticee. Subsequently,

the Undersigned was appointed as Adjudicating Officer vide Order dated October 3, 2022 to inquire into and adjudge under Section 15B and 15HB of SEBI Act for the alleged violations against the Noticee. The appointment of the current AO was communicated to the Undersigned vide communication order dated October 6, 2022.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice No. SEBI/HO/EAD-8/AS/SM/47745/1/2022 dated September 09, 2022 (hereinafter referred to as "**SCN**") was issued to the Noticee under rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ('**SEBI Adjudication Rules**') to show cause as to why an inquiry should not be held and penalty be not imposed on the Noticee under section 15B and15HB of the SEBI Act for the following alleged violations :-

   a) Regulation 9A(1)(b) of RTI & STA Regulations read with Clause 1 of SEBI RRTI Circular: No.1 (94-95) dated October 11,1994.

   b) SEBI RRTI Circular: No.1 (94-95) dated October 11,1994 read with Regulation 14(3) (c) and clause 2 of code of conduct stipulated under regulation 13 of RTI & STA Regulations

   c) SEBI RRTI Circular: No.1 (94-95) dated October 11,1994 read with SEBI RTI Circular No.1(2000-2001) dated May 09, 2001 and CIR/MIRSD/8/2012 dated July 05, 2012 read with Clause 2 of Code of Conduct stipulated under Regulation 13 of RTI & STA Regulations.

   d) SEBI Circulars No. SMDRP/POLICY/CIR-46/2001 dated September 27, 2001, RTI Circular No.1(2000-2001) dated May 09, 2001 and CIR/MIRSD/8/2012 dated July 05, 2012 read with Clause 2 of Code of Conduct stipulated under Regulation 13 of RTI & STA Regulations.

   e) Clause (B)(ii) of SEBI Circular No. SMDRP/POLICY/CIR-46/2001 dated September 27, 2001 read with clause 2 of Code of Conduct stipulated under regulation 13 of RTI & STA Regulations.

f) RRTI Circular (99-2000) dated May 20, 1999 read with clause 2 of code of conduct stipulated under Regulation 13 of RTI & STA Regulations read with Regulation 54(5) of SEBI (Depositories and Participants) Regulations, 1996.

g) Circular No. NSDL/JS/016/2004 Dated May 10, 2004 read with NSDL Bye-law No.9.4.7 and CDSL Bye-law No.13.5.7 read with Clause 5(c) of Code of Conduct stipulated under Regulation 13 of RTI & STA Regulations

h) Clause 3(e) of Listing Agreement read with clause 2 of code of conduct stipulated under Regulations 13 of RTI & STA Regulations.

4. The contents of the SCN are summarized as under :-

a) It is stated in the SCN that SEBI conducted inspection of the Noticee to verify whether the provisions of Securities and Exchange Board of India Act, 1992; Securities Contracts (Regulations) Act, 1956; Depositories Act, 1996 and rules, regulations, guidelines/circulars issued from time to time are complied with by the Noticee in respect of the process followed by them in executing investor requests such as share transfer, transmission, issue of duplicate shares, etc. Inspection was carried out by SEBI for the period April 01, 2011 to September 30, 2013 (*hereinafter referred as* "**Inspection Period / IP"**).

b) The findings of inspection were communicated to Noticee vide letter dated October 13, 2014 and Noticee furnished its reply vide letters dated November 03, 2014, December 06, 2014 and January 01, 2015. SEBI did not find the comments/ explanation of Noticee satisfactory on the following grounds :-

Non execution of legally valid agreement with client companies for STA activities.

c) It was observed that agreement with 56 companies was renewed by way of letter of acceptance and not by way of a legally binding agreement. Regulation 9A of RTI & STA Regulations containing conditions of registration of STA obligates the RTI to enter into 'legally binding agreement' with the body corporate or the person for or on whose behalf it is acting as such stating therein the allocation of their duties and responsibilities. Further Clause 1 of SEBI RRTI Circular: No.1 (94-95) dated October 11,1994, requires all the Share Transfer Agents to enter into a legally binding agreement with the issuer companies.

d) In view of above, it is alleged that the Noticee has violated Regulation 9A(1)(b) of SEBI (Registrar to an Issue and Share Transfer Agents), Regulations, 1993 read with Clause 1 of SEBI RRTI Circular: No.1 (94-95) dated October 11,1994.

Non-maintenance of signature cards of shareholders of client companies and effecting transfer/transmission/demat requests etc of these companies.

e) Noticee acted as STA to 146 companies during the period covered under inspection. Of these, specimen signatures of shareholders of 8 companies were not maintain by the noticee and were available with the company, whereas the signatures of shareholders of 5 companies were neither with Noticee nor with respective companies.

f) As per SEBI RRTI Circular: No.1 (94-95) dated October 11,1994, Share Transfer Agent is required to capture and maintain specimen signature cards of share/debenture holders and has to maintain them up-to-date in their systems. However, it was found that the Noticee had not taken any steps to obtain the possession of the signature cards from the above mentioned companies.

g) By allowing the companies to keep the signature cards with themselves and by not maintaining specimen signature of shareholders/transferees, it is alleged that Noticee has violated SEBI RRTI Circular: No.1 (94-95) dated October 11,1994 read with Regulation 14(3) (c) and clause 2 of code of conduct stipulated under regulation 13 of RTI & STA Regulations.

Not obtaining authorizations of transfer from the client companies

h) It was observed that out of 59 companies, only in around 22 companies, the STA had obtained authorisations for endorsement on share certificates i.e.

in more than 50% of the cases, the STA had not obtained such authorisations and invariably delay in transfers in such cases were seen.

i) In view of the above, by not obtaining the authorisations of transfer from the client companies as mentioned above, it is alleged that the Noticee has violated the provisions of SEBI RRTI Circular: No.1 (94-95) dated October 11,1994 read with SEBI RTI Circular No.1(2000-2001) dated May 09, 2001 and CIR/MIRSD/8/2012 dated July 05, 2012 read with Clause 2 of Code of Conduct stipulated under Regulation 13 of RTI & STA Regulations

Delay in processing of physical transfer of shares

j) As per SEBI Circulars, a timeline of 30 days for the transfer requests received till September 30, 2012 & 15 days for requests received after October 1, 2012 for transfer of physical shares received has been stipulated. It was observed that Noticee had taken more than the prescribed time for processing the requests in 55 instances.

k) In view of the above, by not processing the transfer requests received upto September 30, 2012 and after October 01, 2012 within 30 days and 15 days respectively, it is alleged that the Noticee has violated the provisions of SEBI Circulars No. SMDRP/POLICY/CIR-46/2001 dated September 27, 2001, RTI Circular No.1(2000-2001) dated May 09, 2001 and CIR/MIRSD/8/2012 dated July 05, 2012 read with Clause 2 of Code of Conduct stipulated under Regulation 13 of RTI & STA Regulations.

Noticee failed to send letter to the transferor seeking confirmation on the transfer within the stipulated time

l) As per clause (B)(ii) of SEBI Circular No. SMDRP/POLICY/CIR-46/2001 dated September 27, 2001, the STA is required to send letter to the transferor seeking confirmation on the transfer within 10 days of receipt of shares from the transferee in respect of transfer requests where there is difference in the signature of the transferor. However, in 24 instances, it is observed that Noticee had taken more than 10 days to issue the said letter to the transferor.

m) In view of the above, by not issuing the letter within 10 days of receipt of shares from the transferee seeking confirmation from the transferor, it is alleged that Noticee has violated provisions contained in Clause (B)(ii) of SEBI Circular No. SMDRP/POLICY/CIR-46/2001 dated September 27, 2001 read with clause 2 of Code of Conduct stipulated under regulation 13 of RTI & STA Regulations.

<u>Delay in processing the dematerialization requests by the Noticee (DRFs)</u>

n) Regulation 54 (5) of SEBI (Depositories & Participants) Regulations, 1996 requires every share transfer agent to process the dematerialization requests within a period of 15 days from the date of receipt of all documents. It was observed from the 250 DRFs sample that in 25 cases pertaining to Sundaram Fasteners Ltd., the time taken by Noticee to process them ranged from 17 days to 38 days.

o) By not processing the DRFs within 15 days of receipt of DRF from the DP (Depository Participant), it is alleged that Noticee has violated RRTI Circular (99-2000) dated May 20, 1999 read with clause 2 of code of conduct stipulated under Regulation 13 of RTI & STA Regulations read with Regulation 54(5) of SEBI (Depositories and Participants) Regulations, 1996.

<u>Rematerialization of shares</u>

p) As per Circular No. NSDL/JS/016/2004 Dated May 10, 2004 rematerialisation requests (RRFs) are required to be processed within 30 days from the date of receipt of request by the STA. It was observed that in 72 cases Noticee had taken more than 30 days in confirming the RRFs.

q) In view of the above, by not processing the aforesaid RRFs within the stipulated time of 30 days, it is alleged that Noticee, has contravened the provisions contained in Circular No. NSDL/JS/016/2004 Dated May 10, 2004 read with NSDL Bye-law No.9.4.7 and CDSL Bye-law No.13.5.7 and is therefore in violation of Clause 5(c) of Code of Conduct stipulated under Regulation 13 of RTI & STA Regulations

<u>Delay in Issuing of Duplicate Share Certificate</u>:

r) As per clause 3 (e) of listing agreement, the new share certificates are to be issued within six weeks from the notification of loss and receipt of proper indemnity in replacement of those which are lost. It was observed that longer time than the prescribed time was taken in case of 396 requests. The time taken ranged from 46 days to 192 days.

s) In view of the above, by taking longer time in issuing duplicate certificate it is alleged that Noticee has violated Clause 3(e) of Listing Agreement read with clause 2 of code of conduct stipulated under Regulations 13 of RTI & STA Regulations.

5. I note, from available records, that the SCN was duly delivered to the Noticee. Noticee has filed reply dated September 23, 2022. Opportunity of personal hearing in the matter was provided to the Noticee on October 27, 2022 which was attended by the authorized representative on behalf of the Noticee. Noticee did not demand further hearing in the matter and hearing in the matter concluded on October 27, 2022. I note that principles of natural justice have been complied with in the instant matter.

6. The Noticee vide his letter dated September 28, 2022 has filed his reply to the SCN. Noticee has also submitted written submissions dated October 27, 2022 of its oral arguments made during the hearing and additional written submission dated October 28, 2022. The key submissions made by the Noticee are summarized as under:-

Violation of non-execution of legally valid agreement with client companies for STA activities:

a) Noticee has executed a legally binding agreement as per SEBI's format at the time of their appointment as STA with a renewal clause to cover any cost escalation and revision of their fees. Noticee has mentioned that all other terms and conditions are unaltered except for the revision of fee structure, in the letter of acceptance duly signed by both the parties.

b) Noticee submits that the letter exchanges between them and the respective company, which is accepted by the respective company, is a "legally binding agreement". Notwithstanding the above, to raise upto the expectation of the Regulator and in improving own corporate governance, Notice has executed fresh stamped agreements.

Non maintenance of signature card of shareholders of client companies and effecting transfer / transmission of these companies

c) Noticee has submitted vide its reply dated September 23, 2022 that, Companies have appointed the Noticee as common agency, pursuant to SEBI Circular dated 27 December 2002. Noticee has maintained the signatures, subsequent to the appointment. Prior to the appointment, the signature cards are maintained in physical format. Noticee has been visiting personally to check and verify the signatures and necessary due diligence are done before processing any activity.

d) Noticee has received all available signature cards both in soft copy and card form from all the 8 companies. With regard to cases where signatures are not available (5 companies) , Noticee has advised the respective company to send specimen signature card for updation along with Annual Report every year and the response is getting updated on a regular basis. This process is being followed every year from the date of inspection. Further, as per recent SEBI's circular on common norms for Investor's, all Noticee's client companies have sent out letters to shareholders for getting their KYC updated with RTA.

e) In its written submissions dated October 21, 2022 , Noticee has averred that if at all there is any gap in having signature cards, the same is beyond the control of the Noticee and such lapse is not on account of the Noticee. Hence, appreciating the marathon efforts being made by the Noticee in this regard and considering the fact that Noticee has no role to play for the Signature Cards not being available prior to its appointment, the violation may kindly be dropped.

Not obtaining authorizations of transfer from the client companies

f) Noticee has averred in its reply that to ascertain the genuinety of the share certificates, the authorizations were held by the Companies, as most of the Companies are very old, however, the Noticee had requested to grant 30 days' time to get the authorizations in their favour vide their letter dated November 4, 2014.

g) Noticee has further averred in its written submissions that a few client companies for certain internal reasons including acceptance of the board authorizing STA to approve transfer is having challenge for the same. Noticee further submitted that companies can justifiably be concerned about its shareholders including person acquiring shares in the company. Therefore, the companies may like to scrutinize the share transfers before effecting the same. The updated position of authorization obtained by Noticee for effecting transfer was submitted vide letter dated 04.12.2014 and 06.01.2015 in response to the Inspection Report. In any case the physical share transfer is prohibited with effect 01.04.2019 and as such this non-compliance after this date does not arise.

Delay in processing of physical transfer of shares

h) Noticee has submitted in its reply that the timeline of 15 days for processing transfers was implemented from October 1, 2012 and Noticee has informed all its clients to strictly follow the timelines. Accordingly, all transfers are processed at our end and submitted for their committee approval. However, for implementing this timeline, Noticee's clients have taken time to get the authorization from the Board for approving the transfers through share transfer committee.

i) There were around 41 companies having less that 15 transfers which were processed beyond the stipulated time during the inspection period. As the number of transfer requests received for these companies were very less in number, these companies found it difficult to have frequent committees for approving such transfers.

j) Noticee has further averred in its written submissions that there has been substantial reduction in delay in processing of share transfers in the second

6 months after the introduction of 15 days time limit compared with the first 6 months after introduction of 15 days time limit. Noticee had subsequently put in place a more robust system to ensure the share transfers are processed within the 15 days time limit stipulated. In any case, the physical share transfers are prohibited with effect from 01.04.2019.

Noticee failed to send letter to the transferor seeking confirmation on the transfer within the stipulated time

k) Noticee has submitted in the reply that it has assured vide its letter dated November 4, 2014, to avoid this lapse and will strictly ensure to send the confirmation letter within 10 days form the receipt of shares to the transferee seeking confirmation from the transferor.

l) Noticee has further averred in its written submissions that in any case, the physical share transfers are prohibited with effect from 01.04.2019.

Delay in processing the dematerialization requests by the Noticee

m) Noticee has submitted in its reply that the company in relation to which violation is alleged, has the practice of approving the deletion of deceased holder name in their meeting and thereafter allowing us to process the demat. The delay has been discussed with the Company and requested them to approve such transmission cum demat requests simultaneously so that the delay could be avoided.

n) Further, Noticee has averred in written submissions that all the cases of delay in processing the dematerialization in the SCN pertains to one client (i.e.) Sundram Fasteners Limited and all the cases involve transmission of shareholders and then dematerialization. This additional step/processed to be carried out for effecting the transmission of shareholders may kindly be noted as the main reason for the delay in the processing of the dematerialization. Further, the client company has to update the Register of Members first for effecting the transmission and then alone can effect the dematerialization. Due to the above, there was some delay beyond the control of the Noticee.

Delay in processing request for Rematerialization

o) Noticee has submitted in its written submissions that for issue of a physical share certificate, in addition to SEBI rules and regulations, the provisions of Companies Act are to be complied. The process necessarily involves approval of the Board of Directors / Committee of Directors of the client companies, which is beyond the control of the Noticee. In addition to the fact that the delay is due to the reason beyond the control of the Noticee, now a more effective system is put in place to avoid any delay beyond the time limit allowed.

Delay in processing of issue of duplicate share certificate

p) Noticee submits in its reply that they have informed all clients to include the issuance of share certificate, for duplicate also, in their committee meeting which is approving the transfer process, in order to comply within the stipulated time.

q) Noticee has submitted in its written submissions that for issue of a physical share certificate, in addition to SEBI rules and regulations, the provisions of Companies Act are to be complied. The process necessarily involves approval of the Board of Directors / Committee of Directors of the client companies, which is beyond the control of the Noticee. In addition to the fact that the delay is due to the reason beyond the control of the Noticee, now a more effective system is put in place to avoid any delay beyond the time limit allowed.

r) Noticee has averred in relation to delay in issuance of SCN, that there is substantial delay of about 8 years in issuing the SCN, causing serious prejudice to the Noticee to defend itself with regard to the various allegations stated in the SCN. For this reason alone, the show-cause notice deserves to be set aside and further proceedings be dropped. For this purpose, Noticee has relied upon the following orders : **(1)** Ashlesh Gunvantbhai Shah Vs. SEBI dated 31.01.2020 **(2)** Sanjay Jethalal Soni Vs. SEBI dated 14.11.2019 **(3)** Ashok Shivlal Rupani Vs. SEBI dated 22.08.2019 **(4)** Shriram Insight Share Brokers Limited Vs. SEBI dated 04.01.2022 **(5)** Shriram Insight Share

Brokers Limited Vs. SEBI dated 19.09.2022 **(6)** Dismissal order dated 28.03.2022 of SEBI's SLP against SAT order dated 04.01.2022 in Shriram Insight Share Brokers Limited.

s) Noticee has submitted in its additional written submissions dated October 28, 2022 that inspection of the Noticee was also carried out by SEBI for the period 01.04.2018 to 31.12.2019. A copy of the said inspection report is also furnished by the Noticee. Noticee has submitted that in almost all the areas, the Inspection Report noted that there are no adverse observations/ comments against the Noticee.

D. REVELANT PROVISIONS

7. It is relevant to reproduce the provisions of laws which have been attracted and invoked in the SCN and the same are quoted here under:

<u>Relevant provisions of SEBI (Registrar to an Issue and Share Transfer Agents) Regulations, 1993</u>

[1]**[9A. Conditions of registration**. ─ (1) [2][registration granted under regulation 8]] shall be subject to the following conditions, namely: -

(b) without prejudice to its obligations under any other law for the time being in force, it shall enter into a legally binding agreement with the body corporate or the person or group of persons for or on whose behalf it is acting as a registrar to an issue or a share transfer agent stating therein the allocation of duties and responsibilities between itself and such body corporate or person or group of persons, as the case may be;

[1]Inserted by the SEBI (Registrars to an Issue and Share Transfer Agents) (Amendment) Regulations, 2006, w.e.f. 7-9-2006.

[2]Substituted for the words "Any [initial registration] granted under regulation 8 or any [permanent registration granted under regulation 8A" by the Securities and Exchange Board of India (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations, 2016 w.e.f. 08-12-2016. Prior to this. The words "initial registration" were substituted for 'registration' by the SEBI (Registrars to an Issue and Share Transfer Agents) (Amendment) Regulations, 2011, w.e.f. 5-7-2011.

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.

THIRD SCHEDULE

SEBI (Registrar to an Issue and Share Transfer Agents) Regulations 1993

[Regulation 13]

CODE OF CONDUCT FOR REGISTRAR TO AN ISSUE AND SHARE TRANSFER AGENTS

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

Clause 5. A Registrar to an Issue and Share Transfer Agent shall always endeavor to ensure that –
a. inquiries from investors are adequately dealt with;
b. grievances of investors are redressed without any delay;
c. transfer of securities held in physical form and confirmation of dematerialisation / rematerialisation requests and distribution of corporate benefits and allotment of securities is done within the time specified under any law .

14. To maintain proper books of accounts and records, etc
(3) Every share transfer agent shall maintain the following records in respect of a body corporate on whose behalf he is carrying on the activities as share transfer agent namely:-
(c) such other records as may be specified by the Board for carrying out the activities as share transfer agents.

Relevant provisions of SEBI (Depositories and Participants) Regulations, 1996

54. Manner of surrender of certificate of security.

***54.** (5) Within 15 days of receipt of the certificate of security from the participant the issuer shall confirm to the depository that securities comprised in the said certificate have been listed on the stock exchange or exchanges where the earlier issued securities are listed and shall also after due verification immediately mutilate and cancel the certificate of security and substitute in its record the name of the depository as the registered owner and shall send a certificate to this effect to the depository and to every stock exchange where the security is listed : **Provided** that in case of unlisted companies the condition of listing on all the stock exchanges where earlier issued shares are listed, shall not be applicable.*

SEBI RRTI Circular: No.1, dated October 11, 1994.

Clause 1. Agreement to be entered into with Issuer / body corporate*.*

1. *In terms of rule 4(1)(b) of the SEBI (Registrars to an Issue and Share Transfer Agents) Rules, 1993, all Registrars to an Issue / Share Transfer Agents are required to enter into a legally valid agreement with the Issuers / Body corporate. SEBI has evolved models of Agreement to be entered into between RTI and Issuer (Annexure A) and STA and Body corporate (Annexure B). The models have been formulated with a view to bringing about standardisation in the legal relationship between the RTI and Issuer and STA and body corporate. While the RTI / STA and the Issuer / body corporate may suitably modify the agreement depending upon the circumstances of each case, they should, as far as possible, observe the spirit behind the various clauses contained in the model agreements. While doing so, it must also be ensured that neither party should reserve for itself any rights which would have the effect of diminishing in any way its liabilities and obligations under the Companies Act, 1956 and SEBI (Registrars to an Issue and Share Transfer Agents) Rules and Regulations, 1993. Where the Registrar to an Issue / Share Transfer agent is a company the agreement should be executed by persons authorized to execute documents in accordance with the Articles of Associations of the company; in case of partnership firms the Agreement should be executed by all the partners or the Managing partner acting under the authority of the other partners; and in the case of a proprietary concern, by the proprietor himself. The Agreement must be stamped according to the Local Stamp Laws for the time being in force at the place of execution. In the case of a large issue, the Issuer may decide to appoint / associate more than one RTI. In such a case the Agreement shall be executed by all the RTIs and the Issuer and the Lead Manager shall be a confirming party. The scope of work and responsibilities of each Registrar shall be clearly spelt out in the Agreement. The Agreement entered into by a RTI with an Issuer shall be valid at least until the expiry of one year from the date of closing of the Issue and in the case of an Agreement entered into by a STA with a body corporate, it shall be valid for a minimum period of one year renewable if the circumstances so require A certified copy of the executed agreement between the RTI and the issuer shall be immediately forwarded to the Lead Managers to the Issue (Pre-issue and Post Issue).*

Clause 2. Records to be maintained by registrar to an issue / share transfer agent

In pursuance of the powers conferred upon SEBI by regulation 14(2)(h) and regulation 14(3)(C) of the Regulations, it is hereby stipulated that in addition to the books, records and documents stipulated in regulation 14(1), 14(2) and 14(3) the following records and documents shall also be maintained by the RTI/STA in hard copy / magnetic media.

Records and documents to be maintained by STA

i. *Records of allotment made containing all relevant details received from the Registrar to the Issue /Body Corporate where Issue has been handled in house; details of securities subject to lock-in-period in respect of each Body corporate.*
ii. *Datewise records of securities received for endorsement, transfer, splitting, consolidation, transmission, etc.*
iii. *Movement register containing date and details of records sent out of the office of the STA to body corporate or any other person for any reason whatsoever and date of receipt back by the STA.*
iv. *Board Resolution approving the transfers along with the transfer register containing all particulars of transferor and transferee, their folio Nos., No. of shares transferred, Number and date of Board meeting approving the transfers with signature and seal of Company Secretary / Director.*
v. *Details of despatch of transferred certificates, certificates received for endorsement, splitting, consolidation, transmission, etc. The records at II to V above to be interlinked so as to ascertain the movement of documents and time taken in transfer, etc., and despatch of scrips to investors.*
vi. *Member register and transfer register in hard copy and in magnetic media.*
vii. *Specimen signature cards and transfer deeds.*
viii. *Records of returned mail showing details of contents of the letter, details of securities / refund orders, warrants despatched, date of despatch, date of return and reasons for being returned.*
ix. *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.*
These records and documents are required to be maintained by the intermediaries for a minimum period of 3 years in terms of regulation 15. These records and documents should be kept in the custody of an authorized / responsible officer of the RTI / STA.

Clause 5. Other directions to RTIs / STAs

(ix) Authorization of transfer on certificates and the authorization of endorsement of a call / allotment money is not delegated by certain body corporates to the share transfer agents thereby resulting in immense delay in sending back the certificates to the investors, as the certificates have to move back and forth between the body corporate and the STA. This usually results in not complying with the time limit stipulated under section 113 of the companies Act, 1956 and listing agreement and the STAs also become responsible for violation. In view of this the STA may insist on the Body Corporates authorising them to carry out the authorisation.

RRTI Circular (99-2000) dated May 20, 1999

Sub: Delay in processing dematerialisation requests.

It has come to our notice that some of the share transfer agents are taking an unduly long time for dematerialisation of shares and are also rejecting the dematerialisation requests on flimsy grounds without providing necessary reasons and legal documentation. Such practices are detrimental to the interest of the investors and slow down the process of dematerialisation.

You are therefore requested to expedite the processing of dematerialisation request, in any case ensuring that the request is processed within15 days from the date of the such request. You are also advised not to reject the request on flimsy grounds or without specifying reason for rejection or without proper documents supporting your reason for rejection. A violation of this directive would invite suitable action.

SEBI Circulars No. SMDRP/POLICY/CIR-46/2001 dated September 27, 2001

Section 9.3 Delay in transfer of shares by companies

A) Pending Transfer of Share

i) In case the transfer deed and the share certificates are with the company awaiting transfer beyond 30 days and in cases where the same are returned by the company to the investor with a company objection including due to signature difference (other than court cases where injunction has been ordered), companies shall effect the transfer of shares on obtaining from the transferee the proof of purchases duly acknowledged by the stock exchange/broker. If so desired, a company may also obtain indemnity bond from the transferee. Before effecting transfer, the company shall within 10 days of the date of such direction, send letters under registered post AD/Speed Post AD to the transferor(s) asking for their confirmations/no-objection, so as reach the company within 15 days from the date of receipt of the letter by the transferor. If the confirmation is received /no-objection is not received within 15 days from the transferor(s), the transfer would be effected immediately thereafter. The valid objection, if any should be accompanied by correspondingly old prohibitory order from a competent authority. Immediately after effecting the transfer of shares, the benefits (i.e. Bonus, rights, dividend) held back by the company shall be handed over to the transferee. If such benefits have been passed on to the transferor, the concerned stock exchange shall arbitrate through the brokers of the transferor and the transferee to determine the rightful claimant. Keeping in view the provisions of Section 206 A of the Companies Act and Section 27 of the Securities Contracts (Regulation) Act, 1956, in such cases, the Stock Exchanges should entertain claims for resolving through arbitration even if they are beyond the stipulated time of 4 months.

RTI Circular No. 1(2000-2001) dated May 09, 2001

All companies listed on stock exchanges are required to do the processing of share transfers and effect transfers in accordance with the provisions of the Companies Act, 1956, listing agreement and the guidelines issued by SEBI. It has been observed that there are no uniform procedures or practices adopted by companies and their Registrars to Issue/Share Transfer Agents for handling and processing of transfer documents/bad delivery documents/stock invests etc. resulting in avoidable confusion and inconvenience to the investors. The Stock Exchange, Mumbai and National Stock Exchange had set up task forces to evolve uniform norms in these areas. The task forces submitted their recommendations to SEBI. SEBI thereafter convened meetings of representatives of Registrar Association of India, Stock Exchanges, Clearing Corporation, Depositories and Custodians to finalise these norms. After detailed deliberations uniform guidelines to be followed by RTI/STA & Companies have been agreed upon by the various market intermediaries. These guidelines have been divided into three parts:

1. *General norms for processing of documents.*
2. *Norms for processing of transfers.*
3. *Norms for objection.*

Draft of the formats to be used have also been suggested in these guidelines. It is hereby directed that all registered Registrar to an Issue and Share Transfer Agents and Companies listed on Stock Exchanges shall mandatorily follow these guidelines and formats with immediate effect. These directions are issued pursuant to powers conferred on SEBI under Section 11B of SEBI Act, 1992.

Clause (B)(ii) of SEBI Circular No. SMDRP/POLICY/CIR-46/2001 dated September 27, 2001

B. Procedure for dealing with Company objections in future

(ii). In cases of company objection due to signature difference (Other than court cases where injunction is ordered), companies shall effect the transfer of shares by following the procedure mentioned below. Before effecting transfer, the company shall within 10 days of receipt of shares from the transferee, send letters under registered post AD/ Speed Post AD to the transferor(s) asking for their confirmations/no-objection, so as to reach the company within 15 days from the date of receipt of the letter by the transferor. If the confirmation is received/no objection is not received within 15 days, the transfer would be effected immediately thereafter. The valid objection, if any, should be followed/accompanied by a prohibitory order from a competent authority and should reach the company within 30 days thereafter, failing which the transfer would be effected. Immediately, after effecting the transfer of shares, the benefits (i.e. Bonus, rights, dividend) held back by the company shall be handed over to the transferee. If such benefits have been passed on to the transferor, the

concerned stock exchange shall arbitrate through the brokers of the transferor and the transferee to determine the rightful claimant. Keeping in view the provisions of Section 206 A of the Companies Act and Section 27 of the Securities Contracts (Regulation) Act, 1956, In such cases, the Stock Exchanges are hereby advised to entertain claims even if they are beyond the stipulated time.

Circular No. NSDL/JS/016/2004 Dated May 10, 2004

A checklist for benefit of Issuers/ R & T Agents is enclosed to facilitate better compliance of NSDL Byelaws, Business Rules and Circulars. The checklist is not a substitute for NSDL Byelaws, Business rules and circulars issued to Issuers/R & T agents. The checklist should be read in conjunction with the aforesaid documents.

SEBI Circular No. CIR/MIRSD/8/2012 dated July 05, 2012

Sub: Reduction of Time-line for Transfer of Equity Shares and Prescription of
Time-line for Transfer of Debt Securities.

1. *The listing agreement for equity shares prescribed under the Securities Contracts (Regulation) Act, 1956 inter alia specifies a period of one month for registering transfer of shares from the date of lodgment.*
2. *With a view to expedite the transfer process in the interest of the investors, it has been decided, in consultation with Registrars Association of India (RAIN), Stock Exchanges and market participants to reduce the time-line for registering the transfer of shares to 15 days. The same time-line shall also be applicable for transfer of debt securities.*

3. Accordingly, all the recognized stock exchanges are directed

a. to amend Clauses 3 (c) and 12A(3) of the listing agreement for equity shares,

b. to amend Clauses 3(c) and 14(b) of the SME Equity listing agreement,

c. to incorporate the time-line of 15 days for transfer of debt securities and the provision for compensation of the opportunity losses caused during the period of delay in transfer, in the listing agreement for debt securities, on the lines of the existing provisions in the listing agreement for equity shares and SEBI Circular No. SMDRP/POLICY/CIR-46/2001 dated September 27, 2001,

d. to amend any other clauses as applicable in the above listing agreements.

4. *All SEBI registered Registrars to an Issue and Share Transfer Agents are directed to adhere to the above time-lines for transfer of shares and debt securities.*
5. *In view of the above, the time-line for transfer of shares and / or provision for compensation for delay thereof, as referred to in SEBI Circulars No. RTI Circular No.1(2000-2001) dated May 09, 2001, SMDRP/POLICY/CIR-46/2001 dated*

September 27, 2001 and PMD/RRTI/NB/22463/2002 dated November 20, 2002 stand modified.

6. *This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets and shall come into force with effect from October 01, 2012.*

National Securities Depository Limited (NSDL)- Bye Laws

9.4. REMATERIALISATION

9.4.7. The Participant shall forward the RRF to the Issuer or its Registrar and Transfer Agent within seven days of accepting such request from the Client. The Issuer or its Registrar & Transfer Agent after validating the RRF will confirm electronically to the Depository that the RRF has been accepted. Thereafter the Issuer or its Registrar and transfer Agent shall despatch the share certificates arising out of the rematerialisation request within a period of thirty days from receipt of such rematerialisation Request Form.

Central Depository Services Limited (CDSL)-Bye laws

13.5. REMATERIALISATION

13.5.7. The participant shall forward the RRF to the Issuer or its RTA within two working days of accepting such request from the Beneficial Owner. The Issuer or its RTA after validating the RRF will confirm electronically to CDSL and the participant that the RRF has been accepted. Thereafter the Issuer or its RTA shall dispatch the security certificates arising out of the rematerialisation request within a period of thirty days from receipt of such RRF to the Beneficial Owner named in the RRF at the address set out therein taking such precautions as may be necessary against loss in transit.

E. ISSUES

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

    i) Whether Noticee is in violation of the provisions mention in paragraph no.4?

    ii) If the answer to Issue No.(i) is in affirmative, do the violations, if any on the part of the Noticee would attract monetary penalty ?

iii) If the answer to Issue No.(ii) is in affirmative, what would be quantum of the monetary penalty that should be imposed upon the Noticee ?

F. CONSIDERATION AND FINDINGS

9. Before moving forward, I find it appropriate to deal with the preliminary submission raised by the Noticee regarding delay in issue of SCN. Noticee has submitted that SCN was issued after almost 8 years from the reply of Noticee to the Inspection Report and the Inspection Period and that the long delay in issue of SCN is seriously prejudicing the Noticee in effectively defending the various violations stated in the SCN. In this regard, I note the that the inspection of the Noticee was carried out on September 30, 2014. The findings of inspection were communicated to Noticee vide letter dated October 13, 2014 and Noticee vide letters dated November 03, 2014, December 06, 2014 and January 01, 2015 submitted its reply to inspection findings. Thereafter, adjudication proceedings in the matter was approved against the Noticee on February 01, 2016. Accordingly, erstwhile Adjudicating Officer ("**AO**") was appointed as vide communiqué dated August 11, 2022 under Section 15-I (1) of the SEBI Act, 1992. Pursuant to the internal restructuring, the Undersigned has been appointed as Adjudicating Officer vide communiqué dated October 06, 2022.

10. The Noticee has also relied on several orders/judgments passed by the Higher Courts and Tribunal. In this regard I am of the view that the present case, can be factually distinguishable from the aforementioned appellate court orders. I note that it has been continuously reiterated by the appellate courts in the catena of cases that SCN would be issued within the reasonable time period and the reasonable time period depends on each case facts and circumstance and no hard and fast rule can be laid down in this regard. The same has been affirmed by the appellate court in **Ashlesh Gunvantbhai Shah** (supra) order cited by the Noticee. The relevant para of the aforesaid order is as follows:

> *"It is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the adjudication proceedings. The Supreme Court in Government of India vs, Citedal Fine Pharmaceuticals, Madras and Others, [AIR (1989) SC 1771] held that in the absence of any period of limitation, the authority is required to exercise its powers within a reasonable period. What would be the reasonable period would depend on the facts of each case and that no hard and fast rule can be laid down in this regard as the*

determination of this question would depend on the facts of each case. This proposition of law has been consistently reiterated by the Supreme Court [..]. (emphasis applied)”

Further, in the matter of SEBI vs BHavesh Pabari, the Hon’ble Supreme Court held as follows :-

“There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc.”

11. I further note that, initiating a proceeding under the appropriate provisions of SEBI Act is a regulatory prerogative of SEBI depending upon the outcome of the fact finding exercise, which is the inspection done in this case, and just because the alleged violation was committed in a distant past cannot be a ground to vitiate initiation of these proceedings. Notwithstanding the requirements mentioned in the different provision, in the present matter Noticee has already known that the inspection has been done which was communicated vide letter dated October 13, 2014 and accordingly, replies dated November 03, 2014, December 06, 2014 and January 01, 2015 had been filed by the Noticee with reference to the inspection report finding. From the reply of the Noticee, I note that Noticee is aware about contents of his replies to the inspection report. Thus, I am not inclined to take a view that Noticee has been prejudiced due to delay in issuance of SCN.

12. Accordingly, I now proceed to deal with the other issues in the matter.

Issue no.(i)

Non-execution of legally valid agreement with client companies for STA activities

13. It has been alleged in the SCN that Noticee renewed agreement with 56 companies by way of letter of acceptance and not by way of a legally binding agreement. The Noticee has submitted that they have executed a legally binding agreement as per SEBI’s format at the time of their appointment as STA with a renewal clause to cover any cost escalation and revision of their fees. Noticee has further submitted that they have executed fresh stamped agreements to comply with regulatory requirements.

14. I note that the Noticee has not denied the fact of not entering into legally binding agreement. Instead, the Noticee has averred that they have renewed the agreement by letter exchanges between them. Entering into a legally binding agreement is one of the stipulations of conditions for grant of registrations as STA as specified in Regulation 9A of RTI & STA Regulations. Further, the Noticee has not furnished any reasons for not entering into such agreements in 56 cases when it had complied with the requirements with the remaining companies.

15. The Noticee has also averred that the agreement renewed by letter exchanges is a legally binding agreement. I note that carrying out an agency work for a principal without a legally binding agreement would render such work as legally untenable and the same has a direct bearing on the interest of the investors. Further, wherever the statutes have provided for an agreement in a legally binding manner and if the same is circumvented by executing long term arrangements in a non-legal document, the same would also amount circumventing or noncompliance of the provisions of other laws like Indian Stamp Act where the entities are under obligation to pay up the stamp duties for agreements entered into by them in the course of their business. Though the Noticee later confirmed compliance of the requirement, the same was done only after the non-compliance had been pointed in the inspection report and not on its own volition.

16. In view of the above, I conclude that the Noticee has violated Regulation 9A(1)(b) of RTI & STA Regulations read with Clause 1 of SEBI RRTI Circular: No.1 (94-95) dated October 11,1994.

Non-maintenance of signature cards of shareholders of client companies and effecting transfer/transmission/demat requests etc of these companies.

17. It has been alleged in the SCN that Noticee acted as STA to 146 companies during the period covered under inspection. Of these, specimen signatures of shareholders of 8 companies were not maintained by the Noticee and were available with the company, whereas the signatures of shareholders of 5 companies were neither with Noticee nor with respective companies.

18. Noticee has admitted the fact of non-maintenance of signature cards with respect to 13 companies and has averred that Noticee has advised respective companies to send specimen signature card for updation along with annual report every year. Further, the Noticee has submitted that if at all there is any gap in having signature cards, the same is beyond the control of the Noticee and such lapse is not on account of the Noticee.

19. I note that the Noticee is maintaining signature cards for majority of the client companies. In spite of being aware of the requirement, the Noticee had not maintained the same for the said 13 companies. The act of non-maintenance assumes graver proposition when the Noticee had effected various STA activities like transfers, transmission etc for each of these companies in spite of such non-maintenance. In the absence of such specimen signature cards for verification, relying on the third party verifications and certifications for its own activities as a matter of routine, raises a query about the correctness and acceptance of such activities by the Noticee.

20. Though the Noticee has stated that it has obtained the specimen signature cards from 8 companies, the Noticee could have and should have done this even before starting its STA activities for these companies. The Noticee need not have waited for an inspection from the Regulator to point out its noncompliance to initiate a remedial action. To this extent, there is compromise of regulatory compliance on the part of the Noticee in carrying out its STA activities. Even as on date, the Noticee has not taken specimen signature cards in 5 cases, the Noticee, atleast in these cases, could have reviewed its STA agreement with clients so as to decide as to whether it should continue to render STA services in the absence of the specimen signature cards.

21. In view of the above, I conclude that the Noticee has violated SEBI RRTI Circular: No.1 (94-95) dated October 11, 1994 read with Regulation 14(3) (c) and clause 2 of code of conduct stipulated under regulation 13 of RTI & STA Regulations.

Not obtaining authorizations of transfer from the client companies

22. It is alleged in the SCN that in more than 50% of the cases, the Noticee had not obtained authorisations of transfer and invariably delay in transfers in such cases were seen. Noticee has submitted in its reply that some companies had held

authorizations with themselves to ascertain the genuinety of the share certificates and that their Boards were not in favour of authorizing the Noticee to approve the transfer of shares.

23. I note that regulatory provision is quite clear and the spirit of the provisions stipulate that in order to avoid the time delay which would affect the investors, the STA to insist on the client companies to provide the authorizations in favour of the STA for effecting speedy transfers. The STA had not insisted on obtaining such authorizations from these client companies. The spirit of the regulation does not leave the option to the client companies as to whether or not such power of authorizations could be conferred on the STA. Therefore, the Noticee in order to comply with the requirement could have and should have included the requirement of conferment of power of authorization on the Noticee as one of its clauses in its agreement with the client companies.

24. Further, the Noticee has submitted that the updated position of authorization obtained by Noticee for effecting transfer was submitted vide letter dated 04.12.2014 and 06.01.2015 in response to the Inspection Report. I note that the Noticee should have done this on its own volition and should not have waited for the inspection report.

25. In view of the above, I conclude that the Noticee has violated the provisions of SEBI RRTI Circular: No.1 (94-95) dated October 11,1994 read with SEBI RTI Circular No.1(2000-2001) dated May 09, 2001 and CIR/MIRSD/8/2012 dated July 05, 2012 read with Clause 2 of Code of Conduct stipulated under Regulation 13 of RTI & STA Regulations.

Delay in processing of physical transfer of shares

26. It is alleged in the SCN that the Noticee had taken more than the prescribed time for processing the transfer requests in 55 instances. From the reply of the Noticee, it is made out that the Noticee has admitted the allegation of the aforesaid delay, however, the Noticee has attributed the delay to the client companies stating that the companies have taken time to get the authorization from the Board for approving the transfers through share transfer committee. The said contention of the Noticee is not acceptable considering the fact that the Noticee has not substantiated its averment, for any instance, with any

document/communication between the Noticee and the Company. Further, the Noticee has submitted that it had advised all the client companies to strictly follow the timelines, the same has also not been substantiated with any document/communication issued to the companies.

27. Further, the submission of the Noticee that the client companies found it difficult to hold frequent committee meetings to grant approval for less than 15 number of transfer cases is untenable and not acceptable considering that the administrative inconvenience cannot come in the way of adhering to the time stipulations provided in the regulatory provisions. I have taken note of the another submission of the Noticee that there is substantial reduction in cases of delay in the second 6 months after the introduction of 15 days' time limit compared with the first 6 months after introduction of 15 days' time limit.

28. Noticee has further submitted that it has put in place a more robust system to ensure the share transfers are processed within the 15 days' time limit stipulated. I note that the Noticee could have and should have done this before the lapse had been pointed out in the inspection since the stipulations in the regulatory provisions were very clear.

29. In view of the above, it is concluded that the Noticee has violated the provisions of SEBI Circulars No. SMDRP/POLICY/CIR-46/2001 dated September 27, 2001, RTI Circular No.1(2000-2001) dated May 09, 2001 and CIR/MIRSD/8/2012 dated July 05, 2012 read with Clause 2 of Code of Conduct stipulated under Regulation 13 of RTI & STA Regulations.

Noticee failed to send letter to the transferor seeking confirmation on the transfer within the stipulated time

30. It is alleged in the SCN that the STA is required to send letter to the transferor seeking confirmation on the transfer within 10 days of receipt of shares from the transferee in respect of transfer requests where there is difference in the signature of the transferor, however, in 24 instances, it is observed that Noticee had taken more than 10 days to issue the said letter to the transferor.

31. Noticee in its reply has admitted the aforesaid lapse and has submitted that it will strictly ensure to send the confirmation letter within 10 days from the receipt of shares to the transferee seeking confirmation from the transferor.

32. In view of the above, I am inclined to hold that the Noticee has violated provisions contained in Clause (B)(ii) of SEBI Circular No. SMDRP/POLICY/CIR-46/2001 dated September 27, 2001 read with clause 2 of Code of Conduct stipulated under regulation 13 of RTI & STA Regulations.

Delay in processing the dematerialization requests by the Noticee

33. With respect to this violation, it is alleged that Regulation 54 (5) of SEBI (Depositories & Participants) Regulations, 1996 requires every share transfer agent to process the dematerialization requests within a period of 15 days from the date of receipt of all documents, however, it was observed from the 250 DRFs sample that in 25 cases pertaining to Sundaram Fasteners Ltd., the time taken by Noticee to process them ranged from 17 days to 38 days.

34. From the reply of the Noticee it is made out that the Noticee has admitted the fact of delay, however, the Noticee has averred that all the cases of delay in processing the dematerialization in the SCN pertains to one client and all the cases involve transmission of shareholders and then dematerialization. Noticee has further averred that this additional step/processed to be carried out for effecting the transmission of shareholders may kindly be noted as the main reason for the delay in the processing of the dematerialization.

35. I note that all the 25 cases of delay in dematerialization were observed from a sample lot of 250 DRFs. Further, it is noted that all the 25 cases pertain to one client of the Noticee. In these circumstances, I am inclined to accept the submissions of the Noticee and give benefit of doubt to the Noticee with respect to this allegation considering that all the 25 cases pertain to one client. Further, Noticee has submitted that the issue has been discussed with the Company and efforts have been made by the Company to avoid such delay. In view of the above, I conclude that the Noticee is absolved of the violations alleged with respect to delay in processing the dematerialization requests by the Noticee.

Rematerialization of shares

36. It has been alleged in the SCN that as per Circular No. NSDL/JS/016/2004 Dated May 10, 2004 rematerialisation requests (RRFs) are required to be processed within 30 days from the date of receipt of request by the STA, however, in 72 cases Noticee had taken more than 30 days in confirming the RRFs.

37. Noticee in his reply has admitted the fact of delay, however, the Noticee has palmed of the responsibility for the delay on the client companies stating that the process necessarily involves approval of the Board of Directors / Committee of Directors of the client companies, which is beyond the control of the Noticee.

38. I note that out of a sample of 200 cases selected randomly for test checking, in 72 cases, the delay had been observed. The range of number of days of delay is from 36 days to 147 days. In three cases of delays beyond 100 days, the delay was on the part of the entity in dispatching the physical certificate after RRF confirmation date. The Noticee has not stated any reason for the delay on its part in dispatching the certificates and also as to whether the requests had been processed in time at its end.

39. In view of the aforesaid consideration, I am not inclined to accept the submission of the Noticee and, therefore, I conclude that Noticee has contravened the provisions contained in Circular No. NSDL/JS/016/2004 Dated May 10, 2004 read with NSDL Bye-law No.9.4.7 and CDSL Bye-law No.13.5.7 and is therefore in violation of Clause 5(c) of Code of Conduct stipulated under Regulation 13 of RTI & STA Regulations.

Delay in Issuing of Duplicate Share Certificate

40. It is alleged in the SCN that the new share certificates are to be issued within six weeks from the notification of loss and receipt of proper indemnity in replacement of those which are lost, however, it was observed that longer time than the prescribed time was taken in case of 396 requests. The time taken ranged from 46 days to 192 days.

41. Noticee has admitted the fact of delay but similar to the previous allegation, the Noticee has attributed the delay to the client Companies stating that the process necessarily involves approval of the Board of Directors / Committee of Directors of the client companies, which is beyond the control of the Noticee.

42. It is seen from the inspection report that, during the period of inspection, the Noticee received 1506 requests for issue of duplicate share certificate out of which a time longer than the prescribed time of six weeks for processing have been taken in respect of 396 requests and the period of delay ranged from 46 to 192 days. I note that when the delay was observed in 396 cases, merely for 4

cases, the Noticee has substantiated with record that it had advised the company to grant approval to the Noticee for approving the issuance of duplicate share certificate.

43. The Noticee has been entrusted with the work of processing the requests for dmat, remat, issuance of duplicate certificates, issuance of physical share certificates etc. When the Noticee has processed such requests as per the norms prescribed in the Regulations, read with various circulars issued thereon and if it has passed on the same to the issuer companies for approval and if such companies delays in granting the approval, it is the duty of the Noticee to follow up with the companies to grant their approvals immediately. To this extent, there is inaction of the part of the Noticee.

44. In view of the above, I conclude that Noticee has violated Clause 3(e) of Listing Agreement read with clause 2 of code of conduct stipulated under Regulations 13 of RTI & STA Regulations.

Issue no.(ii)

45. In this connection I would like to refer to the order of the Hon'ble Securities Appellate Tribunal in the matter of *Religare Securities Limited v. Securities and Exchange Board of India (Appeal No. 23 of 2011 dated June 16, 2011)* wherein, the Hon'ble SAT has observed, "*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 also cannot lose sight of the fact 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. This will, of course, depend on the nature of the irregularity noticed and we hasten to add a caveat that it is not being suggested that if any serious lapse is found during the course of the inspection, the Board should not proceed against the delinquent*."

46. Hon'ble Supreme Court of India in the matter of Chairman, SEBI Vs Shriram Mutual Fund { [2006]5 SCC 361 } held that "*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.''

47. In view of the above, I conclude that the Noticee has become liable for monetary penalty under Section 15B and 15HB of the SEBI Act for violation of the provisions discussed in para 13 to 44 of this order.

Issue no. III

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

> **"15J - Factors to be taken into account by the adjudicating officer**
> *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."*

49. Having regard to the factors listed in section 15J of SEBI Act read with Rule 5(2) of the SEBI Adjudication Rules and in the light of Supreme Court's judgment in the matter of SEBI vs Bhavesh Pabari [(2019) 18 SCC 246], it is noted from the material available on record that any quantifiable gain or unfair advantage accrued to Noticee or the extent of loss suffered by the investors as a result of the default in this case cannot be computed.

50. Further, Hon'ble Supreme Court in its judgment SEBI vs Bhavesh Pabari(2019) 18 SCC 246 held that "*We, therefore, hold and take the view that conditions stipulated in clauses (a), (b) and (c) of Section 15-J are not exhaustive and in the given facts of a case, there can be circumstances beyond those enumerated by clauses (a), (b) and (c) of Section 15-J which can be taken note of by*

the Adjudicating Officer while determining the quantum of penalty.” Therefore, in the light of Bhavesh Pabri(Supra) judgment, I also take into consideration of the fact that, substantial amount of time has elapsed in the present matter since the inspection and I am inclined to consider the aforesaid fact as a major mitigating factor in imposing penalty on the Noticee. Further, I also note from the reply of the Noticee that various corrective steps have been taken and many efforts have been made by the Noticee to avoid delay in its operations. The same is also being taken as a mitigating factor in imposing penalty on the Noticee.

51. Noticee has also furnished a copy of the inspection report of the inspection carried out by SEBI for the period 01.04.2018 to 31.12.2019. I note from the said inspection report that no major adverse remarks were observed against the Noticee. Further, the said report also refers to previous SEBI inspection conducted stating that there were no major observations in the last SEBI inspection conducted in the year 2015. I am also inclined to take the fact of the said two previous inspections of the Noticee as mitigating factors in imposing penalty on the Noticee.

G. ORDER

52. After taking into consideration the nature and gravity of the violations established in the preceding paragraphs and in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the SEBI Adjudication Rules, I, hereby, impose a penalty of Rs.50,000 (Rupees Fifty Thousand) on the Noticee **Integrated Enterprises (India) Limited (now known as Integrated Registry Management Services Private Limited)** under Section 15B and 15HB of SEBI Act.

53. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favour of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, or through online payment facility available on the SEBI website www.sebi.gov.in on the following path by clicking on the payment link.

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

54. The Noticee shall forward the said demand draft or the details/ confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-1, DRA-3, SEBI, in the format given in table below:

Case name	
Name of payee	
Date of payment	
Amount paid	
Transaction no	
Bank details in which payment is made	
Payment is made for	Penalty

55. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this order, consequential proceedings including, but not limited to, recovery proceedings may be initiated under Section 28A of the SEBI Act, for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

56. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order shall be sent to the Noticee and also to the Securities and Exchange Board of India.

Date: November 29, 2022 **VIJAYANT KUMAR VERMA**
Place: Mumbai **ADJUDICATING OFFICER**