BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER Ref. No. ORDER/NH/KL/2022-23/18927]

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
CB Management Services Private Limited
(Registrar to an Issue and Share Transfer Agent)
SEBI Regn no: INR000003324

In the matter of
Inspection of CB Management Services Private Limited

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) conducted an inspection of the activities CB Management Services Private Limited (hereinafter referred to as **'Noticee'**) as a Registrar to an Issue and Share Transfer Agent at its Corporate Office located in Kolkata, from March 4 to March 9, 2019. The Noticee is a SEBI registered Registrar to an Issue and Share Transfer Agent ('**RTI/STA**') having registration number INR000003324. The Noticee is also a company listed on the BSE and the NSE. The period covered in the inspection was from April 01, 2017 to March 09, 2019 (hereinafter referred to as **'inspection period'**). The purpose of the inspection was to examine the Noticee's compliance with various regulatory norms/requirement *inter-alia* in respect of its following activities as a SEBI registered RTI/STA:

a. *maintenance of records*
b. *issuance of duplicate shares*
c. *transmission of shares*
d. *transfer of shares*
e. *processing of dematerialization requests, etc.*

2. Based on the findings of the inspection, SEBI observed non-compliances by the Noticee in respect of its Registrar to an Issue and Share Transfer Agent activities during the inspection period. The nature of findings and the violations alleged to have been committed by the Noticee respectively are given in the table below:

Sl. no.	Nature of findings	Alleged violations by the Noticee
i.	It was observed that during the inspection period, the Noticee had carried out Registrar to an Issue and Share Transfer Agent activities for around 45 client companies without obtaining specimen signature cards of all the shareholders of such companies.	It is alleged that the Noticee has violated the provisions of Clause 2 (vii) of RRTI Circular no.1 (94-95) dated October 11, 1994 (hereinafter referred to as "RRTI Circular dated October 11, 1994") and Regulation 14 (3) of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations 1993 (hereinafter referred to as '**RTA Regulations'**).

ii.	It was observed that during the inspection period, the Noticee had delayed the process of issuance of duplicate shares in 200 instances out of a sample of 234 instances.	It is alleged that the Noticee has violated the provisions of clause 8 of Annexure B and point 1 of *Schedule 1 of Model agreement between the share transfer agent and the company* as specified in RRTI Circular dated October 11, 1994, RRTI Circular no.1 (2000-2001) dated May 09, 2001, Regulation 39 (2) read with 7(1), 7(2), 40 (2) and 40 (7) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as '**LODR Regulations**'), Regulation 9A (1) (b) and clause 2 & 5 of Code of Conduct prescribed under Regulation 13 of RTA Regulations.
iii.	It was observed that during the inspection period, the Noticee had delayed the process of transmission of shares in 25	It is alleged that the Noticee has violated the provisions of clause 8 of Annexure B and point 1 of Schedule 1 of Model agreement

	instances out of a sample of 47 instances.	between the share transfer agent and the company as specified in RRTI Circular dated October 11, 1994, SEBI circular No. CIR/MIRSD/10/2013 dated October 28, 2013, Regulation 40 (3) read with Regulations 7 (1), 7 (2), 40 (2) and 40 (7) of LODR Regulations, Regulation 9A (1) (b) and clause 2 and 5 of Code of Conduct prescribed under Regulation 13 of RTA Regulations.

3. In view of the above, SEBI initiated adjudication proceedings against the Noticee.

APPOINTMENT OF ADJUDICATING OFFICER

4. Dr. Anitha Anoop was appointed as the Adjudicating Officer (‘**AO**’) in the matter vide communique dated September 29, 2020 under Section 19 of the SEBI Act read with Section 15-I of the 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 the aforementioned alleged violations of the provisions of law by the Noticee, under the provisions of Section

15HB of the SEBI Act. Pursuant to the transfer of Dr. Anitha Anoop to another department, Shri Suresh B Menon was appointed as the AO in the matter vide communique dated November 03, 2020. Thereafter, on superannuation of Shri Suresh B Menon, the undersigned was appointed as AO in the matter vide communique dated June 07, 2022.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Show Cause Notice ref no. SCN/SEBI/EAD1/SBM/KL/27989/2021 dated October 11, 2021 (hereinafter referred to as **'SCN'**) was issued to the Noticee in terms of Rule 4(1) of the Adjudication Rules read with Section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against the Noticee and why penalty be not imposed on it in terms of the provisions of Section 15HB of the SEBI Act for the violations alleged to have been committed by the Noticee. The SCN, *inter-alia,* alleged the following: -

    a. *The inspection team verified whether the Noticee has complied with the requirement of maintenance of records as given under the provisions of RRTI Circular no.1 (94-95) dated 11/10/1994). In this context, it is observed that there were 45 client companies of the Noticee (Noticee acting as share transfer agent), wherein, the Noticee had not maintained specimen signature cards/records of all the shareholders of the aforesaid companies. Further, out of the said 45 client companies, it is observed that the Noticee had not maintained signature cards/records of even half (50%) of the shareholders of 15 client companies respectively. In view of the above, it is alleged that the Noticee had carried out STA activities for the aforesaid companies without obtaining specimen signature cards of all the shareholders in respective companies. Therefore, it is alleged that the Noticee has* *violated the provisions of Clause 2 (vii) of RRTI Circular no.1 (94-95) dated October 11, 1994 and Regulation 14 (3) of RTA Regulations.*

b. *During the course of inspection, Noticee submitted that it had received a total of 2,659 requests across 43 companies in respect of issuance of duplicate shares during the inspection period. In this context, it is observed that out of 234 sample instances checked, there were 200 instances wherein, the Noticee had delayed the issuance of duplicate shares beyond the stipulated time limit of thirty days as given under the provisions of Regulation 39 (2) of LODR Regulations. Further, it is observed that the aforesaid delay in issuance of duplicate shares by the Noticee ranged from 1 day to 342 days. In view of the above, it is alleged that the Noticee had delayed the process of issuance of duplicate shares in 200 instances during the inspection period. Therefore, it is alleged that the Noticee has violated the provisions of clause 8 of Annexure B and point 1 of Schedule 1 of Model agreement between the share transfer agent and the company as specified in RRTI Circular dated October 11, 1994, RRTI Circular no.1 (2000-2001) dated May 09, 2001, Regulation 39 (2) read with 7(1), 7(2), 40 (2) and 40 (7) of LODR Regulations, Regulation 9A (1) (b) and clause 2 & 5 of Code of Conduct prescribed under Regulation 13 of RTA/STA Regulations.*

c. *Further, during the course of inspection, Noticee submitted that it had received a total of 1,382 transmission requests across 54 companies in respect of transmission of the shares. In this context, it is observed that out of 47 sample instances checked, there were 25 instances wherein, the Noticee had delayed the issuance of share certificates after the transmission of shares, beyond the stipulated time limit of twenty-one days as given under the provisions of Regulation 40 (3) of LODR Regulations. It is also observed that the aforesaid delay in transmission of shares by the Noticee ranged from 8 days to 109 days. In view of the above, it is alleged that the Noticee had delayed the* *process of transmission of shares in 25 instances during the inspection period. Therefore, it is alleged that the Noticee has violated the provisions of clause 8 of Annexure B and point 1 of Schedule 1 of Model agreement between the share transfer agent and the company as specified in RRTI Circular dated October 11, 1994, SEBI circular No. CIR/MIRSD/10/2013 dated October 28, 2013, Regulation 40 (3) read with Regulations 7 (1), 7 (2), 40 (2) and 40 (7) of LODR Regulations, Regulation 9A (1) (b) and clause 2 and 5 of Code of Conduct prescribed under Regulation 13 of RTA/STA Regulations.*

6. Vide letter dated October 29, 2021, the Noticee *inter-alia* made the following submissions in its reply to the SCN: -

   a. *We would like to mention that in spite of our repeated requests huge number of shareholders holding shares in physical mode are not sending their specimen signatures duly attested by their Banks for updation of record at our end.*
   b. *It may be mentioned here that missing of signature of the shareholders is historical and the position can ameliorate in course of regular operation with our best efforts.*
   c. *While processing requests for Transfer / Demat/Duplicate or any other requests of shareholders where signatures are not available, the same are not processed until the same is provided duly attested by the Bankers with cancelled cheques & valid ID proof for KYC. Therefore, chances of fraudulent transactions are avoided. In case of high value securities in addition to KYC, physical verifications by way of direct contact with the Banks and verification from respective Portals are undertaken to avoid fraudulent transaction. In case of transfer of shares, we positively used to send Seller's Notice for confirmation in addition to attestation of signature by the Bank.*

d. *As regard delay in issuance of duplicate shares, please be informed that as per Companies Act, 2013 read with Rule 6 (2) (c) of the Companies (Share Capital and Debenture) Rules, 2014 the duplicate shares are to be issued within 45 (30+15 days waiting from the date of publication of Advertisement for objection if any) days from the receipt of complete documents which include News Paper Notification.*

e. *In all the cases your goodself may please notice that the processing of issue of duplicate shares was done only on receipt of complete documents. In most of the cases shareholders send incomplete / incorrect documents for which we are not in a position to consider the same for processing. In such cases intimation is sent for submission of the documents.*

f. *It may please be observed that there is hardly any case where the time limit has expired.*

g. *The transmission cases are to be processed within 21 days from the date of receipt of complete documents. In most of the cases successors / shareholders sending incomplete / incorrect documents for which we are not in a position to consider the same for processing. In such cases intimation is sent for submission of the proper documents.*

h. *It may please be noted that there is hardly any delay in processing of transmission with compliance of all required formalities.*

7. In terms of the Adjudication Rules and in the interest of natural justice, the Noticee was provided with an opportunity of hearing in the matter on July 18, 2022 through online Cisco webex platform. Mr. Subhabrata Biswas, Sr. Vice – President of the Noticee company and Mr. Rana Roy Chowdhury, Sr Manager of the Noticee company, appeared as the Authorized Representatives (hereinafter referred to as '**ARs**') on behalf of the Noticee on the stipulated date of hearing. During the course

of hearing, the ARs reiterated the submissions made by the Noticee vide its letter dated October 29, 2021. The Noticee sought further time to make additional submissions which was granted and thereafter, the Noticee *inter-alia* made the following submissions vide emails dated July 26, 2022.

a. *As regard delay in issuance of duplicate shares, please be informed that as per Companies Act, 2013 read with Rule 6(2)(C) of the Companies (Share Capital and Debenture) Rules, 2014 the duplicate shares are to be issued within 45 (30+15 days waiting from the date of publication of Advertisement for objection if any) days from the receipt of complete documents which include News Paper Notification.*
b. *Out of 234 cases only 1 case of Balmer Lawrie Investments Ltd, a PSU Company under the Ministry of Petroleum and Natural Gas, Govt of India., the delay was due to late receipt of duly signed share certificate from the Ministry, GOI. Remaining 233 cases where incomplete / incorrect documents were received by us and correspondence were made with the investor and on receipt of full and final documents the duplicate share certificates were issued within the stipulated time of 45 days without exception.*
c. *Regarding Delay in Transmission, 25 cases have been reported, out of which 10 cases are only transmission and balance 15 cases are duplicate cum transmission, hence the time limit should be 45 days from the date of receipt of complete documents.*
d. *In this connection please note that we have not been able to attach any supporting documents for our erstwhile client Allahabad Bank which has been merged with Indian Bank and all the documents have since been handed over.*
e. *In view of what has been stated above, we would like to submit that all the cases have been disposed off within the stipulated period hence we earnestly request you to consider our prayer sympathetically and not to impose any punishment / penalty against us and oblige*

CONSIDERATION OF ISSUES AND FINDINGS

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 the Noticee has violated the provisions of RRTI Circular dated October 11, 1994, RRTI Circular no.1 (2000-2001) dated May 09, 2001, SEBI circular No. CIR/MIRSD/10/2013 dated October 28, 2013, Regulation 39 (2) and 40 (3) read with 7(1), 7(2), 40 (2) and 40 (7) of LODR Regulations, Regulation 14 (3), Regulation 9A (1) (b) and clause 2 & 5 of Code of Conduct prescribed under Regulation 13 of RTA Regulations?

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

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

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

RRTI Circular No.1 (94-95) dated October 11, 1994

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

***2**. 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
(vii) *Specimen signature cards and transfer deeds**.***

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

9A. Conditions of registration

(1) *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;*

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

(a) list of holders of securities of such body corporate;

(b) the names of transferor and transferee and the dates of transfer of securities;

(c) such other records as may be specified by the Board for carrying out the activities as share transfer agents.

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

7. Share Transfer Agent.

***(1)** The listed entity shall appoint a share transfer agent or manage the share transfer facility in-house: Provided that, in the case of in-house share transfer facility, as and when the total number of holders of securities of the listed entity exceeds one lakh, the listed entity shall either register with the Board as a Category II share transfer agent or appoint Registrar to an issue and share transfer agent registered with the Board.*

***(2)** The listed entity shall ensure that all activities in relation to [*] share transfer facility are maintained either in house or by Registrar to an issue and share transfer agent registered with the Board*

**The words "both physical and electronic" omitted by SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018, w.e.f. 08.06.2018.*

39. Issuance of Certificates or Receipts/Letters/Advices for securities and dealing with unclaimed securities.

2) The listed entity shall issue certificates or receipts or advices, as applicable, of subdivision, split, consolidation, renewal, exchanges, endorsements, issuance of duplicates thereof or issuance of new certificates or receipts or advices, as applicable, *in cases of loss or old decrepit or worn out certificates or receipts or advices, as applicable within a period of thirty days from the date of such lodgment.*

40. Transferor transmission or transposition of securities.

(2) *The board of directors of a listed entity may delegate the power of transfer of securities to a committee or to compliance officer or to the registrar to an issue and/or share transfer agent(s):*

Provided that the board of directors and/or the delegated authority shall attend to the formalities pertaining to transfer of securities at least once in a fortnight:

Provided further that the delegated authority shall report on transfer of securities to the board of directors in each meeting

(3) *On receipt of proper documentation, the listed entity shall register transfers of its securities in the name of the transferee(s) and issue certificates or receipts or advices, as applicable, of transfers; or issue any valid objection or intimation to the transferee or transferor, as the case may be, within a period of fifteen days from the date of such receipt of request for transfer:*

Provided that the listed entity shall ensure that transmission requests are processed for securities held in dematerialized mode and physical mode within seven days and twenty-one days respectively, after receipt of the specified documents: Provided further that proper verifiable dated records of all correspondence with the investor shall be maintained by the listed entity.

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

Clause 8 of Annexure B and point 1 of Schedule 1 of Model agreement between the share transfer agent and the company as specified in RRTI Circular dated October 11, 1994 (INSTRUCTIONS TO REGISTRARS TO AN ISSUE / SHARE TRANSFER AGENTS)

8. *The company and the Transfer Agent agree to their functions, duties and obligations in respect of each activity relevant to the Share Transfer as specified in the Schedule I hereto. However, the following activities shall form part of the Transfer agent's functions and responsibility during the currency of this agreement.*

i. Receipt of request for transfer, transmission, endorsement as fully paid-up, allotment/ call money, split, consolidation, change of address, issue of duplicate certificates in lieu of misplaced/ lost certificates.

ii. Processing of requests for transfer, endorsement as fully paidup, receipt of allotment / call money and other correspondence received in connection with transfer activities.

iii. After verification of transfer deeds, preparation of transfer proposals for approval of the transfer committee of the company, endorsement on the certificates.

iv. Despatch of transferred certificates to the transferees within the mandatory period as laid down in the Companies Act/ Listing Agreement.

Schedule I

1. Specific Activities

a. STA will receive and attend promptly correspondence received from shareholders/ debenture holders / company / stock exchanges / SEBI / other bodies and will segregate the inward mail as transfer requests, request for endorsements as fully paid-up, receipt of call money, request for change of address, transmission, transposition, deletion of name, other letters from investors.

It will inward the mail pertaining to request for transfer/transmission/transposition/other request/complaints by maintaining inward register on a day to day basis and also affix stamp containing inward number and date of receipt on all transfer deeds/letter pertaining to above requests/complaints.

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

c. Transfer Agents shall process all transfer/transmission/transposition/change of address/other requests/complaints and generate checklist, verify the same and correction of such data.

d. While scrutinizing transfer deeds, transfer agent shall verify date of presentation, transferors' particulars, certificates enclosed, transferors' signature with specimen signature record, verify the value of stamps, thumb impressions needs to be attested by Magistrate/bank managers or notarised as the case may be and check whether all the columns including address of transferees provided in Transfer Deeds are duly filled up, etc.

m. Cutting the specimen signature of the new share/debenture holders, pasting and maintaining specimen signature cards up to date. Specimen signature cards of shares and / debenture holders with nil holding will be removed and stored separately. Transfer Agents may capture the signatures with the help of signature scanner and store in the computers.

ISSUE I :- Whether the Noticee has violated the provisions of RRTI Circular dated October 11, 1994, RRTI Circular no.1 (2000-2001) dated May 09, 2001, SEBI circular No. CIR/MIRSD/10/2013 dated October 28, 2013, Regulation 39 (2) and 40 (3) read with 7(1), 7(2), 40 (2) and 40 (7) of LODR Regulations, Regulation 9A (1) (b), and 14 (3) and clause 2 & 5 of

Code of Conduct prescribed under Regulation 13 of RTA/STA Regulations?

10. The details in respect of the Noticees' share transfer agent activities during the inspection period as observed from the findings of the inspection are given below:

Table-1

Sl No		***Particulars***	***Quantity***
1		*No. of Client Companies*	*86*
2		*No. of Physical Folios handled*	*5,32,231*
3		*No. of Requests Processed*	
	a	*Demat*	*23,113*
	b	*Transfer*	*7,752*
	c	*Transmission*	*1,500*
	d	*Remat*	*189*
	e	*Duplicate*	*600*
	f	*Change of address*	*389*
	g	*Change of bank account*	*20,321*
6		*No. of claims for shares in unclaimed suspense accounts processed during inspection period*	*55*
7		*No. of dividend issues during inspection period*	*50*
8		*No. of dividend revalidation requests processed during inspection period*	*10,727*
9		*Activities of Registrar to an Issue*	
	a	*SME IPO*	*Nil*
	b	*IPO*	*Nil*
	c	*Rights Issue*	*Nil*
	d	*Offers - Open Offer*	*1*
	e	*NCD issues*	*Nil*

	f	*Buyback offers*	*1*
10		*Investor Grievance*	
	a	*No. of complaints pending as of Mar 31,2017*	*Nil*
	b	*No. of complaints received during Apr 2017-Dec 2018*	*374*
	c	*No. of complaints resolved during Apr 2017-Dec 2018*	*374*
	d	*No of complaints pending as on Dec 31, 2018*	*Nil*

A. <u>Non-maintenance of Signature records</u>

11. From the findings of the inspection it is observed that during the inspection period, the Noticee had rendered services to a total of 86 client companies. It is alleged in the SCN that there were 45 client companies of the Noticee during the inspection period, of which, the Noticee had failed to maintain specimen signature records of the shareholders of such companies. It is further alleged that, out of the aforesaid 45 client companies, that the Noticee had not maintained signature cards/records of even half (50%) of the shareholders of 15 client companies.

12. The Noticee in its submissions to the findings of the inspection vide letter dated October 18, 2019 and in its submissions to the SCN vide letter dated October 29, 2021, admitted to the fact that it did not maintain specimen signature cards/records of all the shareholders in respect of 45 client companies during the inspection period and did not maintain signature cards of even half (50%) of the shareholders of around 15 such client companies. However, in its submissions to the SCN, the Noticee cited certain procedural challenges in obtaining signature cards and

submitted that efforts are put into, in obtaining the same. Noticee also mentioned that despite reminders, the shareholders holding the shares in physical mode did not send their specimen signatures duly attested by their banks for updating of record at the Noticees' end.

13. In this regard, it is pertinent to mention that the provisions of Regulation 14 (3) (c) of RTA Regulations read with Clause 2 (vii) RRTI Circular: No.1 (94-95) dated 11-10-1994 (Instructions to Registrars to an Issue / Share Transfer Agents), requires a registered Share transfer agent to maintain specimen signature cards/records of all the shareholders of its client companies. I note that the SEBI Circular dated October 11, 1994 mandates all the registered Share transfer agents to maintain specimen signature cards and therefore the Noticee was bound to call for and obtain the specimen signature cards from its client companies. Further, the fact that there were around 15 client companies, wherein, the Noticee had not maintained signature cards of even half (50%) of the shareholders as on October 29, 2021 (*admitted by the Noticee in its submissions to the SCN vide letter dated October 29,* 2021), also indicates that the Noticee had not put in best efforts in obtaining the signature records of all the shareholders, even after being directed on the same during the inspection held in March 2019. The Noticee has also not furnished any document to show that steps were taken by it to minimize the lapses. I further note that the Noticee in this regard cannot absolve its responsibility merely citing procedural challenges. Further, in respect of its contentions that the Noticee had issued reminder letters to its clients' shareholders on submitting full

documents, I note that the Noticee did not submit any supporting documents/evidence such as copies of letters issued or any other correspondence with the shareholders of its clients. In view of the above, the contentions of the Noticee have no merit and cannot be accepted.

14. In this context, it is pertinent to mention that crosschecking with specimen signature records while processing transfer/demat/duplicate share request of folios held in the physical form is an important safeguard against fraudulent transfer of securities held in the physical form. I note that during the inspection period, the Noticee had been processing shareholder requests with respect to transfer, demat, remat, duplicate, etc. received from the shareholders without procuring/maintaining signature cards/records of all the shareholders. In such situations, the Noticee would not be in a position to check the same without having signature records of the relevant shareholders, which might lead to fraudulent transfer of shares. Therefore, the specimen signature records are very important documents.

15. In view of the discussions above, I hold that the Noticee had carried out STA activities for its client companies without obtaining/updating specimen signature cards of all the shareholders in such companies and therefore, violated the provisions of Regulation 14 (3) of RTA Regulations read with Clause 2 (vii) of RRTI Circular: No.1 (94-95) dated 11-10-1994 (Instructions to Registrars to an Issue / Share Transfer Agents).

B. Delay in issuance of Duplicate shares

16. Based on the findings of the inspection, it is alleged in the SCN that during the inspection period, there were 200 instances out of a sample of 234 instances, wherein, the Noticee had delayed the issuance of duplicate shares beyond the stipulated time limit of thirty (30) days, as given under the provisions of Regulation 39 (2) of LODR Regulations. In this regard, it is observed that the aforesaid delay in issuance of duplicate shares by the Noticee ranged from 1 day to 342 days. The details *inter-alia* in this regard are given in the table below:

Table-2

Company Name	**Number of requests received during inspection period as submitted by Noticee**	**No of instances checked**	**No. of instances where delay was observed**	**Range of delay (beyond 30 days)**
Akzo Nobel India Limited	285	47	25	9-82 days
Allahabad Bank	311	158	157	21-342 days
Balmer Lawrie Investments Limited	07	01	Nil	NA
Berger Paints India Limited	68	06	02	56-103 days
Timken India Limited	390	13	12	05-34 days
Vesuvius India Limited	41	09	04	01-66 days
Total	**1102**	**234**	**200**	

17. The Noticee contended that the time limit to process the issuance of duplicate shares is not thirty days (30 days) as alleged in the SCN. The Noticee submitted that the maximum time limit to be considered is forty-five days (45 days) from the receipt of complete documents which includes newspaper notification as provided

under the provisions of Companies Act, 2013 read with Rule 6 (2) (c) of the Companies (Share Capital and Debenture) Rules, 2014. The Noticee further mentioned in its submissions that a few newspaper advertisements were published in respect of issuance of certain duplicate share requests and contended that based on the calculation of the dates of newspaper advertisements, there was no delay beyond the prescribed maximum time limit. Further, Noticee also cited certain procedural challenges posed by shareholders such as submitting incomplete/incorrect documents as a reason for the possible delay in issuance of duplicate shares.

18. In this regard, it is pertinent to mention that the provisions of Section 24 of Companies Act, 2013, *inter-alia*, empowers SEBI to make regulations in respect of the issue and transfer of securities, etc. Therefore, I hold that the Noticee as a SEBI registered intermediary is mandated to comply with the provisions of the SEBI Act and the Regulations made thereunder. The relevant extract of the aforesaid provisions of Companies Act, 2013 is reproduced below for reference:

> *24. Power of Securities and Exchange Board to regulate issue and transfer of securities, etc.—*
>
> *(1) The provisions contained in this Chapter, Chapter IV and in section 127 shall,—*
>
> *(a) in so far as they relate to — (i) issue and transfer of securities;*
>
> *and (ii) non-payment of dividend,*

by listed companies or those companies which intend to get their securities listed on any recognised stock exchange in India, except as provided under this Act, be administered by the Securities and Exchange Board by making regulations in this behalf;

(b) in any other case, be administered by the Central Government.

(2) The Securities and Exchange Board shall, in respect of matters specified in subsection (1) and the matters delegated to it under proviso to sub-section (1) of section 458, exercise the powers conferred upon it under sub-sections (1), (2A), (3) and (4) of section 11, sections 11A, 11B and 11D of the Securities and Exchange Board of India Act, 1992 (15 of 1992).

It is pertinent to note that the Hon'ble Supreme Court in its order dated August 31, 2012 in the matter of Sahara India Real Estate Corporation Limited & others vs SEBI, *inter-alia*, held as follows:

"…107. From a collective perusal of sections 11, 11A, 11B and 11C of the SEBI Act, the conclusions drawn by the SAT, that on the subject of regulating the securities market and protecting interest of investors in securities, the SEBI Act is a standalone enactment, and the SEBI's powers thereunder are not fettered by any other law including the Companies Act, is fully justified. In fact, the aforesaid justification was rendered absolute, by the addition of section 55A in the Companies Act, whereby, administrative authority on the subjects relating to "issue and transfer of securities and nonpayment of dividend" which was earlier vested in the Central Government (Tribunal or Registrar of Companies), came to be exclusively transferred to the SEBI.. "

19. I further note that as being a SEBI registered intermediary the Noticee was required to follow the mandate given under various provisions of SEBI circulars viz. RRTI Circular dated October 11, 1994, RTI Circular no.1 (2000-2001) dated May 09, 2001 and also the provisions of LODR Regulations and RTA Regulations, wherever applicable. The provisions of RRTI Circular dated October 11, 1994 mandates that a registered RTA shall carry out its duties / responsibilities and complete all the formalities within the specified time limits as per the relevant statutes, SEBI Guidelines and Stock Exchange Regulations. Further, in order to avoid confusion regarding the processing of relevant activities/services of an RTA/STA as stipulated under various overlapping provisions of Companies Act, 1956, erstwhile Listing Agreement and other SEBI guidelines until then, SEBI issued RTI Circular no.1 (2000-2001) dated May 09, 2001 which prescribes uniform guidelines in respect of processing of duplicate shares, transfer of shares etc. in respect of listed companies and mandated all SEBI registered Registrar and Share Transfer Agents to follow such guidelines. The issuer company being a listed entity is required to adhere not only to the provisions of the Companies Act, 2013 but also to the Listing Agreement, LODR Regulations, SEBI Circulars and Guidelines, etc. issued by SEBI from time to time. The Noticee being a registered intermediary acts as an agent of listed company shall also be required to the adhere to the said provisions.

20. In this regard, I note that the provisions of Regulation 7 (1) and 7(2) of LODR Regulations, *inter-alia,* provide for the appointment of RTA/STA by a listed company and delegation of responsibilities to an RTA/STA and it is further clear from the provisions of Regulation 39 (2) of LODR Regulations, that the maximum time limit prescribed in respect of issuance of duplicate shares is thirty days (30 days) from the date of lodgment. The contentions of the Noticee that the maximum time limit to be considered for the purpose of issuance of duplicate shares is forty-five days (45 days) as provided under Companies Act, 2013, seems to be taken as a convenient excuse, whereas, the Noticee was required to adhere to the time limit of 30 days as given under LODR Regulations.

21. I have further perused the documents available on record, submissions of the Noticee and supporting documents/evidence such as copies of Newspaper publications, intimation letters sent to investors seeking correct documents, etc. and submitted by the Noticee. I note that the Noticee vide its email dated July 27, 2022 attached a soft copy as A*nnexure 1* and made detailed submissions against the list of 200 instances of issuance of duplicate shares. To illustrate the instances of delays, it is observed from the Annexure 1 as mentioned above, that from serial no. 7 to 12 (in respect of Akzo Nobel India Limited), the dates of receipt of the requests were mentioned as June 21 2017, July 28, 2017 and May 31, 2017, whereas, the newspaper publication against the aforesaid requests was done on September 16, 2017 (serial nos. 7 and 8) and on July 21, 2017 (serial nos. 9 to 12). This clearly indicates that there was a delay of 57 days, 19 days and 21 days

respectively beyond the stipulated 30 days' time limit against the aforesaid requests and even the issuance of newspaper advertisements were done well beyond the stipulated time limit of 30 days. I also note that the Noticee did not mention any remarks such as non-receipt of correct or complete document from the investors or any other reason for the delay in this regard.

22. Further, it is seen that Noticee in its email dated July 26, 2022 submitted that they could not produce any supporting documents for delay in issuance of duplicate shares in respect of its client viz. M/s Allahabad Bank as it was merged with Indian Bank w.e.f April 01, 2020. In this regard, I note that in respect of the two companies viz. M/s Allahabad Bank and M/s Timken India Limited, the Noticee submitted the supporting documents as *Annexure II* in its reply letter dated October 18, 2019 against the findings of the inspection. From the perusal of above, I note that in respect of issuance of duplicate shares of Allahabad Bank i.e. from serial no. 48 to 205 i.e. the Noticee had clearly issued duplicate shares well beyond the stipulated time of 30 days' time limit. To illustrate, at serial no. 86, the date of receipt of request is May 05, 2017, whereas the Newspaper publication was done by the Noticee on August 05, 2017 i.e. with a delay of 95 days and the actual dispatch of shares to the entity was done on September 08, 2017 i.e. with a delay of 33 days from the date of newspaper publication. Further, I find that the delay in issuance of duplicate shares for the Allahabad bank as alleged in the SCN is seen to be in the range of 21 days to three hundred and forty-two days (21 – 342 days) against 157 instances. Therefore, even for argument's sake if the time limit of 45 days is

considered and the dates of Newspaper publication is considered as submitted by the Noticee, it does not absolve the violation on part of the Noticee for all the 200 instances, as the delay in issuance of duplicate shares has exceeded even 45 days. Thus the Noticee has clearly violated the prescribed 30 days' time limit in cases as illustrated above. Therefore, the contentions of the Noticee cannot be accepted.

23. In this context, it is pertinent to mention that the securities laws provided a prescribed time limit for processing of duplicate shares by company/RTA, so that the investors who are rightful owners of such shares can obtain such shares in a time bound manner and can take investment decisions, as and when felt necessary. Therefore, the delay in issuance of duplicate shares might devolve into an opportunity loss for such investors who do not have shares at their disposal. This further leads to the investors losing trust and faith in efficient functioning of market intermediaries such as registered RTA/STAs, which might lead to erosion of the faith of investors in the functioning of the securities market. Therefore, the responsibility of a registered RTA/STA in ensuring the completion of its activities within the prescribed time limits becomes vital for efficient functioning of securities market, upholding faith of investor and safeguarding financial strength of each investor.

24. In view of the above, I note that by failing to issue duplicate shares for more than 150 instances within the stipulated time limit during the inspection period as discussed above, the Noticee as a SEBI registered intermediary, failed in its

responsibilities in conducting its activities in the securities market and hence failed to abide by the Code of Conduct given under the provisions of Regulations 13 of RTA Regulations. Therefore, I also hold that the Noticee contravened the provisions of conditions of registration for a SEBI registered intermediary as given under the provisions of Regulation 9A of RTA Regulations.

25. Based on the discussions above, I hold that the Noticee has violated the provisions of clause 8 of Annexure B and point 1 of Schedule 1 of Model agreement between the share transfer agent and the company as specified in RRTI Circular dated October 11, 1994, RRTI Circular no.1 (2000-2001) dated May 09, 2001, Regulation 39 (2) read with 7(1), 7(2) of LODR Regulations, Regulation 9A (1) (b) and clause 2 & 5 of Code of Conduct prescribed under Regulation 13 of RTA Regulations in respect of the delay in issuance of duplicate shares during the inspection period.

C. Delay in transmission of shares

26. It is alleged in the SCN that during the inspection period, there were 25 instances out of a sample of 47 instances checked, wherein, the Noticee had delayed the process of transmission of shares beyond the stipulated maximum time limit of twenty-one (21) days as given under the provisions of Regulation 40 (3) of LODR Regulations. In this regard, it is observed that the aforesaid delay in transmission of shares by the Noticee was in the range of 8 days to 109 days. The details in this regard are given in the table below:

Table-3

Company Name	Number of requests received by the Noticee during inspection period	No of instances checked	No. of instances where delay was observed	Range of delay (beyond 21 days)
Allahabad Bank	112	11	11	**41-107**
Exide Industries Limited	198	05	05	**17-33**
GE T&D India Limited	80	02	02	**21**
IFB Industries Limited	32	04	04	**8**
Kkalpana Industries (India) Ltd	08	03	03	**20-109**
Mangalam Timber ProductsLimited	14	18	NA	**NA**
The Orissa Minerals Development Co. Ltd	05	04	NA	**NA**
Total	**449**	**47**	**25**	

27. In this regard, the Noticee mentioned that shareholders submitted incomplete/incorrect documents, which led to the delay in processing of transmission of shares. The Noticee in its reply to the SCN, also submitted supporting documents such as copies of intimation letters sent to investors for complete documents and copies of letters submitted in return by the investors. In view of the above, Noticee contented that there was no delay in the process of transmission of shares as alleged in the SCN.

28. I note that as a SEBI registered intermediary, the Noticee was required to follow the mandate given under the provisions of SEBI circulars viz. RRTI Circular dated October 11, 1994, SEBI circular ref No. CIR/MIRSD/10/2013 dated October 28, 2013 and the various provisions of LODR Regulations and RTA Regulations, wherever applicable. It is pertinent to mention that the provisions of RRTI Circular dated October 11, 1994 provides for mandatory obligations of RTA/STAs which

include the transmissions of shares. Further, vide SEBI Circular CIR/MIRSD/10/2013 dated October 28, 2013, all the registered share transfer agents were required to adhere to the guidelines issued therein, in respect of the Standardization and Simplification of Procedures for Transmission of Securities with a view to make the process more efficient and investor friendly.

29. Further, the aforementioned provisions also provided that the RTA/STA shall carry out its duties / responsibilities and complete all the formalities within the specified time limits as per the relevant Statutes and SEBI Guidelines. In this regard, I note that the provisions of Regulation 7 (1) and 7(2) of LODR Regulations, *inter-alia,* provide for the appointment of RTA/STA by a listed company and delegation of responsibilities to an RTA/STA and it is further clear from the provisions of Regulation 40 (2) and 40 (7) of LODR Regulations, that the maximum time limit prescribed in respect of processing of transmission of shares is twenty-one days (21 days) from the date of such request.

30. I have perused the documents available on record, submissions of the Noticee and supporting documents/evidence such as copies of Newspaper publications, intimation letters sent to investors seeking correct documents etc. and submitted by the Noticee. I note that the Noticee vide its email dated July 27, 2022 attached a soft copy as *Annexure 2* and made detailed submissions against the list of 25 instances as alleged in the SCN. In this regard, I note that the delay in processing of transmission of shares in respect of M/s Exide Industries Limited, M/s GE T&D

India Limited, M/s Kkalpana Industries Limited (listed from serial no. 1 to 3 and from serial no. 15 to 25 in Annexure 2 i.e. a total of 14 instances) can be accepted in view of the delay on the part of investors in submission of complete documents to the Noticee. To illustrate, the instance mentioned at serial no. 25 in respect of transmission request against shares of M/s Exide Industries Limited, the request was initially received by the Noticee on October 12, 2018. However, complete and correct form was later submitted by the concerned investor and received by the Noticee only on November 07, 2018. Thereafter, the Noticee processed the request and dispatched the share certificate on November 21, 2018 i.e. within fourteen days, which was well within the maximum time limit prescribed under LODR regulations.

31. In the remaining 11 instances (*serial no. 5 to 15 in Annexure 2*), the delay in transmission of shares pertains to that of M/s Allahabad Bank during the inspection period. It is seen that Noticee in its email dated July 26, 2022 submitted that they could not produce any supporting documents for delay in transmission of shares in respect of its client viz. M/s Allahabad Bank as it was merged with Indian Bank w.e.f April 01, 2020. In this regard, I however note that in respect of its client viz. M/s Allahabad Bank, the Noticee had submitted supporting documents as *Annexure III* to its reply letter dated October 18, 2019 against the findings of the inspection.

32. From the perusal of above, I note that in respect of delay in transmission of shares of Allahabad Bank i.e., the delay in 2 instances i.e. serial no. 14 and serial no. 15 can be accepted as the Noticee processed within the time limit of 21 days from the receipt of complete documents. However, it is clear that in the remaining instances listed from serial no. 5 to serial no. 13 i.e. in a total of 9 instances, the date of receipt of requests was May 29, 2017, whereas the public notification was done on August 05, 2017 i.e. with a delay of 67 days and the actual dispatch of shares to the entities was done on September 18, 2017 i.e. with a delay of 43 days from the date of publication. This clearly indicates that the Noticee had delayed processing of transmission of shares well beyond the stipulated maximum limit of 21 days in the aforesaid 9 instances and thus violated the provisions of securities laws.

33. In view of the above, I note that by failing to process the transmission of shares within the time limit in 9 instances out of a sample of 47 instances as discussed above, the Noticee as a SEBI registered intermediary, failed in its responsibilities in conducting its activities in the securities market in efficient manner and hence failed to abide by the Code of Conduct given under the provisions of Regulations 13 of RTA Regulations. Therefore, I also hold that the Noticee contravened the provisions of conditions of registration for a SEBI registered intermediary as given under the provisions of Regulation 9A of RTA Regulations.

34. Based on the discussions above, I hold that the allegations that during the inspection period, the Noticee had not maintained signature records of all the shareholders in certain client companies, the Noticee had delayed the process of issuance of duplicate shares and the Noticee had delayed the processing of transmissions of shares, stand established. In view of the discussions above, I hold that the Noticee has violated the provisions of clause 8 of Annexure B and point 1 of Schedule 1 of Model agreement between the share transfer agent and the company as specified in RRTI Circular dated October 11, 1994, SEBI circular No. CIR/MIRSD/10/2013 dated October 28, 2013, Regulation 40 (3) read with Regulations 7 (1), 7 (2), 40 (2) and 40 (7) of LODR Regulations, Regulation 9A (1) (b) and clause 2 and 5 of Code of Conduct prescribed under Regulation 13 of RTA/STA Regulations.

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

35. In view of violation of the provisions of RRTI Circular dated October 11, 1994, RRTI Circular no.1 (2000-2001) dated May 09, 2001, SEBI circular No. CIR/MIRSD/10/2013 dated October 28, 2013, Regulation 39 (2) and 40 (3) read with 7(1), 7(2), 40 (2) and 40 (7) of LODR Regulations, Regulation 14 (3), Regulation 9A (1) (b) and clause 2 & 5 of Code of Conduct prescribed under Regulation 13 of RTA Regulations by the Noticee, as established above, I find that the Noticee is liable for monetary penalty under the provisions of Section 15HB of the SEBI Act, which reads as under:

SEBI Act

PENALTIES AND ADJUDICATION

Penalty for contravention where no separate penalty has been provided.

15HB. 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.

<u>ISSUE 3</u>: If yes, what should be the quantum of monetary penalty?

36. For the purpose of determining the quantum of the penalty under Section 15HB in the instant matter, it is relevant to mention the factors specified in section 15J of the SEBI Act, which reads as under:-

> ***15J. While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -***
>
> *a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as 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.*
>
> *Explanation. —For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section."*

37. The available records neither reveal nor specify disproportionate gains/unfair advantage made by the Noticee, nor the specific loss suffered by the investors due

to such violations. The nature of violations in the instant matter majorly pertains to non-adherence to the timelines and compliance of securities laws by the Noticee as a SEBI Registered RTA/STA in the instant matter. Further, it is noted that adjudication proceedings were initiated against the Noticee earlier for similar violations of delay in processing of transmission requests, issuance of duplicate shares, non-redressal of investor grievances, carrying out STA activities without specimen signatures, etc. and a penalty of Rs. 11 lakh was imposed on the Noticee vide adjudication order dated February 13, 2017. Subsequently, the Noticee appealed against the aforesaid order before the Hon’ble SAT and Hon’ble SAT vide its order dated June 26, 2018 disposed of the appeal, *inter-alia,* holding the following:

> *‘’…appellant had filed Settlement Application and after considering the application filed by the appellant, SEBI has accepted the settlement and it is not in dispute that the appellant has already paid the amount approved under the Settlement terms. Accordingly, approval is granted under SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 for settlement as the terms of the settlement. Appeal as also the Misc. Application are disposed of as per the settlement terms with no order as to costs…”*

38. Further, it is reiterated that it cannot be ignored that an RTA & STA (Noticee) is required to adhere to directives/provisions of law, be diligent and professional in its various tasks and ensure that each and every single request of the investor be addressed in an efficient manner and all the mandated documents be maintained, which is in turn important for smooth / safe functioning of securities market. An RTA/STA functions as a key intermediary between the listed company and its shareholders.

39. The Noticee submitted that the volume of its RTA activities have increased manifold during the inspection period, which had to be accommodated with limited resources and existing infrastructure and therefore, requested to take a lenient view. In the instant matter, as seen from the Table-1, I note that the Noticee had a total of 86 client companies of which the Noticee had not maintained signature records and there were 15 such client companies of which the Noticee had not maintained signature records for even half of the shareholders during the inspection period, which is considered a substantial violation. Further, I note out of the total 1102 instances checked during inspection for delay in issuance of duplicate shares, violation is observed in more than 150 instances. Also out of the total 449 instances checked for delay in processing the transmission of shares, the violation was observed in respect of 9 instances only.

40. Since the violations have been established as mentioned in para 34 above in respect of the Noticee, the next issue that arises for consideration is the quantum of monetary penalty. I have noted that it is for second time that similar allegations of violation have been made against the Noticee. I also note that (i) the Noticee has not maintained signature records of the shareholders, (ii) more than 150 instances of violations of timelines for instances of duplicate shares and (iii) nine instances of delay in processing of transmission of shares.

ORDER

41. Considering all the facts and circumstances of the case, in exercise of the powers conferred upon me under section 15 I of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby impose a monetary penalty of Rs. 3,00,000/- (Rupees Three Lakh only) on the Noticee viz. CB Management Services Private Limited under Section 15HB of the SEBI Act for its violation of the provisions of Clause 2 (vii) of RRTI Circular no.1 (94-95) dated October 11, 1994 and Regulation 14 (3) of RTA Regulations, Clause 8 of Annexure B and point 1 of Schedule 1 of Model agreement between the share transfer agent and the company as specified in RRTI Circular dated October 11, 1994, RRTI Circular no.1 (2000-2001) dated May 09, 2001, SEBI circular No. CIR/MIRSD/10/2013 dated October 28, 2013, Regulation 39 (2) and 40 (3) read with 7(1), 7(2), 40 (2) and 40 (7) of LODR Regulations, Regulation 9A (1) (b) and clause 2 & 5 of Code of Conduct prescribed under Regulation 13 of RTA/STA Regulations. In my view, the said penalty is commensurate with the violations committed by the Noticee in this case.

42. 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/intermediary/AOPaymentGateway.html. In case of any

difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

43. 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)	

44. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee viz. CB Management Services Private Limited and also to the Securities and Exchange Board of India.

Date: August 30, 2022 **N HARIHARAN**

Place: Mumbai **ADJUDICATING OFFICER**