WTM/AS/MIRSD/MIRSD-SEC-6/32657/2026-27

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Section 12 (3) of the Securities and Exchange Board of India Act, 1992 read with Regulation 27 of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

In respect of

Sr. No.	**Name of the Noticee**	**PAN**	**SEBI Registration No.**
1.	Alankit Assignments Limited	AAACA9483E	INR000002532

In the matter of Alankit Assignments Limited

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1. Alankit Assignments Limited (hereinafter referred to as the "Noticee") is registered as a Registrar to an Issue and Share Transfer Agent (hereinafter referred to as 'RTA') with the Securities and Exchange Board of India (hereinafter referred to as "SEBI"). The Noticee falls under the category of Qualified Registrar and Transfer Agent (hereinafter referred to as 'QRTA'). The present proceedings arise from the Enquiry Report dated February 28, 2025 submitted by the Designated Authority (hereinafter referred to as the "DA") in terms of the applicable provisions of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as the "Intermediaries Regulations").

2. The proceedings were initiated pursuant to an inspection of the Noticee for the period from April 1, 2021 to September 19, 2022 (hereinafter referred to as the "inspection period" or "IP"). The findings of the inspection were shared with the Noticee vide letter dated January 12, 2023. The Noticee submitted its comments on the findings observed during the inspection vide email dated February 07, 2023. Based on the examination of the response received from the Noticee, SEBI initiated proceedings against the Noticee.

3. The summary of alleged violations and corresponding regulatory provisions is reproduced in the Table below:

Table No. 1.

Sr. No.	Alleged Violations	Regulatory Provisions
1.	39 associated persons engaged by the Noticee did not have the NISM certification at all and 10 associated persons engaged by the Noticee did not have the valid NISM certification during the inspection period.	'NISM Certification' of 'Sec III (Compliance Certification)' of Annexure to SEBI Circular no. CIR/MIRSD/7/2012 dated July 05, 2012, Regulations 3, 6, 9 and 10 of SEBI (Certification of Associated Persons in the Securities Market) Regulations 2007 ("CAPSEM Regulations"), SEBI Notification no. LAD-NRO/GN/ 2009-10/18/175577 dated September 04, 2009 and Clauses 3, 16 and 29 of Schedule III read with Regulation 13 of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 ("RTA' Regulations")
2.	Noticee did not execute tripartite agreements with 7 companies.	Regulation 9A (1)(b) of RTA Regulations, Regulation 7 (4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015("LODR Regulations"), and Clauses 3 and 20 of Schedule III read with Regulation 13 of RTA Regulations
3.	Noticee did not have signature cards for 46% of physical folios. Further, there was, allegedly, no signature card in more than 90% of folios in respect of 67 client companies and no signature card in 100% folios in respect of 40 companies.	Clause 25(a) and 1(m) of Schedule -1 read with Clause 8 of the model agreement of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994 and Clause 3 of Schedule III read with Regulation 13 of RTA Regulations
4.	There was a delay in 123 instances with regard to the processing of the request for the issuance of duplicate shares. Noticee had not undertaken due diligence concerning the mismatch of name and addresses and partial	Clause 20 of "General Norms for Processing of Documents" of SEBI Circular - RTI Circular no. 1 (2000-2001) dated May 09, 2001. Clauses 12 and 13 of Clause II of Annexure to Circular no.

	non-availability of share details on FIR in two instances (Folio Nos. 01024288 and 51665). Noticee had issued a duplicate share certificate to an investor other than the original shareholder wherein altered PAN, Aadhaar and bank details documents were submitted by the investor in one case (Folio No.13346).	SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018. SEBI Circular no. MRD/DoP/Cir- 05/2007 dated April 27, 2007 in respect of the availability of PAN . Clauses 2 and 3 of Schedule III read with Regulation 13 of RTA Regulations
5.	Noticee has not obtained the transmission form, Form ISR 4 for processing transmission request in one (Folio No. 8775) instance. Further, a wrong signature was uploaded for Folio no. Z6129 by the Noticee.	Clause C (2) (b) of Schedule VII prescribed under Regulation 40(7) of LODR Regulations Clause 2 (II) of SEBI Circular no. CIR/MIRSD/10/2013 dated October 28, 2013 and Clauses 2 and 3 of Schedule III read with Regulation 13 of RTA Regulations
6.	54 demat requests which were received after June 30, 2022 were processed by the Noticee after the stipulated time period of 15 days. In one instance (Folio No. 05103962), there was a mismatch of names.	Clause 2 of SEBI Circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2019/122 dated November 05, 2019, RRTI Circular no. 1(99-2000) PMD/SU/11560/99 dated May 20, 1999 and Clauses 2, 3, and 5(c) of Schedule III read with Regulation 13 of SEBI RTA Regulations
7.	The addressees were changed when no explicit request for an address change was made by the shareholder in four instances (Folio No. 14228, 21209, 40621, 2291). Change of address request was not processed despite a specific request from the shareholder in one instance (Folio No. 6677).	Clauses 2 and 3 of Schedule III read with Regulation 13 of RTA Regulations
8.	Noticee has processed transfer request of shares in physical form in eight instances after the cut-off date of April 01, 2019.	Regulation 40 (1) of LODR Regulations, SEBI Circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/166 dated September 07, 2020 and Clause 3 of Schedule III read with Regulation 13 of RTA Regulations
9.	There was a delay in processing the transfer re-lodgement request in 14 instances. There was a mismatch of signatures in two instances. The original transfer deed was not provided and there was no signature	Clause A (1) and Clause B of Schedule VII read with Regulation 40(7) of LODR Regulations, Regulation 40(3) of LODR Regulations and Clauses 2, 3, 5 (c) of Schedule III read with Regulation 13 of RTA Regulations

	of the transferor on copies of the deeds provided in one instance. Noticee did not consider the rejection points raised by the listed company in one instance. There were two transfer deeds in the records for one folio.	
10.	Noticee has neither received nor processed any requests with regard to the unclaimed/undelivered shares lying with it.	Regulation 39 (4) of LODR Regulations read with Clause (5).(d) and Clauses 1.a and 1.c of Schedule I read with Clause 8 of the model agreement as prescribed by SEBI vide Circular on Instructions to Registrars to An Issue / Share Transfer Agents dated October 11, 1994 and Clause 3 of Schedule III read with Regulation 13 of RTA Regulations
11.	Noticee did not have an adequate system (i.e. system-based alerts) in place to identify the folios (and alert the RTA employee) requiring enhanced due diligence while processing any request in that folio.	Clauses 13 and 14 of part II to Annexure of SEBI Circular dated April 20, 2018.
12.	Noticee did not furnish copies of letters sent to the shareholders in 12 out of 14 sample cases for collecting PAN and bank details for folios where such information was not available.	Clause 12 of part II to Annexure of SEBI Circular dated April 20, 2018.
13.	Noticee did not report the changes in appointment and resignation of Directors and Key Personnel of RTA in Sections III.B and III.D. (iii) of the half-yearly reports filed in terms of SEBI Circular No. CIR/MIRSD/7/2012 dated July 05, 2012.	SEBI Circular no. CIR/MIRSD/7/2012 dated July 05, 2012 read with SEBI Circulars no. RRTI Circular no. 1(94-95) dated October 11, 1994, SEBI Circular no. CIR/MIRSD/5/2011 dated June 17, 2011 and Regulation 14 (5) and Clause 3 of Schedule III read with Regulation 13 of RTA Regulations

4. Based on the findings of the said inspection, a DA was appointed to inquire into and submit a report pertaining to the aforesaid allegations. The DA issued a show-cause notice dated July 10, 2024 to the Noticee under Regulation 25(1) of the Intermediaries Regulations for the violations alleged to have been committed by the Noticee, as mentioned above in Table No. 1. The Noticee was advised to submit its reply, if any, within 21 days of receipt of the notice.

5. In response to the aforesaid allegations, the Noticee, submitted its reply on January 24, 2025. An opportunity of personal hearing was granted to the Noticee by the DA on February 04, 2025. The Noticee, vide letter dated February 10, 2025 also made additional submissions.

6. After considering the allegations levelled in the show-cause notice, the reply filed by the Noticee, and the material available on record, the DA submitted the Enquiry Report and made the following recommendation:

"…I, in terms of the provisions of the Intermediaries Regulations, recommend that: The Noticee may be prohibited from taking up any new clients/assignments qua its activities as RTA for a period of one (1) year, as per Regulation 26(1)(iv) of the Intermediaries Regulations and

A "regulatory censure" may be issued to the Noticee to be careful in future with respect to complying with the mandate of RTA Regulations, as per Regulation 26(1)(vii) of the Intermediaries Regulations,"

7. The DA's report was forwarded to the Noticee in terms of Regulation 27(1) of the Intermediaries Regulations vide a Show Cause Notice dated April 03, 2025 (hereinafter referred to as the "SCN"). The Noticee was called upon to show cause as to why the measures recommended by the DA, or any other action contemplated under the Intermediaries Regulations, should not be taken against it. The Noticee was advised to submit its written submissions within 21 days from receipt of the said SCN.

8. I note that the SCN was duly served upon the Noticee. Pursuant thereto, the Noticee, vide its email dated April 23, 2025, sought an extension of four weeks to file the detailed response. The Noticee's request was acceded to and additional time was granted to file the written submissions. Vide the said email

dated April 23, 2025, the Noticee also submitted that it is considering to opt for the settlement process provided under the SEBI (Settlement Proceedings) Regulations, 2018. In response thereto, the Noticee was informed that the filing of settlement application shall not affect the continuance of the proceedings except that the passing of the final order shall be kept in abeyance. Noticee vide email dated May 19, 2025 requested for a stay on the proceedings on the basis that it has preferred an appeal before the Hon'ble SAT against the Adjudication Order dated February 28, 2025 which was passed on the basis of same inspection report and findings of facts. In response thereto, SEBI vide email dated June 09, 2025, rejected Noticee's request for stay on the present proceedings and it was informed that the purport and scope of Adjudication Proceedings and Enquiry Proceedings is different and the present Enquiry proceedings are independent of the said Adjudication proceedings. Further, no stay had been granted by the Hon'ble SAT even on the impugned Adjudication Order. The Noticee was advised to file its reply within 2 weeks from the receipt of the email.

9. Pursuant thereto, the Noticee vide letter/email letter dated June 19, 2025 reiterated its request for staying the proceedings and also raised some preliminary issues on the recommendations of the DA. In response, vide email dated June 25, 2025, the request of the Noticee for keeping the present proceedings in abeyance pending final disposal of the appeal was rejected. Further, it was informed that any preliminary submissions on the DA's recommendation would be dealt at the time of disposal of the proceedings. The Noticee had also raised an objection that the DA's report was changed. In response to that it was informed that a copy of the earlier draft version of the report (with a typographical error mentioning 'MB regulations' instead of 'RTA Regulations') was inadvertently shared along with the letter dated April 03, 2025. The letter dated April 03, 2025 unequivocally mentions the correct recommendation of the DA. The scanned copy of the Original DA Report as signed by the competent authority was provided. Further, it was informed that

if the Noticee so desires, it may also inspect the Original DA Report along with all the necessary documents.

10. Subsequently, vide letter/email dated July 08, 2025, the Noticee again raised preliminary objections on the DA's report and reiterated its earlier submission that the DA's report has been changed and sought inspection of the documents. The inspection of documents was provided to the Noticee on July 29, 2025 and it was advised to submit its reply. Pursuant to the inspection, vide email dated August 12, 2025, the Noticee sought (i) Internal Guidelines on Selection of Cases for Enforcement Actions, (ii) The Enforcement Manual. The same request was reiterated vide email dated August 30, 2025. In response, vide email dated September 01, 2025, the Noticee was informed that the documents sought by it pertain to the internal functioning of SEBI, and relate to the systems and procedures followed at SEBI and also that these documents pertain to the decision making by SEBI in its supervisory and regulatory role. Accordingly, the request made by the Noticee was rejected. Vide email dated September 09, 2025, further extension of three weeks' time was sought by the Noticee to furnish the reply. Even though sufficient time and opportunities had already been provided, in the interest of natural justice, one final extension was granted to the Noticee to file the reply before October 10, 2025. Further, since in the instant proceedings, the DA had recommended prohibition from taking up any new clients for one year *qua* its activities as RTA along with regulatory censure, the Noticee was informed that personal hearing before the competent authority was not warranted in terms of Regulation 27(4) of the Intermediaries Regulations.

11. The Noticee filed its response on October 10, 2025 and sought personal hearing in the matter. Considering the request of the Noticee, hearing in the matter was scheduled on December 04, 2025. On the said date of hearing, the Authorized Representatives (ARs) of the Noticee appeared and made submissions in line with the written replies filed earlier. As requested, two

weeks' time was granted to the Noticee to file additional submissions, if any, in the matter. The Noticee filed its post hearing written submissions on December 18, 2025.

CONSIDERATION AND FINDINGS:

12. I have carefully perused the SCN issued to the Noticee, along with the replies dated October 10, 2025 and December 18, 2025 filed by the Noticee and the material available on record.

13. I note that the show-cause notice issued by the DA contained allegations on thirteen counts as mentioned in Table No. 1 above. In response, the Noticee filed its reply dated February 10, 2025. Pursuant thereto, the DA, in the Enquiry Report, established all the violations against the Noticee barring the alleged violation mentioned at Sr. No. 10 above in Table No. 1.

14. The allegations made in the DA Report and the Noticee's response to the SCN, vide replies dated October 10, 2025 and December 18, 2025, and consideration of the same are discussed in the ensuing paragraphs.

Preliminary Issues

15. Before dealing with the main allegations, I deem it appropriate to deal with the preliminary issues raised by the Noticee. The Noticee has submitted that the inspection of documents was incomplete and improper on the premise that
(i) Change of Enquiry Report was not documented and
(ii) Not providing the Enforcement Manual and Internal Guidelines on Selection of cases for Enforcement Actions despite being relied upon.

16. In relation to the point at (i) above, , it has been submitted that in the Enquiry Report shared earlier vide email dated April 04, 2025 along with the SCN, the

DA had *inter alia* recommended that 'a Regulatory censure' may be issued to the Noticee to be careful in future with respect to complying with the mandate of **MB Regulations**. The Enquiry Report was later changed by SEBI vide email dated June 25, 2025 and in that Enquiry Report, the recommendation was 'a Regulatory censure' may be issued to the Noticee to be careful in future with respect to complying with the mandate of **RTA Regulations**. Thus, it is submitted that the phrase 'MB Regulations' has been changed with RTA Regulations by SEBI and the said change has not been documented by SEBI.

17. In this regard, I note that pursuant to the issuance of the SCN also, the Noticee had raised this objection and in response to that the Noticee was informed that a copy of the earlier draft version of the report (with a typographical error mentioning 'MB regulations' instead of 'RTA Regulations') was inadvertently shared along with the letter dated April 03, 2023. The forwarding letter dated April 03, 2025 or the SCN had unequivocally mentioned the correct recommendation of the Designated Authority. The scanned copy of the Original DA Report as signed by the DA was provided to the Noticee vide email dated June 25, 2025 and the Noticee was also informed that it may inspect the Original DA Report along with all the necessary documents. It is an undisputed fact that pursuant to the said email, the Authorized representative (AR) of Noticee availed of the inspection opportunity and inspection of documents was carried on July 29, 2025. The draft version and the original Enquiry Report was signed by the same authority. Without prejudice to the same, even on merits also, the Enquiry Proceedings were initiated against the Noticee, *inter alia,* for the violation of RTA regulations and not for MB Regulations, which may mean Merchant Banker Regulations. The Enquiry Report nowhere else mentions the word 'MB Regulations' reinforcing the fact that the initial report shared with the Noticee was a draft copy with an inadvertent error. The submission that the Enquiry Report which was shared inadvertently was stamped, signed by the DA and paginated and is essential for understanding the decision-making process and ensuring procedural fairness in these proceedings is a mere conjecture

misplaced. The Noticee has not been able to demonstrate if any prejudice has been caused to it on account of the draft version of the report shard inadvertently.

18. Further, the Noticee had sought copies of SEBI's *Enforcement Manual and Internal Guidelines on Selection of Cases for Enforcement Actions*. The Noticee's request was rejected by SEBI and in response to the said request, the Noticee was informed that the requisite documents pertained to the internal functioning of SEBI, and relate to the systems and procedures followed at SEBI. These documents only pertain to the decision making by SEBI in its supervisory and regulatory role. The Noticee had also submitted that SEBI in the past had shared these documents with other entities and in support had cited SEBI's Order in the matter of *Bombay Stock Exchange Limited* dated June 25, 2025 wherein the counsel for the Noticee in the said matter had relied upon the Enforcement Manual in order to make submissions. In this regard, the Noticee was informed that in the past also, SEBI has not shared such documents with any third party in connection with any enforcement proceedings. How any entity in any other unconnected proceeding obtained access to such a document and in what manner is beyond the scope of these proceedings. It is abundantly clear that SEBI has not shared these documents with any Noticee in connection with enforcement proceedings.

19. The Noticee has relied on the Judgment of Hon'ble Supreme Court in *T. Takano vs SEBI*[1] to submit that the inspection of document was incomplete and improper. On the basis of the discussion in the above paragraphs, I find that the record clearly shows that all the documents / material relied upon and relevant for the purpose of these proceedings have been provided to the Noticee in line with the principles propounded by the Hon'ble Supreme Court of India in the matter of *T. Takano vs. SEBI*. Thus, the contention related to non-

[1] (Civil Appeal Nos. 487-488 of 2022)

provision of documents and the stated deficiency of the inspection of documents is not tenable and devoid of any merit.

20. Having discussed the preliminary issues, I now advert to the issues on merit. As mentioned above, the DA has established violation against the Noticee on 12 counts. The corresponding allegations which are established by the DA and the response of the Noticee on the same are discussed in the next part of the Order.

I. Allegation w.r.t. the absence and validity of NISM certification

21. It was observed that during the inspection period, 39 associated persons engaged by the Noticee did not have the requisite NISM certification (at any point of time) and 10 associated persons engaged by the Noticee did not have the valid NISM certification (at the time when inspection was carried out). The DA after considering the response filed by the Noticee observed that 24 associated persons engaged by the Noticee did not have the NISM certification (at any point of time), and 10 associated persons engaged by the Noticee did not have valid NISM certification during the entire inspection period.

22. In response to the SCN, the Noticee submitted that five of the associated persons were unable to get their NISM certification renewed owing to unavoidable reasons. Five of the associated persons were transferred from other departments in 2021 and were unable to obtain the NISM certification owing to restrictions imposed due to COVID. Further, all associated persons engaged with the Noticee have subsequently obtained the valid NISM certification and there is no deficiency to that effect at present. As submitted, the same is evident from the fact that there are no adverse observations regarding non-possession of NISM certification in the latest inspection period from January 1, 2024 to August 31, 2024. It is thus put forth that the Noticee has taken the necessary corrective measures and ensured that all associated

persons are in possession of valid NISM certification. The Noticee has prayed for a lenient approach when assessing the alleged violation.

23. I note that possession of a valid and necessary NISM certification by associated persons engaged by the Noticee is an objectively determinable legal requirement. The DA, after verification of records, observed the deficiency pertaining to the NISM Certification requirement. The Noticee has, in its response, admitted to the alleged violation while seeking to justify it. Noticee has further submitted that necessary steps for rectification have since been taken and at present, all associated persons are in possession of valid NISM Certification. In this regard, it is noted that unlike violations that are inherently procedural or administrative in character, the requirement of NISM certification is a substantive investor protection measure. The rationale behind mandating such certification is to ensure that persons handling investor requests and securities records possess the minimum requisite knowledge and competence. Non-compliance with this requirement during the inspection period, even if subsequently remedied, cannot be excused on the ground of absence of demonstrable investor harm, because such harm is precisely what the certification requirement is designed to prevent. The absence of an adverse outcome does not negate the statutory violation. Accordingly, the violation of the requirement of Section III (Compliance Certification) of Annexure to SEBI Circular No. CIR/MIRSD/7/2012 dated July 05, 2012, Regulations 3, 6, 9 and 10 of CAPSEM Regulations, SEBI Notification No. LAD-NRO/GN/ 2009-10/18/175577 dated September 04, 2009 and Clauses 3, 16 and 29 of Schedule III read with Regulation 13 of RTA Regulations is established against the Noticee. However, the subsequent corrective action taken by the Noticee and the absence of any adverse observations *qua* NISM certification in the 2024 Inspection are duly noted as mitigating factors for the purposes of determining the appropriate enforcement action.

II. Allegation w.r.t. the obligation to execute tripartite agreements with certain companies;

24. It was alleged that the Noticee did not execute tripartite agreements with seven companies as required under Regulation 7(4) of the LODR Regulations. After considering the detailed response of the Noticee, the DA established the charge against the Noticee and observed that the Noticee did not execute tripartite agreements with five out of seven companies as alleged after the inspection.

25. In response, the Noticee submitted that it had made the following submissions before the DA:

    25.1. The obligation to execute tripartite agreements under Regulation 7(4) is not on the RTA but on the listed company;

    25.2. The requirement of executing tripartite agreements with 2 companies did not arise as they were transferred to the Noticee prior to the commencement of the LODR Regulations.

26. The DA accepted the second argument of the Noticee in respect of the 2 companies which were transferred prior to commencement of the LODR Regulations. Further, the DA rejected the first argument of the Noticee and observed that the obligation under Regulation 7(4) could not be read in isolation and had to be read with the extant regulations, including the RTA Regulations. While referring to Clause 20 of the Code of Conduct, the DA concluded that while the primary responsibility of entering into tripartite agreements is on the listed entity, it is still incumbent upon the RTA to ensure continuity in data and record keeping. The DA held that the Noticee is required to take the necessary steps to ensure the execution of agreement with the listed entity and its erstwhile RTA.

27. In this regard, I refer to Regulation 7(4) of the LODR Regulations which reads as follows.

“7(4) In case of any change or appointment of a new share transfer agent, the listed entity shall enter into a tripartite agreement between the existing share transfer agent, the new share transfer agent and the listed entity, in the manner as specified by the Board from time to time”

28. Clause 3 and 20 of the Code of Conduct of the RTA Regulations provide the following:

Clause 3

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

Clause 20

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

29. On a plain reading of Regulation 7(4) of LODR regulations, it is clear that in terms of the said regulation, there is a specific requirement and obligation on the listed entity to enter into tripartite agreement between the existing share transfer agent and the new share transfer agent. The DA’s reasoning that the provision under LODR Regulations cannot be read in isolation and has to be read in conjunction with the RTA Regulations appears to be incorrect. The obligation under Regulation 7(4) is specific in nature while the requirement under RTA Regulations is a generic one. One cannot read the primary obligation (specifically provided elsewhere) through the generic clause of Code of Conduct. The DA has also acknowledged that the primary responsibility of entering into the tripartite agreement could be attributed to the listed entity.

However, the DA has further noted that it is incumbent upon the RTA to take adequate and necessary steps to ensure the continuity in data and record keeping. In my view, the requirement to ensure the continuity in data and record keeping is definitely with the RTA but it cannot be said that the RTA should enforce the entering of tripartite agreement with listed entity. Also, there is merit in the Noticee's submission that the requirement under Clause 20 of the RTA Regulations is a generic one and it makes no reference to the tripartite agreements. Further, there has been no allegation of non- maintenance of the data and record-keeping or if by the acts/omissions of the Noticee, the data or records have been lost or breached.

30. The Noticee has also referred to SEBI's consultation paper on '*Review of Regulatory Framework for Registrars to an Issue and Share Transfer Agents*' dated August 7, 2025 which states that:

"8. Recognising this, section 2(60) of the Companies Act, 2013, treats share transfer agents and registrars as "Officer who is in default" in respect of the issue or transfer of any shares of a company. For the activities being outsourced by the Companies to RTAs such as maintenance of shareholder records, share transfer and transmission, dividend distribution, investor grievance handling, management of AGMs and voting etc., the Companies Act lays down obligation on the companies only. ***Thus, even when a company outsources various functions to an RTA, the ultimate responsibility for compliance with the provisions of the Companies Act remains with the Company only considering that the RTAs function as the agent of the Company.****"*

31. Thus, I am inclined to agree with the Noticee's submission that the RTA acts only as an agent of the listed entity and that the final responsibility to ensure that all requirements are met and complied with lies with the listed entity.

32. In light of the above discussion, I disagree with the view of the DA in this regard and find that the violation of Regulation 7(4) of the LODR Regulations read with Regulation 9A(1)(b), Clause 3 and 20 of Schedule III of the RTA Regulations against the Noticee is not established.

III. Allegation w.r.t. non-maintenance of Signature Card

33. it has been alleged that during the inspection period, the Noticee did not have signature cards for 46% of the physical folios. Further, the Noticee allegedly did not have signature card in more than 90% of folios in respect of 67 client companies and no signature card in 100% folios in respect of 40 companies. After considering the reply filed by the Noticee, the DA established the violation of Clause 25(a) and 1(m) of Schedule -1 read with Clause 8 of the Model agreement of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994 and Clause 3 of Schedule III read with Regulation 13 of RTA Regulations. The said legal provisions are reproduced below.

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

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

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.

...

SCHEDULE I

1.SPECIFIC ACTIVITIES

…

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."

34. In response to the above allegation, the Noticee, in its reply, has submitted that it is the responsibility of listed companies and RTAs to provide signature cards for physical folios. However, the lack of provision of these cards has resulted in an industry-wide issue regarding their unavailability. Therefore, the absence of signature cards was not due to any action or omission on the part of the Noticee. The Noticee also submitted the Post-Inspection Analysis Report for the period from September 20, 2022 to November 30, 2023 (the "**2022-23 Inspection**"), prepared by SEBI, wherein, SEBI itself has identified the aforementioned industry-wide issue and subsequently dropped its observation. The DA had rejected the Noticee's argument, observing that there was no material to suggest that the unavailability of signature cards was on account of inaction on the part of the listed companies or erstwhile RTAs. The DA further observed that the inspection finding with regard to the unavailability being an industry-wide issue pertained to another inspection period and could not be extrapolated to the proceedings at hand.

35. It is further submitted that SEBI itself has acknowledged the fact that the RTA had made attempts to obtain signature cards from issuers and in some instances, these signature cards have not been provided by the issuer and erstwhile RTAs. It is accordingly submitted that in rejecting the Noticee's submission for want of evidence, the DA has failed to consider the observations made by SEBI in the PIA Report pertaining to the 2022-23 Inspection. Also, as argued, SEBI regularly conducts inspection of numerous RTAs, which along with aiding in ensuring compliance and maintenance of records by these market intermediaries, also help in ascertaining the issues faced by them in their day-to-day operations. It is submitted that when SEBI decided to drop its observations in respect of the signature cards, relying on its experience and understanding of the issues persisting in the securities market, it was no longer justified for the DA to hold the Noticee liable for the said irregularity just because it pertained to another inspection period.

36. As per the Noticee, SEBI has in the past excused deficiencies in maintenance of signature cards with respect to intermediaries while accepting that such deficiency is an industry wide issue. Reference is made to *Order in respect of Link Intime India Private Limited* dated June 24, 2021, wherein relying on the fact that the absence of signature cards is a widespread industry-wide issue and other factors, the Noticee was exonerated from any recommended directions.

37. I have considered the arguments made by the Noticee and note that it is true that as per the legal requirement, the onus of maintaining the documents and records pertaining to transfer activities including the physical signature cards is jointly on the Company as well as the RTA. Therefore, the role of listed entities, is a relevant factor which is required to be examined before adjudicating on the issue. I also note that the legal requirement of maintaining the signature cards is arising from a SEBI Circular dated October 11, 1994 and therefore substantial time has elapsed to consider the industry practice also.

38. The Noticee has submitted that difficulties in obtaining and maintaining of signature cards is an industry wide practice and in support of the argument has submitted the Post-Inspection Analysis Report (PIA) for the inspection period from September 20, 2022 to November 30, 2023. The relevant observations in the PIA Report are reproduced herein below:

"…

1. Attempts have been made by the RTA to obtain signatures from the issuers.

2. In some instance, Issuers/Previous RTA has not provided signature records to the entity.

3. Investor is requested to provide signature verification from banker in ISR-2 form along with cancelled cheque/bank statement.

In view of the above and considering that non-availability of specimen signature is Industry wide issue, submissions made by the RTA may be accepted and the observation may be dropped."

39. I note that the DA has not disputed the PIA Report but has refused to extrapolate the observations with respect to present proceedings. The inspection period for the present proceedings i.e. April 1, 2021 to September 19, 2022 is prior to the inspection period for which the observations were dropped against the Noticee (i.e., September 20, 2022 to November 30, 2023) as is clear from the PIA Report. Also, in the said PIA Report, it is also acknowledged by SEBI that the RTA had made attempts to obtain signatures from issuers and in some instances, these signature cards have not been provided by the issuer and erstwhile RTAs.

40. Noticee has also relied on SEBI's Order dated June 24, 2021 with respect to another RTA, in the matter of *Link Intime India Private Limited*. On perusal of the said Order, I note that the same argument was made by the Noticee in that case also and the competent authority, without commenting on whether it was

an industry-wide practice or not, had acknowledged that the Noticee in that case had made multiple efforts to overcome the issue of non-availability of specimen signatures. It was also observed *that the inability to bridge the gap of missing specimen signatures is not a result of Noticee or the RTA industry's lack of efforts. On the contrary, it is a consequence of the impossible task of receiving adequate responses from individual investors*. In the said case, after considering the various arguments of the Noticee, the authority was of the opinion that while the Noticee may be having genuine difficulties and challenges in maintaining the specimen signatures, the fact remains that the specimen signatures of the investors are one of the most important records which are relied upon while verifying the genuineness of transfer requests and these records are to be mandatorily maintained by an RTAs. Thus, the violation was established against the Noticee. However, the various submissions and constraints brought out by the Noticee were considered as mitigating factors.

41. I have considered the arguments made by the Noticee and also perused the PIA Report and the SEBI Order dated June 24, 2021 in the matter of *Link Intime India Private Limited* quoted by it. I am of the view that the DA's refusal to give any weight to the PIA Report pertaining to a subsequent inspection period was not well-reasoned. The PIA Report for the period September 20, 2022, to November 30, 2023, explicitly records that the non-availability of specimen signatures is an industry-wide issue and that the RTA had made attempts to obtain signatures from issuers. While this pertains to a different inspection period, it constitutes relevant evidence of a systemic challenge that persisted beyond the inspection period in question, and the DA was not justified in dismissing it entirely as inapplicable. Be that as it may, the legal requirement to maintain signature cards is clear and unambiguous, and the Noticee is undisputedly in breach of this requirement with no signature card in more than 90% of folios in respect of 67 client companies and no signature card in 100% of folios in respect of 40 companies. The scale of non-compliance is significant

and cannot be entirely attributed to the conduct of listed entities or erstwhile RTAs. The Noticee as an RTA was obligated to proactively pursue the collection and maintenance of these records. Accordingly, the violation stands established against the Noticee. However, the following are taken into account as mitigating factors: (i) the industry-wide nature of the issue as acknowledged by SEBI itself in a PIA Report albeit for a separate period; (ii) the joint responsibility of listed entities in providing such records; (iii) the Noticee's demonstrated efforts to obtain signatures from issuers; and (iv) the significant improvement in subsequent inspections, where non-availability reduced to 8.71% of folios and the observation was eventually dropped altogether. These mitigating factors shall be duly considered while determining the appropriate direction against the Noticee.

IV. Allegation w.r.t. delay in processing of the request(s) for the issuance of duplicate shares and issuance of duplicate share certificate to an investor other than the original shareholder.

42. It was alleged that there was a delay in 123 instances with regard to the processing of the requests for the issuance of duplicate share certificates. Further, in two instances (Folio Nos. 01024288 and 51665), the Noticee had failed to do the due diligence concerning the mismatch of the name and partial non-availability of share details on FIR in two instances for the issuance of duplicate share certificates. Also for the folio No. 13346, the Noticee failed to do necessary due diligence prior to issuing duplicate shares.

43. After considering the reply filed by the Noticee, the DA established the violation of Clause 20 of "General Norms for Processing of Documents" of SEBI Circular - RTI Circular No. 1 (2000-2001) dated May 09, 2001, Clauses 12 and 13 of Clause II of Annexure to Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018, SEBI Circular No. MRD/DoP/Cir- 05/2007 dated April 27,

2007 and Clauses 2 and 3 of Schedule III read with Regulation 13 of RTA Regulations.

44. In response to the SCN, the Noticee has submitted the following.

44.1. It received a total of 2026 requests for issuance of duplicate share certificates during the IP, out of which only 123 (6.07%) alleged instances of delay were observed. Further, out of the said 123 instances, 88 requests were processed within a delay of 10 days. Only 35 instances of delay beyond 10 days was observed during the IP, which amount to 1.72% of the total requests processed during the IP.

45. The above-mentioned violations are discussed in the ensuing paragraphs with specific reference to the folios concerned.

Discrepancy with respect to folio no. 01024288

45.1. The DA's show cause notice had initially alleged that the Noticee had failed to undertake due diligence in respect of *the name* as well as *address* of the said folio. However, after considering the reply and documents submitted by the Noticee, the submission of the Noticee with respect to the discrepancy in *the address* for folio No. 01024288 was accepted by the DA.

45.2. The discrepancy in *the name* had already been communicated to the applicant by the relevant company's erstwhile RTA. The applicant was requested to execute an affidavit stating that the name stated on the PAN and name stated in the records of the company are of the same person. The applicant vide letter dated July 7, 2017, furnished the required affidavit. In this regard, the DA observed that the said letter dated July 7, 2017 had reference to "*4. Original affidavit*". However, the said affidavit was not enclosed by the Noticee and therefore, its submission relating to discrepancy in *the name* in folio No. 01024288 was not accepted by the DA.

45.3. With reference to the above, it has been submitted that the DA has failed to appreciate the entirety of the evidence available on record. It is submitted that subsequent to the submission of affidavit dated July 07, 2017, there was a communication between the applicant and the erstwhile RTA of the concerned company. In an email dated August 21, 2017, the RTA requested some additional documents regarding financial standing of the applicant's surety and a copy of the police complaint lodged in relation to the shares. However, nowhere in this email did the said RTA raise any issues or deficiencies in respect of the affidavit that had already been submitted. To the contrary, the RTA in the email stated that it would "arrange to do the needful". The said email dated August 21, 2017, was made available to SEBI, however the same was not considered by the DA in arriving at his conclusion.

45.4. The letter of the applicant dated July 7, 2017, when read holistically with the subsequent emails makes it clear that required affidavit was in fact submitted by the applicant and reasonable presumption was drawn as to the existence of the said affidavit and therefore, the Noticee issued duplicate shares by relying reasonably upon such correspondences of the applicant with the listed company's erstwhile RTA.

45.5. Even assuming without admitting that the said affidavit was not available, documents such as the letter of indemnity to the company and the questionnaire form of the company on the issuance of duplicate shares furnished by the applicant both mentioned the name of the applicant as "VIVEK KUMAR JAIN". It is submitted that the aforesaid made it clear that applicant used the names "VIVEK KUMAR JAIN" and "VIVEK JAIN" interchangeably.

Discrepancy with respect to folio no. 51665

45.6. The DA mistakenly concluded that the Noticee was in violation owing to the alleged infirmity in the FIR for folio no. 51665 despite having exonerated the Noticee of that charge.

Discrepancy with respect to folio no. 13346

45.7. With regard to the captioned allegation, it was submitted that the investor had provided documents such as PAN card and Aadhar card as identification and address proofs, and documents such as a certificate and ISR Form-2 in his application and the Noticee relied on the same in order to ascertain the genuineness of the request. The applicant had also submitted an FIR lodged with the police station in Rajasthan. The Noticee had verified the PAN card submitted by the applicant on various facilities, including by the Income Tax department. The PAN card existing in the name of the applicant was also linked to the Aadhar card submitted by the applicant. It is accordingly submitted that the Noticee issued duplicate shares, relying not only on the documents submitted by the applicant, but also upon the verification report generated on various platforms.

45.8. The request for the issue of duplicate share certificates in respect of folio no. 13346 was published as a newspaper advertisement and was disseminated by the concerned listed entity on the stock exchange, despite the same, no objection was received in respect of the said shares. Further, no complaint has been received till date in respect of the folio and the allegation is based on KYC documents obtained from the concerned depository participant, which have not been provided to the Noticee.

45.9. The DA confirmed the said allegation against the Noticee, stating that verification reports submitted by the Noticee did not bear a time stamp and accordingly it was not ascertainable when the Noticee had conducted due diligence. the allegation specifically states that the duplicate shares in question were allotted to an investor other than the original shareholder.

Analysis with respect to the folios

46. I have considered the submissions made by the Noticee with regard to the above issue. For the delay in issuance of duplicate shares, the Noticee while admitting to the delay has submitted that the delay is only in miniscule instances. Out of 2026 requests, there was delay in 123 instances and out of those 123, only in 35 instances, the delay has been more than 10 days. Be that as it may, the extant legal requirements prescribe strict timelines for the issuance of duplicate share certificates and the Noticee is under a legal obligation to ensure adherence to the prescribed timelines. Thus, I agree with the observation of the DA on this charge and, the violation stands established against the Noticee.

47. For the discrepancy with respect to folio No. 01024288, the Noticee has submitted that it had done its due diligence on the issue and only after being satisfied, duplicate shares were issued relying upon all the documents available on record. For determining the issue, I refer to the observations of the Hon'ble Supreme Court in the matter of *Chander Kanta Bansal vs. Rajinder Singh Anand*[2] wherein the Hon'ble Court had held that—

"According to Oxford Dictionary (Edition 2006), the word "diligence" means careful and persistent application or effort. "Diligent" means careful and steady in application to one's work and duties, showing care and effort. As per Black's

[2]

Law Dictionary (Eighth Edition), "diligence" means a continual effort to accomplish something, care; caution; the attention and care required from a person in a given situation. "Due diligence" means the diligence reasonably expected from, and ordinarily exercised by, a person who seeks to satisfy a legal requirement or to discharge an obligation. According to Words and Phrases by Drain-Dyspnea (Permanent Edition 13A) "due diligence", in law, means doing everything reasonable, not everything possible. "Due diligence" means reasonable diligence; it means such diligence as a prudent man would exercise in the conduct of his own affairs."

48. For the present issue, the allegation was that the Noticee failed to do the due diligence concerning the mismatch in name for folio No. 01024288. In the present case, the question is whether the Noticee exercised reasonable diligence in satisfying itself as to the identity of the applicant before issuing duplicate shares in respect of folio No. 01024288. As held by the Hon'ble Supreme Court in *Chander Kanta Bansal vs. Rajinder Singh Anand*, due diligence in law means such diligence as a prudent man would exercise in the conduct of his own affairs and it requires doing everything reasonable, not everything possible.

49. In the present case, I note that the email dated August 21, 2017 from the erstwhile RTA, read in conjunction with the applicant's letter dated July 7, 2017, establishes that the required affidavit was treated by the RTA as having been received, since no deficiency in respect of it was raised in subsequent correspondence and the RTA proceeded to request further documents on unrelated matters. The letter of indemnity and the questionnaire form, both record the applicant's name as "VIVEK KUMAR JAIN", and the DA himself accepted the same while considering *the address* discrepancy that "Vivek Jain" and "Vivek Kumar Jain" referred to the same person. It would be internally inconsistent to accept that identity for one purpose, while rejecting it for another. A reasonable and prudent person, presented with this body of correspondence

and documentation, would have been justified in concluding that the name discrepancy was satisfactorily explained. The Noticee's conduct met the standard of reasonable diligence. Accordingly, no infraction is established against the Noticee with respect to the lack of due diligence in folio No. 01024288.

50. For the discrepancy with respect to folio No. 51665, it is noted that the DA in its Enquiry Report has categorically mentioned that the '*allegation with regard to infirmity in the FIR for folio No. 51665 does not stand established'.* However, in the concluding paragraph, *it was observed that that Noticee had not undertaken due diligence concerning the mismatch of name and partial non-availability of share details on FIR in two instances (Folio Nos. 01024288 and 51665).* Based on the material submitted by the Noticee and the DA's observation in the Enquiry Report, to me, there appears to be an inadvertent error on part of the DA to establish the violation with respect to the Folio No. 51665. In light of the above, I find that the issue requires no further examination and the violation with respect to the folio No. 51665 is *not* established against the Noticee.

51. For the issue related to folio No. 13346, the initial allegation in the DA's show cause Notice was issuance of duplicate share certificate to an investor other than the original shareholder. However, the Noticee has rightly pointed out that the DA in his report has attributed it to lack of due diligence. The Noticee has submitted that he relied on multiple documents to ascertain the identity of the investor including PAN Card, Aadhar Card, Income Tax database, ISR Form-2 and even an FIR lodged with the police station in Rajasthan. Further, as per the applicable norms, the request for the issue of duplicate share certificates was published as a newspaper advertisement and was disseminated by the concerned listed entity on the stock exchange and no claimant came forward. I agree with the submissions made by the Noticee that all the possible efforts which could have been made by any prudent man, were made by the Noticee. Also, no complaint has been received by the Noticee till date in respect of the

said folio. The DA's observation that verification reports submitted by the Noticee did not bear a time stamp and accordingly, it was not ascertainable if the Noticee had conducted due diligence does not establish the allegation levelled against the Noticee. The issue was if the Noticee had wrongly issued duplicate share certificate to an investor other than the original shareholder and for the said allegation, the material available on record does not reflect any shortcoming on the part of the Noticee. Based on the justification provided by the Noticee, I am reasonably satisfied that the violation on this count does not stand established against the Noticee.

V. Allegation w.r.t. non-compliance in obtaining the transmission Form (ISR 4) in Folio No. 8775 and uploading of wrong signature in Folio no. Z6129.

52. It was alleged that the Noticee did not obtain the transmission form, Form ISR 4, for processing the transmission request in Folio No. 8775, and wrong signature was uploaded in Folio No. Z6129. After considering the reply filed by the Noticee, the DA established the violation of Clause C (2) (b) of Schedule VII prescribed under Regulation 40(7) of LODR Regulations, Clause 2 (II) of SEBI Circular No. CIR/MIRSD/10/2013 dated October 28, 2013 and Clauses 2 and 3 of Schedule III read with Regulation 13 of RTA Regulations.

53. In response to the SCN, the Noticee has submitted that it obtained various other documents from the applicant such as an affidavit, PAN card, death certificate, indemnity bond, and guarantee prior to the processing of the transmission request. Also, obtaining the ISR-4 form was merely a procedural requirement and by obtaining the other documents mentioned above, adequate due diligence was done and it is not the case of SEBI that shares were transmitted to a person other than the applicant.

54. For the error in Folio No. Z6129, it is submitted that wrong signature of the applicant's brother who had given a no-objection certificate was uploaded instead of the applicant and upon receiving the observations of the inspection team, the Noticee promptly uploaded the correct signature in the folio.

55. I note that the allegation is that the Noticee did not obtain the transmission form (specifically Form ISR 4) for processing the transmission request. On perusal of the legal requirement, it is observed that Clause C (2) of the Schedule VII of the LODR Regulations provides that in case of transmission of securities, where the securities are held in single name without nomination, the duly signed transmission request form shall be submitted by the legal heir(s)/claimant(s). Thus, the regulations simply mention about a transmission request form. SEBI, as a measure to enhance the ease of doing business for investors in the securities markets, issued various Circulars[3] to standardize the common and simplified norms for processing of Investor Service Requests by RTAs. Before these Circulars, the transmission requests submitted by the applicants were not standardized. One of the crucial aspect of the transmission request(s) is that the security should be transferred only to the rightful claimant and for ascertaining the identity of the rightful claimant, various documents have been specified by SEBI from time to time. In the instant case, it is not SEBI's case that the securities were not transferred to the rightful claimant. As submitted by the Noticee, various other documents were obtained from the applicant, and transmission request was processed. While it is true that complying with the procedural requirement is a necessary pre-requisite, but the same has to be interpreted purposely. During the inspection period only, ISR-4 form was introduced and before that transmission requests were not standardized. It is also observed that the legal requirement itself does not specify the form which is required to be submitted and there is no allegation of violation of SEBI

[3] SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated November 03, 2021
SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/687 dated December 14, 2021
SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 January 25, 2022

Circulars which specified the Form ISR-4. Having considered the facts and circumstances of the case, I agree with the Noticee that adequate due diligence was done to ensure the processing of transmission request and thus no violation is established on this count.

56. For the wrongful uploading of signature in Folio No. Z6129, there is nothing remaining to be adjudicated. The Noticee has admitted that wrong signature of the applicant's brother was uploaded inadvertently and upon receiving the observations of the inspection team, the Noticee promptly uploaded the correct signature in the folio. Material available on record does not suggest it to be a regular occurrence; it is only a singular instance out of numerous instances handled by the Noticee. Also, it is clear that no prejudice has been caused to the applicant. Uploading of wrong signature in one instance (out of many) appears to be a human error and not a deliberate violation. In this regard, I also refer to the observations of Hon'ble SAT in the matter of *DSE Financial Services* wherein, *inter alia,* the following was observed:

"Under similar circumstances in one of the cases decided by us earlier (Religare Securities Limited vs. SEBI Appeal no. 23 of 2011 decided on 16.6.2011), we have observed that it must be remembered that the purpose of carrying out inspection is not punitive and the object is to make the intermediary comply with the procedural requirements in regard to the maintenance of records. <u>We have also observed that every minor discrepancy/irregularity found during the course of inspection is not culpable and the object of the inspection could well be achieved by pointing out the irregularities/deficiencies to the intermediary at the time of inspection and making it compliant</u>." (emphasis supplied)

57. I am of the view that the observations made by Hon'ble SAT are applicable in this case particularly on the aspect discussed above. Non submission of transmission request form and/or inadvertent wrong uploading of signature in

one instance seems to be a minor discrepancy which, in my view, should not be treated as serious. It is undisputed that upon receiving the inspection findings, necessary corrections were made by the Noticee. Thus, I am inclined to give the benefit of doubt to the Noticee in respect of the alleged violation in this regard.

58. Having said that, I am also of the view that these observations are applicable only on this count considering the facts and circumstances of the case and certainly should not be generalized.

VI. Allegation w.r.t. delay in processing of 54 demat requests

59. It was alleged that 54 demat requests were processed by the Noticee after the stipulated period of 15 days. After considering the reply filed by the Noticee, the DA established the violation of RRTI Circular No. 1(99-2000) PMD/SU/11560/99 dated May 20, 1999 and Clause 2, 3, and 5(c) of Schedule III read with Regulation 13 of RTA Regulations.

60. The Noticee has admitted that there was delay of 1-2 days in processing each demat request and the demat requests were processed within 16-17 days . It has also been submitted that the delay in processing demat requests was an exceptional circumstance, primarily due to holidays and the minimal delay of 1-2 days did not cause any harm to investors. Further, the Noticee processed a total of 30,575 demat requests during the IP, out of which only 54 instances (0.001%) are allegedly suffering from a delay of 1-2 days in all 54 instances.

61. It is also submitted that Clause 3 of the SEBI Circular dated January 25, 2022, prescribes a timeline of 30 days for an RTA to process demat requests which is in contradiction to the flexible framework provided under the RTA Regulations and SEBI Frequently Asked Questions with respect to Investor Service Requests processed by RTAs dated July 16, 2025. Clause 5(c) of Schedule III

mandates that an RTA must *endeavour* to ensure that the timelines specified under any law are adhered to, whereas the FAQs provide a comprehensive Table with expected timelines for processing each investor service request. As argued, the SEBI Circular dated January 25, 2022 which provides a fixed timeline is in contrast with RTA Regulations and the FAQs.

62. It is noted that the present allegation is violation of RRTI Circular No. 1(99-2000) PMD/SU/11560/99 dated May 20, 1999, which clearly provides that the demat request should be processed within 15 days from the date of such request. The argument that the RTA Regulations do not prescribe any strict timeline and use of the word 'endeavour' does not inspire confidence. The Regulations have to be read with the SEBI Circular which also has the force of law. SEBI Regulations generally provide for broader aspects of any regulation and the fine details, the operational guidelines and administrative directions are issued through Circulars only. The entity cannot seek to rely on generic language of the Regulations to evade any liability which flows from Circular(s). Separately, the FAQs are the guide to investors on Investor Service Requests (ISRs) provided by RTA and it uses the word expected timeline which has to be read with the overall timeline prescribed for processing of such requests. Thus, the argument that the SEBI Circular dated January 25, 2022 is an overreach is non-tenable.

63. Having observed as above, I also note that the allegation is violation of RRTI Circular dated May 20, 1999 which provides that the demat request should be processed within 15 days. It is undisputed that there was a delay, albeit of 1-2 days, in processing of the demat requests in violation of the strict timelines specified by law. Further, Clause 5(c) of Schedule III of the RTA Regulations read with Regulation 13 provides that the RTA shall endeavor to ensure that the transfer of securities held in physical form and confirmation of dematerialization/rematerialization requests and distribution of corporate benefits and allotment of securities is done within the time specified under law.

The language of the said provisions is unambiguous and self-explanatory. Thus, the violation of RRTI Circular dated May 20, 1999 read with Clause 5(c) of the Schedule III of RTA Regulations stands established against the Noticee.

64. However, considering the technical and venial nature of the violation and noting that the delay was only of 1-2 days in processing of demat request, these facts would be treated as mitigating factors and would be aptly considered at the time of determining the enforcement action.

VII. Allegation w.r.t. change of the addressees without any explicit request in Folio No. 14228, 21209, 40621, 2291 and not processing of address change request despite specific request in Folio No. 6677

65. The DA has observed that Noticee updated addresses in respect of four folios (Folio Nos. 14228, 21209, 40621 and 2291) without being in receipt of any request for the same from the shareholders and in case of folio no. 6677, the Noticee failed to change the address despite being in receipt of the request for the same. Thus, the DA established the violation of Clauses 2 and 3 of Schedule III read with Regulation 13 of RTA Regulations.

66. The Noticee, in its response, (w.r.t the four folios) has admitted to the allegation and submitted that it updated the addresses prematurely based on the new addresses mentioned in the documents provided by applicants for the issuance of duplicate shares in order to ensure that any correspondences with shareholders could be directed to their current addresses. For the failure of the Noticee to update the address in case of folio no. 6677, it is submitted that the same was based on a *bona-fide* belief that the applicant had only requested the delivery of a new share certificate to the address mentioned on the voter ID card and had not requested for a change in address.

67. It is further submitted that such defaults had occurred only in few instances and as such are minor issues and technical in nature which does not warrant adjudication or imposition of penalties. Also, pursuant to the inspection observations, necessary corrections were made and no findings were observed in subsequent inspection by SEBI.

68. On perusal of the DA's observations and the Noticee's submission, I find that the there is nothing substantial to discuss and adjudicate upon. The factual determination has already been done and the Noticee has admitted to the defaults. However, I am inclined to agree with the submissions of the Noticee that the violations are hyper-technical and have occurred only in few instances. Further, the justification provided by the Noticee for updating/non-updating of the addresses seems plausible.

69. In the present case, violation of Clauses 2 and 3 of the Code of Conduct for the RTA has been alleged which *inter alia* provides that the RTA shall maintain high standards of integrity in the conduct of its business and shall fulfil its obligations in a prompt, ethical and professional manner. The alleged violations pertain to address updates made on the basis of documents already in the Noticee's possession, and in one instance of non-updation based on an erroneous, reading of the shareholder's request. Isolated and explicable administrative errors of this nature, in the absence of any allegation of fraudulent intent, financial loss to any shareholder, or systemic pattern of conduct, do not, in my view, cross the threshold required to establish a violation of the Code of Conduct provisions, which are directed at integrity and ethical conduct in a broader sense. Accordingly, I find that the violation of Clauses 2 and 3 of Schedule III read with Regulation 13 of RTA Regulations is not established in the facts of this present case.

VIII. Allegation w.r.t. delay in processing the transfer re-lodgment request in 14 instances, etc.

70. Allegations have been levelled against the Noticee for the delay in processing the transfer re-lodgment request in 14 instances, mismatch of signatures in 2 instances, non-consideration of the rejection points raised by the listed company in 1 instance, 2 transfer deeds in the records for one folio, original transfer deed not provided and no signature of the transferor on copies of the deeds provided in one instance. On account of the above, the Noticee has been alleged to have violated Clause A (1) of Schedule VII read with Regulation 40(7) of the LODR Regulations, Clause B of Schedule VII read with Regulation 40(7) of the LODR Regulations, Regulation 40(3) of the LODR Regulations and Clauses 2, 3, 5 (c) of Schedule III read with Regulation 13 of RTA Regulations.

a. ***<u>Delay in processing the transfer re-lodgment request in 14 instances</u>***

71. The inspection had observed a delay of more than 95 days in processing transfer re-lodgement requests in respect of 14 folios. The Noticee submitted that the period of 15 days provided under Regulation 40(3), has been reckoned without having regard to relevant circulars. SEBI Circular dated November 6, 2018 provides for revised timelines for the processing of transfer requests in case of signature mismatches or unavailability of documents, Clause 2(c)(iii) of the said Circular requires that the transfer is to be carried out within a period of 30 days of the newspaper advertisement. SEBI Circular dated April 13, 2020, in lieu of the lockdown of 21 days imposed on account of the COVID-19 pandemic, granted market intermediaries a relaxation of 21 days over and above the prescribed time limits for carrying out a specific transaction. The circular further stated that in case of an extension of lockdowns by the Central and State Governments, an additional relaxation equal to the days of the extended lockdown would be considered. Thereafter, vide circular dated April 29, 2021, the relaxed timelines granted in the circular dated April 13, 2020, were

extended to July 31, 2021. In addition to the lockdown of 21 days imposed by Central Government during COVID-19, a lockdown of 56 days was imposed by the Delhi Government from April 19, 2021, to June 14, 2021, and the same is to be considered in calculating the time limit for processing the transfers. In respect of the 10 out of the 14 folios in question, the Noticee submitted the following details as to the extended timelines for processing the transfer of securities in lieu of the lockdown.

Folio No.	Date of publishing of advertisement	Relaxed Timeline (30 days+21 days+56 days= 107 days)	Date of processing of request	Within the prescribed time limit
10792	April 3, 2021	July 19, 2021	June 30, 2021	Yes
17335	April 3, 2021	July 19, 2021	June 30, 2021	
16316	April 3, 2021	July 19, 2021	June 30, 2021	
16286	April 3, 2021	July 19, 2021	June 30, 2021	
16315	April 3, 2021	July 19, 2021	June 30, 2021	
51036	July 3, 2021	October 18, 2021	August 8, 2021	
405811	August 20, 2021	December 5 2021	October 1, 2021	
406043	August 20, 2021	December 5 2021	October 1, 2021	
406046	August 20, 2021	December 5 2021	October 1, 2021	
5996	April 5, 2021	July 23, 2021	June 24, 2021	

72. The submission made by the Noticee was rejected by the DA noting that the extended timelines on account of COVID-19 had to be read in conjunction with relaxed timelines granted vide the circulars dated April 13, 2020, and April 29, 2021, and not in addition thereto.

73. I have gone through the inspections findings, DA observations and the response of the Noticee. Regulation 40(3) of the LODR Regulations *inter alia* provides the listed entities a period of 15 days (from the date of receipt of

request) to register the transfers of their securities in the name of the transferee(s) and issue certificates, or issue any valid objection or intimation to the transferee or transferor. SEBI, vide Circular dated November 6, 2018 standardized the norms for transfer of securities in physical mode. In terms of the said Circular, in case of non-availability/ major mismatch in transferor's signature or non-traceability of the transferor, other than the process prescribed therein, the RTA Companies shall publish an advertisement in at least one English national daily and in one vernacular daily newspaper, giving notice of the proposed transfer and seeking objection, to the same within a period of 30 days from the date of advertisement. Any transfer shall be effected only after the expiry of 30 days from the newspaper advertisement.

74. Also, I note that in the wake of Covid-19 pandemic, SEBI vide Circular dated April 13, 2020 granted market intermediaries a relaxation of 21 days over and above the prescribed time limits for carrying out a specific transaction. The circular further stated that in case of an extension of lockdowns by the Central and State Governments, an additional relaxation equal to the days of the extended lockdown would be considered. Thereafter, vide circular dated April 29, 2021, the relaxed timelines granted in the circular dated April 13, 2020, were extended to July 31, 2021. Thus, considering everything, the RTAs were required to process the re-lodgments requests as per the extended timelines specified by SEBI.

75. In the present case, as per Noticee's submission, it was able to process the requests in 10 out of 14 instances within the timeframe granted by SEBI. As per the Table above, provided by the Noticee, even assuming everything to be correct and in order, the Noticee was required to process the requests received in the month of April 21 till July 31, 2021 which as per the submission, it was able to do. However, for the requests received subsequent to July 31, 2021, regular timelines as per the then-existing Regulations and Circulars were applicable. The Covid relate extension was granted till July 31, 2021. For those

requests which were received thereafter, the Noticee was required to process the re-lodgment requests within 31 days from the date of the advertisement. As it is clear from the Table above, the Noticee processed 3 requests (for which the advertisement was made on August 20, 2021) on October 01, 2021 i.e., beyond the 30 days' time period specified by the law, the violation on these 3 instances is established.

76. For the remaining instances i.e., 4 out of the 14 instances, the Noticee had submitted before the DA that the delay was due to the reason that the concerned company was facing issues in holding its share transfer committee meetings on account of Covid-related restrictions. The DA had rejected the argument citing the absence of any documentary evidence. No justification had been filed for the aforesaid 4 instances. In response to the SCN, the Noticee has now submitted that SEBI, vide Circular dated July 2, 2025, reopened the window for investors to re-lodge transfer deeds which were lodged prior to April 1, 2019 and rejected/returned/not attended owing to deficiencies till January 6, 2026. It is submitted that SEBI acknowledged the fact that there were various instances wherein investors were not able to re-lodge transfer deeds within the previously prescribed timeline and thus re-opened the window in order to accommodate such instances. It is urged that a lenient view may be taken and the alleged 14 instances of delay in processing re-lodgement requests be construed to have been processed during this extended and re-opened window.

77. I note that barring the 10 instances mentioned in the Table above, no cogent justification has been provided for the remaining 4 instances before me. The SEBI Circular dated July 2, 2025, reopened the window for submitting re-lodgement requests by investors; however, this does not operate to correct or undo delays that had already occurred on part of the Noticee in processing such requests during the inspection period. Accordingly, out of the 14 instances, violation is established for 3 instances where the advertisement was made on August 20, 2021 but processing was completed on October 01, 2021, beyond

the stipulated 30-day window, and for 4 instances where no justification whatsoever has been placed on record. For the remaining 7 instances, the extended timelines were complied with by the Noticee. Thus, I partly agree with the observation of the DA and find that the delay in processing transfer re-lodgement requests is established in 7 out of 14 sample instances observed during the inspection.

b. Discrepancy with respect to folio No. 5106374

78. The DA observed that the Noticee transferred shares in folio no. 5106374 to one Raj Kumar Sharma instead of his wife Shashi Sharma, who was the actual transferee, without the availability of the original copy of the transfer deed and signature of the transferor.

79. In its reply to the DA, the Noticee submitted that Raj Kumar Sharma is the husband of Shashi Sharma and also happens to be an advocate by profession. It was submitted that various documents and correspondences, reflected the name of Raj Kumar Sharma as the transferee. Regarding the unavailability of the original transfer deed and signature of the seller, it was submitted that SEBI Circular dated November 6, 2018, provides for certain relaxations in the procedure to be followed when certain documents related to the transfer are unavailable or where seller was not traceable or not cooperating. It was submitted that clause (d) of the circular read with clause c(iii) makes it clear that a transfer may be processed even in the absence of certain documents and the signature of the transferor, given that the buyer furnishes an indemnity bond, his identity proof/address proof and an undertaking that the shares will be locked-in for six months.

80. The DA rejected the Noticee's submissions and noted that the prescribed procedure in the said SEBI Circular becomes operative only when there is non-availability of any document required for transfer **and** the transferor is not

cooperating or not traceable and that the Noticee has brought nothing on record to show the fulfilment of the second requirement i.e., that the transferor was untraceable or uncooperative.

81. The DA noted that the transferor had written a letter dated November 18, 2008, wherein he had sought documentary proof or evidence with respect to the purchase of the share and there is nothing on record to show that the transferee provided the same. Further, the DA referred to a bill dated July 19, 1998, which showed that the bill was issued to Shashi Sharma. Additionally, Raj Kumar Sharma, in the indemnity bond submitted by him had mentioned that he has purchased certain securities in the name of his wife, i.e., Shashi Sharma. The DA concluded that despite the proof and evidence relied upon above, the Noticee transferred the shares in question to Raj Kumar Sharma, thereby allegedly being in violation of the applicable provisions w.r.t. proper documentation for processing the re-lodgement request in the folio.

82. In response to the allegations, the Noticee submitted that bill dated July 19, 1998 reflects the name of Shashi Sharma as the original buyer and the indemnity bond submitted by Raj Kumar Sharma clarifies that he is the actual buyer of the shares and that the shares were only being held in the name of his wife, i.e., Shashi Sharma, on his behalf. The Noticee further submitted that it is not the case that the shares were transferred to an unrelated person who was not the original transferee or that the Noticee acted in a fraudulent manner so as to unjustly profit from the transfer, but that Shashi Sharma was merely holding the shares on behalf of her husband who was the actual transferee, i.e., Raj Kumar Sharma. Thus, it has been submitted that the Noticee did everything in its capacity to follow the require standards of due diligence and that due regard and consideration must be given to the Noticee's efforts.

83. Having noted the submissions made by the Noticee, it is undisputed that the transferee in this case was Ms. Shashi Sharma and not her husband. It is also

not in dispute that the original copy of the transfer deed and signature of the transferor was not obtained by the Noticee. The DA's observation that SEBI Circular dated November 6, 2018 would not be applicable is also correct as both the conditions of the aforesaid Circular were not met. Thus, the Noticee failed to carry out adequate due diligence and did not follow the procedural requirements for transfer of the shares. Therefore, I agree with the observations of the DA in this regard.

c. Discrepancy with respect to folio No. 5996

84. The allegation in this regard was that the Noticee failed to consider the rejection points raised by the client company when the transfer request in folio no. 5996 was initially placed.

85. Noticee had submitted before the DA that there were two rejection points raised on the initial placing of the transfer request – *that the transfer deed was time-barred* and *that the stamp duty was inadequate.* The applicant subsequently made a request for re-lodgement directly to the company, which instructed the applicant to submit the required documentation for the transfer. It was submitted that the company, while being fully aware of the initial rejection points, did not raise any further issues or make any mention of the erstwhile rejection points, when directing the applicant to submit the documentation. The Noticee also notified the transferor of the shares of the re-lodged request vide letter dated March 31, 2021, and requested the transferor to share its objections to the same, if any. It is stated that no such objection was received from the transferor or the listed company and that the Noticee has ensured and conducted adequate due diligence when processing the request.

86. The DA rejected all the arguments of the Noticee and observed that the violation in this regard stood established.

87. In response to the present SCN, the Noticee has reiterated its submission which it made before the DA. It also added that the applicant submitted both the new transfer deed, which was not time-barred, and the old transfer deed, which was duly signed by the transferor and transferee.

88. Upon perusal of the material available on record, the issue for consideration is whether the Noticee undertook necessary due diligence prior to processing the transfer request. The initial objections raised for the re-lodgement request was that the *transfer deed was time-barred* and *that the stamp duty was inadequate*. The Noticee submitted that pursuant to the initial rejection, the applicant submitted a fresh request with the Company and provided a new transfer deed with adequate stamp duty. Based on the documents provided, the Noticee processed the re-lodgement. The Noticee's assumption that the company's instructions to the applicant to submit the required documentation meant that the previous rejection points were no longer relevant, seems to be valid since the new request was accompanied with valid documents. The DA has not made any observations on the validity of the fresh documents which the Noticee took into consideration for effecting the re-lodgement. It is also not the case that the shares were transferred to a wrong entity. Thus, based on the response of the Noticee, I am inclined to give benefit of doubt to the Noticee and find that *no discrepancy has been established with respect to folio No. 5996.*

d. Discrepancy with respect to folio No. 10792

89. The allegation in this regard was that there were two transfer deeds in folio no. 10792 with different consideration amounts and that there was a lack of signature of transferor on the second transfer deed.

90. The Noticee submitted that the value of the consideration in the first transfer deed placed on May 01, 2012 was according to the prevailing market price at

that time. The transfer request was subsequently re-lodged on March 29, 2019, and the consideration amount reflected the market price which was prevailing as on date. Thus, the difference in the consideration amount was due to the lodgement of the request on different dates and that the intent behind such a difference was in order to ensure that a fair and accurate valuation of the concerned shares is reflected.

91. For the lack of signature on the second transfer deed, it is submitted that the Noticee was already in possession of the signature of the transferor owing to the first request placed in 2012. As argued, the Noticee conducted the required degree of due diligence upon the receipt of the initial request itself, including sending a letter to the transferor, publishing a newspaper advertisement, and matching and verifying the signatures, and verified all the documents and details submitted to it. It is pertinent to note that the reason for the first transfer deed being rejected was not owing to any inherent deficiency but only because the Noticee did not have the procedural flexibility provided by the 2018 SEBI Circular at the time of receiving the request, i.e., in 2012. Thus, it was submitted the failure of the Noticee to affix the signature of the transferor on the second transfer deed amounts to a technical non-compliance which is purely procedural in nature.

92. The DA rejected the arguments of the Noticee on both counts. The DA observed that the Noticee cannot cede its duty by claiming that the discrepancy on the transfer deeds had occurred on account of the mention of the market price of the securities in the later transfer deed.

93. On perusal of the observation made by the DA and the surrounding circumstances, I disagree with the observation of the DA on differential consideration amount. The first transfer deed was made in year 2012 and the second was made in year 2019. The DA did not go into the merits of the argument made by the Noticee. The consideration amount is dependent on the

market value/fair value of the securities prevalent at the time of transfer and difference in the consideration value of the shares in year 2019 as compared to year 2012 is expected considering the prevailing market conditions and time value of money.

94. For the non-availability of signatures on the 2nd transfer deed, the Noticee's argument cannot be accepted that it was already in possession of the signature of the transferor owing to the first request placed in 2012. At the time of second transfer deed also, the Noticee was required to ascertain that all the documents available are sufficient including having a valid signature. Therefore, there was a lapse on part of the Noticee.

IX. Allegation w.r.t. delay in processing of transfer requests of physical shares

95. The DA observed that the Noticee in 8 instances processed the transfer requests of physical shares after cut-off date of April 1, 2019 and accordingly violation of Regulation 40 (1) of LODR Regulation read with SEBI Circular dated September 07, 2020 and Clause 3 of Schedule III read with Regulation 13 of RTA Regulations was established against the Noticee.

96. In response to the same, the Noticee has submitted that out of these eight instances, six instances pertained to transfer of physical shares from the nominees of the President of India to the President of India and it was not a transfer *per se* as the shares were not held by the transferors in their personal capacity, but as nominees to the President of India. The shares were transferred pursuant to explicit directions to that effect from the Ministry of Defense.

97. The DA had rejected the Noticee's submission stating that the prohibition in respect of the transfer of physical securities was absolute and no exception or exemption was provided in this regard.

98. The Noticee, in his response to the present SCN, has submitted that the DA has not considered the contention of the Notice that the movement of shares did not amount to transfer. The "processing" of the requests was not an actual transfer of the shares but merely a deletion of the nominees' name from the shares, thereby making the President of India the sole owner of the shares. Further, neither did the nominees pay any consideration for the shares in question nor did they ever receive any dividends resulting from the shares. Furthermore, there were no executed transfer deeds while processing the requests since only the names of the nominees were deleted.

99. For determining the issue, I refer to Regulation 40(1) of the SEBI LODR Regulations which reads as follows.

"Save as otherwise specified in provisions of securities laws or Companies Act 2013 and rules made thereunder, the listed entity shall also comply with the requirements as specified in this regulation for effecting transfer of securities:

Provided that requests for ***effecting transfer*** *of securities shall not be processed unless the securities are held in the dematerialised form with a depository:*

Provided further that transmission or transposition of securities held in physical or dematerialised form shall be effected only in dematerialised form."

100. The language of the provision is very clear that no transfer of security can be effected unless the securities are held in dematerialized form. The intent of

the regulation is to mandate the dematerialization (demat) of securities for all transfers, transmissions, and transpositions. Therefore, it is necessary to examine what amounts to transfer of securities.

101. The DA has observed that there was no exemption to any category of person and the prohibition in respect of the transfer of physical securities was absolute. While I agree with the said observation of the DA, it is also required to be examined whether the shares were in fact transferred or not in line with the submission of the Noticee. I refer to Section 112 of the Companies Act, 2013 which *inter alia* provides that the President of India or the Governor of a State, if he is a member of a company, may appoint such person as he thinks fit to act as his representative at any meeting of the company or at any meeting of any class of members of the company. Further, the person so appointed may be deemed to be a member of such a company and shall be entitled to exercise the same rights and powers, including the right to vote by proxy and postal ballot, as the President or, as the case may be, the Governor could exercise as a member of the company. Thus, it is clear that the President of India may nominate any person as his representative. Whether the transfer of shares from representatives of President of India to the President of India would amount to transfer or not, has not been examined by the DA.

102. In terms of Section 56 of the Companies Act*, a company shall not register a transfer of securities of the company, or the interest of a member in the company in the case of a company having no share capital, other than the transfer between persons both of whose names are entered as holders of beneficial interest in the records of a depository, unless a proper instrument of transfer, in such form as may be prescribed, duly stamped, dated and executed by or on behalf of the transferor and the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the company by the transferor or the transferee within a period of sixty days from*

the date of execution, along with the certificate relating to the securities, or if no such certificate is in existence, along with the letter of allotment of securities.

103. Thus for a valid transfer of securities, the names of both the transferor as well as transferee shall be mentioned in the records of the depository and there shall be an instrument of transfer in such form as may be prescribed. It is not disputed by the DA that the shares were earlier held by the representatives of President of India and were transferred to President of India. Considering the legal requirements of the provision, the intent and purpose behind the requirements, I agree with the submissions of the Noticee that this was not a 'transfer' as such. The "processing" of the requests was not an actual transfer of the shares but merely a deletion of the nominees' name from the shares' records, thereby making the President of India the sole owner of the shares. The representative of President of India was not the owner of the shares in the first place itself. Further, the submission of the Noticee is also correct that the obligation is upon the listed entity and as an agent of the listed entity the Noticee only operated as per and under the instructions of the issuer company, and thus, no fault can be found on the conduct of the Noticee. Accordingly, I do not agree with the observation of the DA for these six instances.

104. For the remaining two instances, it has been submitted that the transfer requests were processed in exceptional circumstances, taking into account the hardships suffered by the applicants. For folio no. 1437016, it was submitted that the transfer deed in regard to the folio was executed in 1997 and was lodged with MCS Ltd., the erstwhile RTA of SBI. The request was first rejected in 1999 on account of signature mismatch. The transfer request could not be re-lodged for a long time, as the transferor was not traceable. The transferor was subsequently only found in 2021, and the transfer request was accordingly re-lodged again pursuant to a letter dated October 14, 2021. Thus, it was evident that the transferees in the present case had to wait for more than 20 years to receive the shares. Accordingly, taking account of exceptional

circumstances and the hardship caused to the transferees, the transfer was processed in pursuance to the discussion with the client company. The transfer was approved by the company in its Share and Bonds Transfer-cum-Transmission Committee meeting dated December 3, 2021.

105. It is submitted that the transfer deed in regard to the folio no. 01148705 was executed in 1994. The request was rejected first in 1995 and then in 2005 on account of signature mismatch. The seller of the shares could not be traced for a long time. Finally, she was found and agreed to give a no-objection certificate in respect of the said transfer. The rejection letters dated July 28, 1995, and December 20, 2005, and no-objection certificate dated January 15, 2022 have been provided. In this case too, the transferee had to wait for more than 20 years to receive the shares. Accordingly, taking account of exceptional circumstances and the hardship caused to the transferees, the transfer was processed in discussion with the client company. The transfer request was approved by the company in its Share and Bonds Transfer-cum-Transmission Committee meeting dated February 8, 2022. As submitted by the Noticee, no prejudice was caused to any investors/client company and thus, a lenient view be taken in regard to the said violation.

106. I have noted the Noticee's submission and it is an admitted position that the transfer requests of physical shares were processed after the cut-off date of April 1, 2019. However, the Noticee has tried to justify it citing exceptional circumstances surrounding the case(s). The DA while acknowledging the exceptional circumstances had rejected the argument stating that the Noticee was required to adhere to the mandate of law in form and function, especially when the existing Regulations and Circulars expressly forbade the transfer of securities in a physical manner. It is stated by the DA that even if these two instances were indeed exceptional circumstances, it was incumbent on the Noticee to ensure that its actions were in line with the regulatory requirements.

107. The Noticee has also placed reliance on the judgment of of Hon'ble Supreme Court in the matter of *SEBI v. Ajay Agarwal*[4] wherein the following was observed:

"33. If we look at the legislative intent for enacting the said Act, it transpires that the same was enacted to achieve the twin purposes of promoting orderly and healthy growth of securities market and for protecting the interest of the investors. The requirement of such an enactment was felt in view of substantial growth in the capital market by increasing the participation of the investors. In fact such enactment was necessary in order to ensure the confidence of the investors in the capital market by giving them some protection.

34. The said Act is pre-eminently a social welfare legislation seeking to protect the interests of common men who are small investors. ***It is a well-known canon of construction that when the court is called upon to interpret provisions of a social welfare legislation the paramount duty of the court is to adopt such an interpretation as to further the purposes of law and if possible eschew the one which frustrates it…****"*

108. In the present case, the exceptional circumstances have been acknowledged by the DA also. It is submitted that the transferees, for no fault of their own, faced significant delays of over two decades due to traceability issues. Since the requests were processed by the Noticee to address the hardships caused to investors and the delay in processing of the said requests was not attributable to the Noticee, it would be appropriate to hold that the Noticee has not violated the spirit of the regulations. Therefore, I am not inclined to draw any adverse inference against the Noticee on this count.

X. Allegation w.r.t. absence of proper system to identify folios for enhanced due diligence

109. It was alleged that the Noticee did not have proper system to identify folios for enhanced due diligence. It was observed that during the inspection period

[4] (2010) 3 SCC 765

the request for issuance of duplicate shares of one Mr. Rakesh Kumar Verma for the folio of United Drilling Tools Ltd. was processed by the Noticee without the availability of crucial details such as PAN and Bank Account. The system of the Noticee did not flag this folio for enhanced due diligence, as no alert was found. Thus, the violation of Clauses 13 and 14 of part II to Annexure of the SEBI Circular dated April 20, 2018 was observed by the DA.

110. The Noticee, in his response, submitted that it has a system in place to detect folios in respect of which PAN or bank details are missing. The program runs on a weekly basis and flags folios based on the availability of the PAN or the lack thereof. The Noticee receives a system based alert whenever a request is raised from any of these folios. The Noticee had provided a sample screenshot of such an alert during inspection. The screenshot provided by the Noticee was not considered by the DA as it did not pertain to the folio no. 13346 (which was being examined) and no specific system-based alert for that folio was found.

111. I note that Clause 13 of the Annexure II of the SEBI Circular dated April 20, 2018 *inter alia* provides that the Issuer Company and the RTAs shall exercise enhanced due diligence in cases as specified therein including for cases wherein PAN / bank account details are not available in the folio. As per Clause 14 of the said Circular, RTAs shall have system based alerts for processing of all transactions in such account folios referred in Clause 13. Further, in case any request for transactions is received from such folios, the Issuer Company and RTAs shall exercise enhanced due diligence. For the purpose of exercising enhanced due diligence, Issuer Companies and/or RTAs shall call for documents related to proof of identity/address, PAN and bank details, and such other additional procedures that would enable the Issuer Company/RTA to reasonably satisfy itself about the genuineness of the request.

112. The Noticee has submitted that in relation to the specific folio, the documents mentioned in the clause were provided by the applicant in the application itself. Additionally, it is submitted that the Noticee verified the PAN card on the income tax website and other platforms, confirming that the PAN card provided by the applicant was linked to the Aadhar card submitted by the applicant.

113. I note that it is correct to state that the requirement does not expect every single alert to be stored. Also, the Noticee's provision of sample alert cannot be set aside purely because it did not pertain to the specific instance when there is no requirement to store all the alerts. Also, system based alerts are tools or means to identify the folio which requires enhanced due diligence. The intent of the requirement is to have a system for identifying the folio for enhanced due diligence and then exercising the enhanced due diligence. Noticee has submitted that it has the requisite system and for the present case the necessary documents required for enhanced due diligence were available and additionally the same were checked by Noticee from independent sources. The said submission has not been disputed by the DA.

114. It is mandate of the law that for enhanced due diligence issuer Compay(ies) and/or RTA(s) are required to call for additional documents related to proof of identity/address, PAN and bank details to reasonably satisfy itself about the genuineness of the request. Considering that SEBI's observation was based on a single instance, the sample alert shown by the Noticee and the fact that enhanced due diligence (w.r.t. the specific instance) was indeed carried out by the Noticee, I am inclined to give the benefit of doubt to the Noticee and disagree with the findings of the DA on this count.

XI. Allegation w.r.t. non-issuance of letters to shareholders

115. During the inspection, it was observed that the Noticee had failed to furnish copies of letters sent to the shareholders in 12 out of 14 sample cases for collecting PAN and bank details for folios where such information was not available. After considering the reply filed by the Noticee, the DA established the violation of Clause 12 of part II to Annexure of the SEBI Circular dated April 20, 2018 against the Noticee on this count.

116. The Noticee had submitted before the DA that the actual obligation to ensure the collection of PAN and bank account details rests with the listed company and the only role of an RTA in that regard is facilitation. The Noticee could not *suo moto* undertake the task of collecting PAN and bank details unless it was authorised by the listed company to do the same. In 11 out of the 12 alleged instances, the respective companies did not approve the sending of intimations to such shareholders. In 1 instance, the intimation was not sent owing to a court case which was ongoing at the time and concerned the shares in question. In this regard, the Noticee provided the 'stop transfer' order in respect of the company. The DA rejected the argument of the Noticee based on the unavailability of the copies of letters sent to the shareholders.

117. The Noticee has submitted that from the legal provision, it is clear that the obligation to take special efforts for the collection of PAN and bank account details rests solely with the issuer companies. The role of the RTA is only to operate under the instructions of the issuer company and not to proactively issue letters for such collection out of its own volition. Further, the Noticee has also referred to the SEBI consultation paper on '*Review of Regulatory Framework for Registrars to an Issue and Share Transfer Agents'* dated August 7, 2025 which addresses and clarifies the relationship between a client

company and its RTA to state that the RTA is only the agent of the company which acts as the principal.

118. To address the issue, I now refer to the relevant clause of the SEBI Circular dated April 20, 2018 which is reproduced below:

> *"12. Issuer Companies through their RTAs shall take special efforts to collect copy of PAN, and bank account details of all securities holders holding securities in physical form as mentioned below."*

119. The language of the provision is unambiguous and the obligation on the RTA is not direct rather flowing through the issuer companies. RTA activities can be undertaken by the issuer companies directly/ in-house or they can outsource such RTA activities to SEBI Registered RTAs. I also refer to the clause 4 of the said Circular which *inter alia* provides that *issuer companies shall strictly monitor the activities of their RTAs and ensure compliance of provision of this circular. It is clarified that where share transfer agent activities are carried out in-house by issuer companies, the issuer companies shall ensure that their in-house share transfer activities comply with the relevant norms as applicable to them.* Thus, even the Circular acknowledges the role of Issuer Companies in ensuring compliance with the legal requirements. I also refer to Regulation 2(f) of the RTA Regulations, which defines 'registrar to an issue" as *the person appointed by a body corporate or any person or group of persons to carry on the following activities on its or his or their behalf.* Thus, the RTAs acts as the agent for their appointed entity including the issuer companies. The Noticee has also referred to the SEBI's Consultation paper dated August 7, 2025 for '*Review of Regulatory Framework for Registrars to an Issue and Share Transfer Agents*' which also acknowledge the principle-agent relationship between the issuer company and the RTAs. It is also observed in the said consultation paper that even when RTA functions are

outsourced to an RTA, the ultimate responsibility for compliance with the provisions of the Companies Act remains with the Company only considering that the RTA functions as the agent of the Company. Further, no allegation has been made against the issuer company in this regard.

120. Having considered the provisions and submissions, I am of the view that the matter requires a more nuanced analysis than what was undertaken by the DA. The text of Clause 12 of the SEBI Circular dated April 20, 2018 provides that "*Issuer Companies through their RTAs shall take special efforts to collect copy of PAN, and bank account details*." The phrase "through their RTAs" is significant. It designates the RTA as the operative instrument through which the issuer company discharges this obligation. The obligation is therefore not simply one of facilitation; the RTA is the designated channel of compliance. However, the Circular also acknowledges, in Clause 4, that issuer companies shall strictly monitor the activities of their RTAs and ensure compliance. This creates a structure in which the issuer company bears primary responsibility and the RTA's obligation to act is contingent upon the issuer company's authorisation and direction.

121. In the present case, the Noticee has submitted, and it has not been disputed, that in 11 out of 12 instances, the respective companies did not approve the sending of such intimations. For the remaining instance, the intimation was not sent owing to a court case which was ongoing at the time and concerned the shares in question. Having said that, I note that the RTA cannot be expected to issue letters to shareholders without the express authorisation of the principal issuer company, particularly where the obligation under the Circular rests with the company. In the present proceedings, the records suggest that no allegation has been made against the issuer companies concerned. In these circumstances, while the spirit of the Circular requires that every effort be made to collect PAN and bank details, it is not possible to hold the Noticee

solely liable for a failure that is, in the peculiar facts of this case, attributable primarily to the inaction of the issuer companies. Accordingly, the violation of Clause 12 of part II to Annexure of the SEBI Circular dated April 20, 2018 is not established against the Noticee.

XII. **Allegation w.r.t. wrong reporting in half-yearly reports**

122. The DA noted that the Noticee did not report changes in the appointment and resignation of directors and key personnel in Sections III B and Section III D (iii) respectively, of the half-yearly reports filed for the periods ending September 30, 2021, March 31, 2022, and September 30, 2022. Accordingly, violation of SEBI Circular No. CIR/MIRSD/7/2012 dated July 05, 2012 read with SEBI Circulars No. RRTI Circular No. 1(94-95) dated October 11, 1994, SEBI Circular No. CIR/MIRSD/5/2011 dated June 17, 2011 and Regulation 14 (5) and Clause 3 of Schedule III read with Regulation 13 of RTA Regulations was established against the Noticee.

123. The Noticee has submitted that the non-disclosure of the changes in the appointment and resignation of directors and key personnel was an inadvertent omission. The violation was technical in nature and did not adversely affect any client/investors. The Noticee has since regularly reported such changes in their half yearly reports and no such observation has been made in the 2022-23 Inspection.

124. I note that the Noticee has admitted to the violations albeit termed them as technical in nature. Be that as it may, the violation of provisions of SEBI Circular dated July 05, 2012 read with SEBI Circulars No. RRTI Circular No. 1(94-95) dated October 11, 1994, SEBI Circular dated June 17, 2011 and Regulation 14 (5) and Clause 3 of Schedule III read with Regulation 13 of RTA Regulations stands established against the Noticee.

Concluding observations:

125. Based on the facts and circumstances of the case and the discussion hereinabove, the following violations are established against the Noticee.

i. **For the absence and on count of the validity of NISM Certification**, the violation of Section III (Compliance Certification)' of Annexure to SEBI Circular no. CIR/MIRSD/7/2012 dated July 05, 2012, Regulations 3, 6, 9 and 10 of CAPSEM Regulations, SEBI Notification no. LAD-NRO/GN/ 2009-10/18/175577 dated September 04, 2009 and Clauses 3, 16 and 29 of Schedule III read with Regulation 13 of RTA Regulations;

ii. **For non-maintenance of signature card**, the violation of Clause 25(a) and 1(m) of Schedule-1 read with Clause 8 of the Model agreement of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994 and Clause 3 of Schedule III read with Regulation 13 of RTA Regulations;

iii. **For delay in processing of 54 demat requests,** the violation of RRTI Circular dated May 20, 1999 read with Clause 5(c) Schedule III read with Regulation 13 of RTA Regulations;

iv. **For delay in processing of re-lodgement request, improper documentation for processing of re-lodgement request and non-availability of signature for the transfer of securities in one of the folio**, the violation of Clause A (1) of Schedule VII read with Regulation 40(7) of LODR Regulations, Regulation 40(3) of LODR Regulations and Clauses 2, 3, 5 (c) of Schedule III read with Regulation 13 of RTA Regulations;

v. **For wrong reporting in half-yearly reports,** the violation of provisions of SEBI Circular dated July 05, 2012 read with SEBI Circulars No. RRTI Circular No. 1(94-95) dated October 11, 1994, SEBI Circular dated June 17, 2011 and Regulation 14 (5) and Clause 3 of Schedule III read with Regulation 13 of RTA Regulations.

126. Having observed as above, the issue that needs determination is what should be the appropriate enforcement action against the Noticee. The DA has recommended regulatory censure and that the Noticee may be prohibited from taking up any new clients/assignments *qua* its activities as RTA for a period of one (1) year. The Noticee has submitted that most of the violations are technical and venial in nature and keeping with the true intent and purpose of an inspection, adequate and appropriate steps have been taken by Noticee to rectify the issues that had been identified. As submitted, the endeavors of the Noticee in this respect are evident from the observations of the inspection team in the post-inspection analysis reports in the 2022-23 Inspection (PIA-2) and in the 2024 Inspection (PIA-3) vis-à-vis the allegations in the SCN. (Copy provided)

127. The Noticee has also submitted that issuing adverse directions against it will be against the principle of proportionality. SEBI has already imposed a penalty of ₹10 Lakh on the Noticee for the alleged violations and non-compliances during the IP in the adjudication proceedings. Also, the IP was during the second and third waves of the COVID pandemic.

128. Having regard to the totality of facts and circumstances, I am of the considered view that the following factors are relevant for the purpose of determining the appropriate direction to be issued against the Noticee. *First*, the violations established are operational and technical in nature. None of the

established violations involved fraud, deliberate misrepresentation, or a willful attempt to circumvent regulatory requirements. *Second,* the violations occurred substantially during the inspection period of April 1, 2021 to September 19, 2022, which coincided with the unprecedented operational disruptions caused by successive waves of the COVID-19 pandemic, including Central and State Government-imposed lockdowns that materially impacted normal processing timelines. *Third,* the Noticee has demonstrated a clear and measurable trajectory of improvement across successive inspection periods. The comparison of PIA-1, PIA-2 and PIA-3 findings on record shows that nearly all the violations established in the present proceedings had been substantially addressed and were no longer observed in subsequent inspections. *Fourth,* no demonstrable loss to any investor, or to the integrity of the securities market, has been established as a consequence of the violations. *Fifth,* a penalty of ₹10 lakhs has already been imposed on the Noticee through adjudication proceedings arising from the same inspection and the same findings of fact.

129. While adjudication and enquiry proceedings serve different regulatory purposes, the principle of proportionality requires that the totality of regulatory consequences imposed on a party for the same underlying conduct are commensurate with the gravity of that conduct. Considering the facts and circumstances of the case and the mitigating factors, imposing a prohibition from taking up new clients or assignments for 12 months (as recommended by the DA) in addition to the monetary penalty already levied would be harsh and disproportionate. Accordingly, in my considered opinion, a regulatory censure to Noticee would be appropriate and justified in the present case.

Order

130. In view of the above, I, in exercise of the powers conferred upon me under Section 12(3) of the SEBI Act read with Section 19 thereof and Regulation 27(5) of the Intermediaries Regulations, issue a regulatory censure to the Noticee.

131. A copy of the Order shall be served on the Noticee and the concerned Market Infrastructure Institutions for necessary action and record.

AMARJEET SINGH

Digitally signed by AMARJEET SINGH
Date: 2026.08.12 18:10:29 +05'30'

AMARJEET SINGH

PLACE: MUMBAI **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA