

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: Mr. V.K.CHOPRA, WHOLE TIME MEMBER

ORDER

AGAINST M/S. AMI COMPUTERS (I) LTD

**UNDER SECTION 11(1), SECTION 11B AND SECTION 11D OF THE
SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992**

WTM/VKC/MIRSD/DPS-2/99 /07

1.0 Background

- 1.1** Securities and Exchange Board of India (hereinafter referred to as SEBI) had received a complaint dated January 15, 2007 from Shri Satish Choudhary under Right to Information Act, 2005 against the issuer company M/s Maikaal Fibres Ltd.(hereinafter referred to as MFL) and its Share Transfer Agent M/s AMI Computers (I) Ltd.(hereinafter referred to as AMI).

2.0 Preliminary Findings

- 2.1** SEBI, while examining the complaint of Shri Choudary, observed that the registration of AMI as a Category I Registrar to Issue and Share Transfer Agent (hereinafter collectively referred to as STA) had expired on September 15, 2006 and the entity had not applied for renewal of its registration.
- 2.2** However, perusal of the web-site of National Securities Depository Limited (hereinafter referred to as NSDL) indicated that AMI was continuing to function as the share transfer agent of MFL even after expiry of its registration. SEBI vide letters dated February 12, 2007 and March 12, 2007 wrote to AMI to confirm the factual position as regards their

dealings on behalf of MFL.

- 2.3** Since there was no response from AMI in this regard, SEBI wrote to the Depositories viz. NSDL vide letter dated May 9, 2007 and Central Depository Services (India) Ltd (hereinafter referred to as CDSL) vide letter dated May 9, 2007 to provide information on the details of the current Share Transfer Agent of MFL and also to confirm if the demat connectivity for MFL was through AMI. SEBI also wrote to the Depositories to confirm if AMI was undertaking share transfer activity on behalf of MFL and/or other companies after September 15, 2006.
- 2.4** The confirmation received from NSDL and CDSL suggested that AMI was functioning as a Share Transfer Agent for MFL even after expiry of its registration. This was evident from the number of demat and remat confirmations made by AMI on behalf of MFL subsequent to September 15, 2006.
- 2.5** Since the registered office of AMI Computers (I) Ltd is located at Kolkata, the officials of SEBI, Eastern Regional Office (ERO) visited the office of AMI to ascertain the activities carried out by AMI Computers (I) Ltd. The report submitted by SEBI, ERO mentioned that AMI Computers (I) Ltd. was still functioning in the capacity of Share Transfer Agent as on the date of the visit i.e. on June 11, 2007. Apart from MFL, SEBI, ERO also confirmed that AMI was functioning as a share transfer agent to other companies, namely T&I Global Ltd, Nicco UCO Alliance Credit Ltd, Nicco Corporation Ltd, Amar Shakti Commerce. In view of the above, SEBI wrote to NSDL and CDSL seeking to know the action taken by them against AMI as they were functioning as a Share Transfer Agent without being registered with SEBI.

2.6 CDSL in its reply vide letter dated June 13, 2007 and July 24, 2007 has mentioned that it has issued a termination notice to AMI on May 25, 2007 and further notices have been issued by CDSL to 18 companies serviced by AMI, instructing them to shift the share transfer records to another STA. Also, it was mentioned by CDSL that they have put on hold further requests for dematerialisation and rematerialisation received through AMI. NSDL vide its letter dated July 25, 2007 has inter alia stated that it has no regulatory jurisdiction vis-à-vis R&T agents and therefore they have not taken any action against AMI.

2.7 Further, it is pertinent to note that SEBI had received a letter dated August 17, 2006 from AMI wherein it has sought permission to act as STA for further 3-4 months after expiry of registration as STA. Against the said letter, SEBI vide letter dated November 20, 2006 informed that SEBI is unable to accede to its request and advised AMI to stop its activities immediately and submit explanation why the transfer of records was not completed before expiry of its registration. In response, AMI vide its letter dated November 30, 2006 has inter alia informed that it has already stopped acting as STA to its clients and only extending its support to them and their newly appointed STA till the transfer of database and records are effected smoothly. The information submitted by AMI is however contrary to the findings of inspection conducted by SEBI on June 11, 2007 and the information submitted by NSDL and CDSL in this regard.

3.0 Consideration of issues

3.1 As may be seen from the information and details gathered and enquiries made, it is clear that AMI had acted as STA to MFL and other companies even after its registration with SEBI had expired on September 15, 2006.

3.2 Further, CDSL by its letter dated May 22, 2007 had stated that from September 15, 2006 to May 16, 2007, AMI had confirmed 52 demat

requests in respect of MFL. NSDL vide its letter dated May 16, 2007 had informed that from September 16, 2006 to May 11, 2007, AMI had confirmed 237 demat requests in respect of MFL and 1 request for remat request and had also given the list of companies which were still acting through AMI.

3.3 As per Section 12(1) of SEBI Act,

“No stock broker, sub-broker, share transfer agent----- and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under and in accordance with the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act.”

It is apparent that AMI had acted as STA even after its expiration of registration with SEBI on September 15, 2006.

3.4 I have also noted that that SEBI had received a letter dated August 17, 2006 from AMI wherein it has sought permission to act as STA for further 3-4 months after expiry of registration as STA. Against the said letter, SEBI vide letter dated November 20, 2006 had informed that it is unable to accede to its request and advised AMI to stop its activities immediately and submit explanation as to why the transfer of records was not completed before expiry of its registration. In response, AMI vide its letter dated November 30, 2006 has inter alia informed that it has already stopped acting as STA to its clients and only extending its support to them and their newly appointed STA till the transfer of database and records are effected smoothly.

3.5 It is pertinent to note that SEBI had issued Circular bearing No. SEBI/MIRSD/DR-2/SRP/Cir - 2/ 2005 dated January 4, 2005 regarding

renewal of Certificate of Registration with SEBI. Clause 1 of the said circular clearly stipulates that

“If the application for renewal is not received at SEBI by the expiry date of the certificate of registration, the intermediary shall:

- a. cease to be an intermediary on the date of such expiry,*
- b. stop carrying on the activities of the intermediary from the date of such expiry, and*
- c. transfer, wherever relevant, the accounts / business of existing clients to another registered intermediary before the date of such expiry.*

If the intermediary fails to comply with all of the above, it will be considered as a violation of section 12 and may attract action under the relevant provisions of SEBI Act, 1992, and/or the Regulations framed there under.”

3.6 It is apparent that AMI had acted as STA after the expiry of its registration with SEBI and even after receiving intimation vide letter dated November 20, 2006 from SEBI that it cannot act as STA after the expiry of registration which is contrary to provisions of SEBI Circular dated January 4, 2005. Moreover, Clause 23 of the Code of Conduct specified under Schedule III under Regulation 13 of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 provides that,

“A Registrar to an Issue and Share Transfer Agent shall hand-over all the records/ data and all related documents which are in its possession in its capacity as a Registrar to an Issue and / or Share Transfer Agent to the respective clients, within one month from the date of termination of agreement with the respective clients or within one month from the date of expiry/cancellation of certificate of registration as Registrar to an Issue and / or Share Transfer Agent, whichever is earlier.”

3.7 Therefore, from the above findings, I am of the view that it is a fit case to pass directions under Section 11 (1), Section 11B and Section 11D of SEBI Act, 1992 against M/s. AMI Computers (I) Ltd.

3.8 I am of the considered view that due to imminent urgency and in order to safeguard the integrity of the securities market, the issuance of notice to show cause can be dispensed with and it will be in the interest of justice to pass an ex-parte order as the illegal conduct is to be stopped forthwith.

4.0 ORDER

4.1 Now, therefore, in exercise of the powers conferred upon me in terms of Section 11(1) read with Section 11B, Section 11D and Section 19 of the SEBI Act, 1992, I hereby direct

a) M/s. AMI Computers (I) Ltd to cease all activities pertaining to Registrar to Issue and Share Transfer Agent activities forthwith and also to transfer the records of its existing clients, if any, to another Share Transfer Agent registered with SEBI as identified by the concerned company or to the companies concerned immediately.

b) M/s. National Securities Depository Ltd and M/s. Central Depository Services (India) Limited to put on hold all requests for dematerialization and rematerialisation received through M/s.AMI Computers (I) Ltd. and the client companies of AMI may be instructed by the Depositories, NSDL and CDSL, to shift their STA urgently.

4.2 If AMI is aggrieved by this interim ex-parte order, it may file its objections , if any, in writing with SEBI within 15 days of this order, showing cause as to why the directions passed in this order should not be confirmed. For this purpose, this order may be treated as a show cause notice.

4.3 This order shall come into force with immediate effect.

PLACE: MUMBAI

DATE : 25.09.2007

V.K.CHOPRA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA