

GRC BULLETIN

SEPTEMBER - 2025, VOLUME: II

Case Law

SEBI Resolves Compliance Lapse by KFin
Technologies as RTA

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JUDICIAL INSIGHT

Case Title

[Settlement Order No. SO/JS/YK/2025-26/8035, Settlement Application No. 8035/2024 filed by KFin Technologies Limited, Date: 26 August 2025]

SEBI RESOLVES COMPLIANCE LAPSE BY KFIN TECHNOLOGIES AS RTA

Facts

- Who is involved: KFin Technologies Ltd (often called “KFintech”), a Registrar to an Issue and Share Transfer Agent (RTA). This means KFin handles administrative functions like maintaining investor records, handling share transfers, servicing mutual funds, etc.
- What inspection period: SEBI inspected KFin for the period from 1 February 2023 to 30 November 2023.

Key problems found:

- KFin did not exercise due diligence when it processed requests to dematerialize shares. Dematerialization is converting physical share certificates into electronic/demat form. Checking all required documentation is critical in this process.
- There were a large number of folios (investor account records) that did not have PAN details (~17,98,534 folios) and similarly many folios without bank account details (~17,75,683 folios). These folios were not flagged for “enhanced due diligence,” although regulations and SEBI circulars required such folios to be so flagged.
- **Process followed:**
 - SEBI communicated the findings via an inspection report dated ~21 March 2024, and asked for a reply.
 - On 8 July 2024, SEBI issued a Show Cause Notice (SCN) to KFin, asking why action should not be taken and what penalty, if any, should be imposed.
 - KFin filed a settlement application on 19 August 2024 under SEBI’s Settlement Regulations.
 - The Internal Committee (IC) of SEBI met with KFin’s representatives multiple times between October 2024 and April 2025 to settle terms.
 - The High Powered Advisory Committee (HPAC) reviewed and recommended a settlement amount of ₹87,75,000 (i.e., Rs 87.75 lakh). This was approved by SEBI’s Whole Time Members on 8 August 2025, and KFin paid the amount by 25 August 2025.



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Issue

The core issue before SEBI was:

- Whether KFin Technologies, as a registered RTA, had failed to comply with regulatory obligations and timelines prescribed under SEBI laws.
- If yes, what would be the appropriate course: formal penalty through adjudication, or closure through settlement upon payment?

Legal Judgment / Decision (what SEBI decided, legal basis, and outcome)

- The Show Cause Notice alleged that KFin violated provisions under the **RTA Regulations, 1993**, specifically:
- Clause 3 of Schedule III of the RTA Regulations (due diligence obligations), and
- Certain SEBI circulars/master circulars require folios with missing PAN or bank account details to be appropriately marked/treated.
- Under SEBI's **Settlement Regulations, 2018**, KFin's case was eligible for settlement. The settlement framework allows for resolving alleged violations without full adjudication, provided the entity accepts the terms, payment, and some undertakings.
- SEBI's adjudicating officer (Jai Sebastian) accepted the settlement terms after verifying that KFin had complied with the required undertakings (like marking folios with missing details, etc.). Upon payment of Rs 87.75 lakh, SEBI **disposed** of the adjudication proceedings. That means SEBI will not pursue further penalties or enforcement for these violations under that SCN.
- However, SEBI preserved its **right** to reopen or take action in the future if KFin misrepresented facts or breached any of the settlement terms. So the settlement does not imply that everything is forgiven unconditionally.
- KFin Technologies, a leading Registrar and Transfer Agent (RTA), was inspected by SEBI for its operations between February and November 2023. The inspection revealed that nearly 18 lakh investor accounts lacked Permanent Account Numbers (PAN) and another 18 lakh lacked bank details. Under SEBI rules, such folios must be flagged for enhanced due diligence, but KFin failed to do so.



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- SEBI issued a Show Cause Notice in July 2024, alleging regulatory lapses under the RTA Regulations, 1993, and section 15HB of the SEBI Act. KFin opted for settlement under SEBI's Settlement Regulations, 2018. After review by SEBI's internal and advisory committees, the settlement amount was fixed at ₹87.75 lakh, which KFin paid in August 2025.
- SEBI closed the case but reserved the right to reopen it if misrepresentation is discovered. The order underscores SEBI's strict stance on compliance, even for procedural lapses by large intermediaries.

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Link -

https://economictimes.indiatimes.com/markets/stocks/news/kfin-technologies-resolves-rta-rule-violation-case-with-sebi-for-rs-88-lakh/articleshow/123528121.cms?utm_source=chatgpt.com

https://upstox.com/news/business-news/financial-regulations/k-fin-technologies-pays-sebi-87-75-lakh-to-settle-rta-rule-violation-case/article-180286/?utm_source=chatgpt.com



Head Quarters:

Vasudha, 2nd Floor, No. 2, 38th Main Rd,
Rose Garden, JP Nagar Phase 6, J. P. Nagar,
Bengaluru, Karnataka 560078

Ph: 9900929400

Email: hello@ricago.com

Website: www.ricago.com

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